



Factors Influencing Financial Distress With Liquidity As A Moderating Variabel

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ABSTRACT

The aim of this research was to test and analyze the impact of profitability, capital structure also activity ratio regarding financial distress with liquidity as a moderating variabel in infrastructure companies. This study uses infrastructure sector firms registered on the Indonesia Stock Exchange (IDX) during the periode 2019 – 2023. Purposive sampling was the method employed for sampling, so that the sample obtained amounted to 19 and the total observations used were 95 observations. The data analysis method employed is Moderated Regression Analysis (MRA) using Eviews 12 application. The outcomes of this research concluded that profitability demonstrates a positive and a considerable influence on financial distress, capital structure have a negative and significant effect on financial distress, activity also liquidity ratios do not have a considerable effect on financial distress. Liquidity can moderate a relationship between capital structure on financial distress, but liquidity cannot moderate the relationship between profitability and activity ratio on financial distress.

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1. INTRODUCTION

The development of infrastructure in a balanced and sustainable manner is vital for advancing a country's economic progress. Adequate infrastructure enhances the efficiency of logistics and boosts connectivity between regions, while also generating employment, attracting investment, and improving Indonesia's competitiveness on the global stage. As an illustration, advancements in transportation infrastructure have significantly contributed to Indonesia's improved standing in the Global Competitiveness Index 2023 moving up 10 places compared to the previous year and have led to a 15% growth in the transportation sector, marking it as the fastest growing industry [1]. In the context of national and regional development, infrastructure is seen as a growth locomotive that can improve connectivity, productivity, and inter-regional accessibility, while lowering production costs on a

microeconomic scale. Minister of Finance Suahasil Nazara [2] stated that infrastructure development is key in driving long-term economic growth. The multiplier effect of infrastructure development is believed to strengthen economic sustainability across generations. Therefore, the government continues to improve infrastructure development to realize national economic resilience and sustainability.

Figure 1: Infrastructure Sector Index Development

Periode	Indeks	Ytd	Kapitalisasi Pasar*	Ytd
Smt I-2022	965,61	0,66%	876.032,73	2,61%
Smt II-2022	868,64	-9,45%	828.431,40	-2,96%
Smt I-2023	850,50	-2,09%	875.999,48	5,74%
Januari	851,89	-1,93%	822.033,08	-0,77%
Februari	844,52	-2,78%	863.123,66	4,19%
Maret	808,84	-6,88%	860.357,00	3,85%
April	822,05	-5,36%	883.994,14	6,71%
Mei	823,72	-5,17%	870.866,58	5,12%
Juni	850,50	-2,09%	875.999,48	5,74%

Source: www. ojk.go.id

According to information from the Indonesia Stock Exchange (IDX), the number of infrastructure sector issuers has increased during the 2019-2023 period. According to IDX Director of Corporate Valuation Gede Nyoman Yetna, this increase reflects the confidence of companies to expand through the capital market. However, despite the increase in market capitalization of the infrastructure sector, the sectoral index showed fluctuations, reflecting the pressure on share prices due to operational and financial challenges faced by companies. One of the key challenges facing infrastructure companies in Indonesia is the high cost of logistics, which stands at around 24% of Gross Domestic Product (GDP) - one of the highest in the world. Transportation inefficiencies, deteriorating road conditions, and limited interregional connectivity remain key drivers of high logistics costs in Indonesia. Recent data reveals that approximately 63% of the country’s trucking fleet is over a decade old, resulting in high maintenance expenses and reduced operational efficiency. In addition, the rising cost of fuel, adjustments in toll rates, and an investment climate that remains uncertain further complicate the sector’s challenges. For instance, the government’s plan to revise toll fees across 22 major routes in 2025 is expected to put additional pressure on national logistics expenses [3].

Business diversification by infrastructure companies without adequate competence is also a contributing factor to business failure [4]. Excessive diversification risks fragmenting the company's focus, weakening risk management, and reducing efficiency and competitiveness. In this context, focusing on core business and strengthening competencies is very important [5]. The Covid-19 pandemic has worsened the condition of the infrastructure sector. Project delays, infrastructure budget cuts, and operational restrictions have a significant impact on the decline in company revenues and profits, thus increasing the potential for financial distress. Pertiwi (2023) ongoing financial losses and consistently negative cash flows are recognized in recent research as key warning signs of potential financial distress, which may compromise a firm’s long-term viability if not addressed promptly [6].

Financial distress describes a condition in which a firm is unable to pay its financial liabilities. This problem can lead to default, bankruptcy, and liquidation. Therefore, analyzing and predicting the financial state of the company is very important, both for internal management and for investors [7]. In an effort to predict financial distress, various financial ratios can be used. One of them is the profitability ratio reflects the company’s capability to produce earnings [8]. Profitability ratios assess a company’s ability to generate earnings from its revenues and assets. According to Brealey, Myers, and Allen (2020), these ratios are essential for investors, creditors, and management to evaluate the company’s operational

efficiency and competitive position [9]. According to Bilqis (2022), recent research suggests that companies with strong profitability are less likely to experience financial distress, as consistent earning enhance financial stability and reduce the likelihood of liquidity shortfalls [10]. Many companies typically finance their business operations through internal funding, which is commonly represented by return on assets (ROA), indicating how effectively they utilize their total assets (Camino-Margo & Bermudez-Barrezueta, 2019) [11]. However, previous research results demonstrate inconsistent findings. Purwaningsih et al. (2022) found that profitability has a significant positive effect on financial distress [12], whereas Aullia et al. (2023) the study found that profitability had no statistically significant impact on financial distress [13].

In addition to profitability, capital structure is also an important indicator. A capital structure characterized by a high proportion of debt increases the risk of financial distress, especially in the case that the value of debt exceeds the valuation of the firm's assets (Rokhayati et al., 2023) [14]. However, a study from Syafira et al. (2024) actually shows that a high capital structure can reduce the degree of financial distress, reflecting an efficiency in utilizing borrowed funds [15]. Another ratio that is also used is the activity ratio, which reflects the efficiency of the organization in leveraging its assets to generate profits. This ratio is important in assessing operational performance that can affect financial stability. Risalah et al. (2023) showed a significant effect of the activity ratio in causing financial distress [16], but different conclusions were found by Neni et al. (2022) [17].

Furthermore, liquidity is also considered an important variable that can moderate the correlation between profitability, the composition of capital, and activity regarding financial distress. Liquidity shows the extent to which a company can meet its immediate financial commitments (Kasmir, 2019) [18]. In financial analysis, Palepu, Healy, and Bernard (2019) note that a healthy liquidity ratio reflects effective working capital management. Conversely, excessively low or high liquidity ratios may signal financial difficulties or inefficiencies in a company's operations [19]. Several pieces of research indicate that liquidity has a significant effect on the risk of financial distress (Ni Luh et al., 2019), but there is no strong consensus by Susanto et al. (2023) the results show that the liquidity ratio does not have a significant effect on financial distress [20]. Based on this description, it can be concluded that it is important to further analyze the financial factors that affect financial distress in infrastructure companies. This is an urgency considering that this sector has a major contribution to national development but also has a high risk of failure. This study anticipates to provide contributions to the academic literature and become a reference for management and investors in making strategic decisions.

2. METHOD

The method adopted to evaluate the data within this study is panel data statistical modeling. This analysis is intended to investigate how the use regarding profitability, capital structure, and activity ratios related to financial distress in conjunction with liquidity as a moderator variabel. Secondary data consisting of financial statement information from infrastructure companies registered on the Indonesia Stock Exchange for the period 2019 - 2023 obtained from various sources, namely from the Indonesia Stock Exchange's portal at www.idx.co.id, and through the respective official website of each infrastructure organization to be studied. The method of sampling adopted in this research is purposive sampling, a technique that involves particular factors. The standars for the companies chosen as samples in this research are as follows:

- a. Companies engaged in the infrastructure sector that are publicly traded on the Indonesia Stock Exchange for the timeframe 2019 - 2023 consecutively;
- b. Organizations that present thorough financial statements during the period 2019 – 2023:
- c. Companies that have never been delisted from listed on the Indonesia Stock Exchange between 2019 to 2013; and

d. Companies that did not experience losses during the 2019-2023 period.

By using the sample selection criteria above, of the 68 issuers in the population data, 19 issuers were obtained that met these criteria. In regression analysis using panel data, the model has the potential to be estimated applying three alternative approaches for modelling, specifically the Common Effect Model, Fixed Effect Model, and Random Effect Model. And tests used for model selection, which consist of the Chow Test, Hausman Test, and Lagrange Multiplier Test to compare and select the most appropriate model for the data observed in this research.

3. RESULTS AND DISCUSSION

3.1 Descriptive Data Analysis

Table 1. Test Results of Descriptive Statistics

	S Score (Y)	ROA (X1)	DER (X2)	FATO (X3)	QR (Z)
Mean	0.8020	4.3739	1.4313	6.5991	2.2440
Maximum	2.9128	12.4733	6.0523	55.8029	25.3970
Minimum	0.1063	0.0505	0.0388	0.1501	0.1815
Std Dev.	0.5843	3.3005	1.2850	10.9055	3.5914
Observations	95	95	95	95	95

Source: Data analyzed using EViews 12, 2025

According to the data in the descriptive statistical summary table, the average S-Score in infrastructure companies shows a value of 0.8020, the highest S-Score value of 2.9128 is PT Jasa Armada Indonesia Tbk in 2021, and the lowest S-Score value of 0.1063 is PT XL Axiata Tbk in 2020. The standard deviation shows a value of 0.5843. The ROA (Return on Asset), the variable records an average of 4.3739, the highest ROA value of 12.4733 is PT Telkom Indonesia (Persero) Tbk in 2019, and the company with the lowest ROA level of 0.0505 is PT LCK Global Kedaton Tbk in 2023. The standard deviation shows a value of 3.9961. The DER (Debt to Equity Ratio) variable indicates an average of 1.4313, the highest DER level with a value of 6.0523 is PT Adhi Karya (Persero) Tbk in 2021, and the company with the lowest DER level with a value of 0.0388 is PT LCK Global Kedaton Tbk in 2023. The standard deviation is 1.2850. The Fixed Asset Turnover (FATO) variable has an average FATO of 6.5991, the highest FATO level with a value of 55.8029 is PT Wijaya Karya Bangunan Gedung Tbk in 2023, and the company with the lowest FATO level with a value of 0.1501 is PT Inti Bangun Sejahtera Tbk in 2020. The standard deviation is 10.9055. The Quick Ratio (QR), the variable records an average QR of 2.2440, the uppermost QR level with a value of 25.3970 is PT. LCK Global Kedaton Tbk in 2023, and the company with the lowest QR level with a value of 0.1815 is PT. Sarana Menara Nusantara Tbk in 2023. The standard deviation is 3.5914.

3.2 Structural Break Test (Chow Test)

Table 2. Results of the Chow Test

Effect Test	Statistic	d.f	Prob.
<i>Cross-section F</i>	11.1840	(18.72)	0.0000
<i>cross-section Chi-Square</i>	126.7251	18	0.0000

Source: Data analyzed by Eviews 12, 2025

The outcomes of the calculations above indicate that the Chow Test results obtained by the Cross-section F as the value of 0.0000 is smaller than 0.05, Ho is dismissed, and Ha is accepted, indicating that the most suitable model applied in this study is the Fixed Effect Model.

3.3 Hausman Test

Table 3. Hausman Test

	<i>Chi-sq. Statistic</i>	<i>Chi-sq.d. f</i>	<i>Prob.</i>
<i>Cross-section random</i>	13.9318	4	0.0075

Source: Data processed by EViews 12, 2025

The results derived from the above calculations demonstrate the outcomes of the Hausman Test obtained a randomly determined cross-section value of $0.0075 < 0.05$, resulting in Ho being rejected and Ha being accepted, meaning showing the more appropriate model used in this study represents the Fixed Effect Model.

3.4 LM Test

Table 4. LM Test Results

	<i>Cross-section</i>	<i>Test Hypothesis Time</i>	<i>Both</i>
<i>Breusch-Pagan</i>	52.3822 (0.0000)	0.5015 (0.4788)	52.8838 (0.0000)

Source: Data analyzed by EViews 12, 2025

Based on the above computations, it is shown that the Lagrange Multiplier Test findings obtained a value from the Breusch-Pagan test $0.0000 < 0.05$, as a result, Ho rejected and Ha is approved, meaning indicating the more suitable model applied in this study is the Random Effect Model.

Table 5. Best Panel Data Analysis Model Selection Results

Test	Test Criteria	Statistic	Prob.	Best Model
<i>Chow</i>	<i>Cross-section F</i>	11.1840	0.0000	FEM
<i>Hausman</i>	<i>Cross-section random</i>	13.9318	0.0075	FEM
<i>Lagrange Multiplier</i>	<i>Breusch Pagan</i>	52.3822	0.0000	REM

Source: Researcher-derived data, 2025

The outcomes of the three best panel data regression model tests have shown that the Fixed Effect Model (FEM) represents the optimal model in this study.

3.5 Intercept Analysis

Tabel 6. Intercept Analysis

Stock Code	Constant	Coefficient	Intercept
ADHI	-0.261192	0.441095	0.179903
BALI	-0.170518	0.441095	0.270577
BUKK	-0.033785	0.441095	0.407310
CMNP	-0.401247	0.441095	0.039848
EXCL	-0.142124	0.441095	0.298971
GHON	-0.332268	0.441095	0.108827
GOLD	0.193623	0.441095	0.634718
IBST	-0.188826	0.441095	0.252269
IPCM	1.103365	0.441095	1.544460
LCKM	0.983983	0.441095	1.425078
NRCA	0.008126	0.441095	0.449221
POWR	0.329051	0.441095	0.770146

Stock Code	Constant	Coefficient	Intercept
PPRE	-0.140918	0.441095	0.300177
PTPP	-0.197919	0.441095	0.243176
TBIG	-0.015624	0.441095	0.425471
TLKM	-0.153886	0.441095	0.287209
TOTL	-0.075643	0.441095	0.365452
TOWR	-0.099807	0.441095	0.341288
WEGE	-0.404393	0.441095	0.036702

Source: Data analyzed using Eviews 12, 2025

This analysis shows that all companies have positive intercept values, reflecting their financial condition when variables such as profitability, capital structure, and activity ratio are zero. Companies with high intercepts such as IPCM, LCKM, and GOLD show strong financial resilience, possibly due to external factors or other internal forces. In contrast, companies like GHON and WEGE, which have low intercepts, are more dependent on key financial factors and are more prone to financial distress. Other companies are in the moderate intercept range, indicating a neutral financial condition. In general, financial sustainability is affected not only by financial factors, but also by other factors outside the model.

3.6 T test

Table 7. Results of the t-test

Variable	Coefficient	Std. Error	t-statistic	Prob.
C	0.4410	0.1620	2.7224	0.0082
ROA	0.0751	0.0258	2.9007	0.0050
DER	-0.1861	0.0795	-2.3409	0.0221
FATO	0.0033	0.0081	0.4107	0.6826
QR	-0.0375	0.0197	-1.9064	0.0608
ROA_QR	-0.0088	0.0086	-1.0191	0.3117
DER_QR	0.2471	0.0919	2.6875	0.0090
FATO_QR	0.0033	0.0042	0.8014	0.4256

Source: Data analyzed by Eviews 12, 2025

According to the table above, the constants and coefficients of each variable that will form the right model in this study are obtained:

$$\text{S-Score Y} = 0.4410 + 0.0751 \cdot \text{ROA} - 0.1861 \cdot \text{DER} + 0.0033 \cdot \text{FATO} - 0.0375 \cdot \text{QR} - 0.0088 \cdot \text{ROAQR} + 0.2471 \cdot \text{DERQR} + 0.0033 \cdot \text{FATOQR}$$

According to the regression equation above, the following is an explanation of the correlation of the independent variable with the dependent variable along with the moderating variable contained within infrastructure companies listed on the Indonesia Stock Exchange (IDX) for the specified period 2019 - 2023.

1. The constant term in this equation model has a value of 0.4845 with a probability rate of 0.0006, it can be determined that the constant is substantial in this study.

2. The impact of Profitability (ROA) in relation to financial distress

The conclusions drawn from the panel data regression above show that the profitability variable (Return on Asset) shows a coefficient of 0.0751 with a probability rate of 0.0050. This demonstrates that the ROA variable contributes positively and significantly to financial distress, so it becomes generally concluded that Profitability (Return on Asset) has contribution to financial distress.

3. The impact of Capital Structure (DER) in relation to financial distress

The results obtained from the aforementioned panel data regression about financial showing that the capital structure variable (Debt to Equity Ratio) displays a coefficient of -0.1861 with a probability rate of 0.0221. This implies that the DER variable negatively and significantly influences financial

distress, leading to that in general it can be determined that the Capital Structure (Debt to Equity Ratio) has an impact on financial distress.

4. The impact of activity ratio (Fixed Asset Turnover) in relation to financial distress

The findings from the panel data regression indicate that the activity ratio variable (Fixed Asset Turnover) shows a coefficient of 0.0033 with the probability of 0.6826. This indicates that the FATO variable demonstrates a positive but insignificant contribution to financial distress, therefore it is generally concluded that there is no effect of the activity ratio (Fixed Asset Turnover) on financial distress.

5. Effect of liquidity ratio (Quick Ratio) in relation to financial distress

The conclusions from the panel data the regression results presented above demonstrate that the liquidity variable (QR) contains a coefficient of -0.0375 with a probability of 0.0608. This means that the QR variable has a negative and significant effect on Financial Distress, so in general it can be concluded that Liquidity (Quick Ratio) has an effect on Financial Distress.

3.7 F test

Table 8. F Test Results

<i>F-Statistic</i>	24.5783
<i>Prob (F-Statistic)</i>	0.0000

Source: Researcher-derived data, 2025

Referring to the F test results table, the probability value (F-Statistic) is 0.0000, which is less than 0.05, which means showing that the variables collectively and significantly affect the independent variables (Profitability, Capital Structure, Activity Ratio) and moderation (Liquidity) regarding the dependent variable (Financial Distress).

3.8 Coefficient of Determination (R²)

Table 9. Koefisien Determinasi (R²)

<i>R-Squared</i>	0.8990
<i>Adjusted R-Squared</i>	0.8624

Source: Researcher-derived data, 2025

Based on the table above, the value of Adjusted R² shows 0.8624 otherwise 86.24%. This indicates that the variation in Profitability (ROA), Capital Structure (DER), and Activity Ratio (Fixed Asset Turnover) is able to explain the variation in the increase or decrease related to financial distress occurring in infrastructure enterprises recorded on the Indonesia Stock Exchange (IDX) for the duration 2019 - 2023 by 86.24% on the other hand, the remaining 13.76% is determined by other variables that are not considered in this regression model.

3.9 Regression Analysis with Moderating Variables (MRA Test)

Table 10. Results of the MRA Test

Variable	Coefficient	Std. Error	t-statistic	Prob.
C	0.4410	0.1620	2.7224	0.0082
ROA	0.0751	0.0258	2.9007	0.0050
DER	-0.1861	0.0795	-2.3409	0.0221
FATO	0.0033	0.0081	0.4107	0.6826
QR	-0.0375	0.0197	-1.9064	0.0608
ROA_QR	-0.0088	0.0086	-1.0191	0.3117
DER_QR	0.2471	0.0919	2.6875	0.0090
FATO_QR	0.0033	0.0042	0.8014	0.4256

Source: Researcher-derived data, 2025

According to the table above and the MRA results shown in table 10, it can be inferred as follows:

1. Liquidity (Quick Ratio) can moderate the impact of profitability (ROA) regarding financial distress. Based on moderation test outcomes above, from this, it is apparent that the Liquidity (Quick Ratio) indicator has a substantial impact, as indicated by a significant value of $0.0608 > 0.05$, while the moderation variable Liquidity (Quick Ratio) with interaction on Profitability (ROA) with a value representing significance of $0.3117 > 0.05$, therefore it can be called a Potential Moderation Variable, so in general it can be concluded that Liquidity (Quick Ratio) does not influence the strength or weakness of the relationship between Return on Asset (Profitability) and Financial Distress significantly.
2. Liquidity (Quick Ratio) can moderate the impact of capital structure (DER) regarding financial distress. Based on moderation test outcomes above, from this, it is apparent that the Liquidity (QR) indicator has a substantial impact as indicated by a significant value of $0.0608 > 0.05$, while the moderating factor Liquidity (Quick Ratio) with interaction on Capital Structure (DER) indicating a significance value of $0.0021 < 0.05$, so it can be called a Pure Moderation Variable, so that in general it can be concluded that Liquidity (Quick Ratio) can weaken or strengthen the correlation between Capital Structure (DER) with financial distress significantly.
3. Liquidity (Quick Ratio) can moderate the effect of Activity Ratio (Fixed Asset Turnover) regarding financial distress.

Based on moderation test outcomes above, from this, it is apparent that the Liquidity (Quick Ratio) indicator has a substantial impact as indicated by significant value of $0.0608 > 0.05$, while the moderation variable Liquidity (Quick Ratio) with interaction on Activity Ratio (Fixed Asset Turnover) with a significance value of $0.4256 > 0.05$, so it can be called a Potential Moderating Variable, so in general it can be concluded that Liquidity (Quick Ratio) does not have the ability to amplify or diminish the connection between Activity Ratio (Fixed Financial Turnover) and Financial Distress significantly.

3.10 Discussion

The findings of this study reveal that profitability (ROA) has a positive and significant impact on financial distress. This aligns with the research by Purwaningsih and Safitri (2022), who noted that companies with high profitability are not necessarily immune to financial distress risks, as excessive expansion can heighten their exposure to financial difficulties. However, these results differ from the study by Dias et al. (2023), which concluded that profitability tends to lower the likelihood of financial distress. This discrepancy may stem from the unique characteristics of Indonesia's infrastructure sector, which faces specific challenges such as high logistics costs and a reliance on long-term projects.

The capital structure (DER) demonstrates a negative and significant effect on financial distress. This suggests that companies with a well-balanced capital structure, even when carrying substantial debt, are able to effectively manage the risk of financial distress. This result is in line with the study by Syafira and Dewi (2024), which found that efficient debt utilization can enhance a company's financial stability.

On the other hand, the activity ratio (FATO) does not exhibit a significant impact on financial distress. This suggests that the efficiency of utilizing fixed assets to generate income has not been a key factor in mitigating financial distress within the infrastructure sector, possibly because this sector relies more heavily on large-scale projects with extended cash flow cycles.

Regarding moderation, liquidity (Quick Ratio) is shown to moderate the relationship between capital structure and financial distress, but it does not significantly moderate the relationship between profitability or activity and financial distress. This implies that liquidity has a more critical function in

cushioning the adverse effects of corporate debt, rather than altering the influence of profitability or operational efficiency on financial distress.

This study has a number of limitations. Firstly, it focuses solely on infrastructure sector companies listed on the IDX from 2019 to 2023, which may limit the generalizability of the findings to other sectors. Secondly, although purposive sampling was employed to enhance data relevance, this method still carries the risk of selection bias. Thirdly, the model incorporates only financial variables, whereas external factors such as government policies and macroeconomic conditions, which may also influence financial distress, were not examined in depth.

For future studies, it is advisable to broaden the scope to include other sectors with similar characteristics. Additionally, combining quantitative methods with qualitative approaches, such as interviews with company executives, could provide richer insights. Further exploration of variables like corporate governance, managerial efficiency, and external elements such as inflation and interest rates are also recommended.

As a researcher, conducting this study has offered valuable insights into the intricate nature of Indonesia's infrastructure industry. The data collection and analysis process demanded meticulous attention, particularly in selecting the appropriate statistical models to accurately assess the relationships between variables. One of the main challenges encountered was grasping the financial dynamics of infrastructure firms, which are greatly impacted by long-term projects and fluctuating market conditions. It is hoped that this research will contribute not only to academic literature but also serve as a useful reference for business practitioners seeking to better understand the factors that influence their companies' financial health.

4. CONCLUSION

This study aims to examine the impact of profitability, capital structure, and the role of activity ratios in financial distress moderated by liquidity within infrastructure firms registered on Indonesia Stock Exchange (IDX) during the period 2019 - 2023. Based on the study, the results can be concluded as follows:

1. Profitability produces a positive and considerable influence on financial distress. Referring to the results, it is possible to interpret indicating that higher the ROA, the potential for the business to experience the risk of financial distress will rise as well.
2. Capital structure shows a considerable adverse impact on financial distress. Referring to the outcomes, it is possible to interpret indicating that an optimal capital structure with a balanced composition involving debt and equity has the potential to negatively affect the potential financial distress owned by a company.
3. Activity ratio does not have significant impact regarding financial distress. From these results, it is possible to interpret that the efficiency of the company in using its fixed assets to generate revenue does not have a strong influence on financial distress.
4. Liquidity cannot moderate the relationship between profitability and financial distress. One reason is that profitability itself already has a strong direct impact on financial distress, so the presence of liquidity as a moderating variable does not provide a significant additional effect.
5. Liquidity can moderate the correlation between capital structure and financial distress. In conditions where the company has high liquidity, the risk posed by the use of large debt can be minimized because the company possesses enough liquid resources to meet its immediate financial responsibilities, thus reducing a possibility of financial distress.
6. Liquidity cannot moderate the relationship between activity ratios on financial distress. Liquidity cannot moderate the correlation between activity ratios with financial distress because both reflect

similar short-term operational aspects, so liquidity does not provide additional influence or significantly strengthen/weaken the relationship.

- Liquidity does not have significant impact regarding financial distress. From these results, it is possible to interpreted that as the degree of increases company liquidity, indicating that smaller a possibility of the company being in financial distress.

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