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Enrichment: Journal of Multidisciplinary Research and Development

# Determinants of Financial Distress with Institutional Ownership as a Moderating Variable in the Telecommunications Industry in Indonesia

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**ABSTRACT**

Indonesia's telecommunications sector serves as a key catalyst for economic growth and technological advancement in the era of globalization and Industry 4.0, with digital transformation acting as the primary force behind these changes. This study aims to analyze the influence of leverage, profitability, sales growth, and corporate social responsibility on financial distress. Furthermore, this research seeks to evaluate the role of institutional ownership as a moderating variable in affecting the relationship between these factors and financial distress. The method used in this study is Moderated Regression Analysis (MRA) with E-Views 12 software. The population in this study consists of 22 telecommunication companies listed on the Indonesia Stock Exchange during the 2019-2023 period and the sampling technique used is purposive sampling. The results show that leverage, profitability, sales growth has a significant negative effect on financial distress, while corporate social responsibility do not affect financial distress. Institutional ownership can moderate the influence of leverage and sales growth on financial distress but cannot moderate the effect of profitability and corporate social responsibility on financial distress.

**Keywords:** Financial Distress, Leverage, Profitability, Sales Growth, Corporate Social Responsibility, Institutional Ownership

## INTRODUCTION

The telecommunications industry in Indonesia plays an important role as a driver of economic growth and technological innovation in the era of globalization and the Industrial Revolution 4.0, with digital transformation as the main driver of change. While various companies have adopted technologies such as IoT and AI, challenges such as skill limitations and cultural resistance remain significant barriers. In addition, *merger* and *acquisition* trends, along with inefficient working capital management, can trigger financial risks. Institutional ownership practices also play a strategic role in shaping corporate policy and asset management. Financial distress can be recognized early through various financial and operational indicators that reflect a decline in a company's ability to meet its financial obligations. Based on field observations, a notable phenomenon in recent years is the fluctuation in capital expenditure values, which tend to show an upward trend.

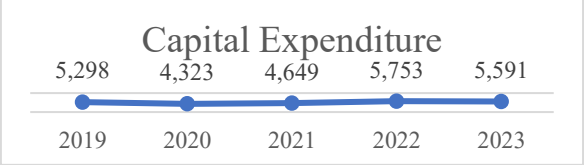


**Figure 1.** ***Trend Capital Expenditure*** **on 10 Telecommunication Companies in Indonesia 2019 – 2023**
Source: *idx.co.id*

The Capital Expenditure (*CapEx*) chart from 2019 to 2023 shows a fluctuating pattern with an overall increasing trend. In 2019, the company's capital expenditure was recorded at IDR 5,298 billion, then experienced a significant decline in 2020 to IDR 4,323 billion, possibly as a result of the COVID-19 pandemic, which suppressed investment activities. However, starting in 2021, *CapEx* increased again to IDR 4,649 billion, then jumped sharply in 2022 to reach IDR 5,753 billion—the highest figure over the five-year period. Although there was a slight decline in 2023 to IDR 5,591 billion, this value remains relatively high and reflects the company's continued commitment to expansion or asset renewal. This upward trend in capital expenditure indicates that companies are undertaking significant spending, so it is important to ensure that these investments are truly productive and supported by strong cash flow. If not managed carefully, high *CapEx* can increase the financial burden and potentially push the company toward financial distress. Generally, financial distress often occurs when companies allocate large amounts of capital expenditure (*CapEx*) without adequate cash flow. This imbalance can encourage companies to take on more debt, thereby increasing their financial burden. As a result, the company's operational capabilities may decline, as reflected in the decrease in *EBITDA* and *ROA*, due to the invested assets failing to generate optimal profits. This is evident from the fluctuations in *EBITDA* values, which tend to decrease among telecommunications companies, as outlined below.

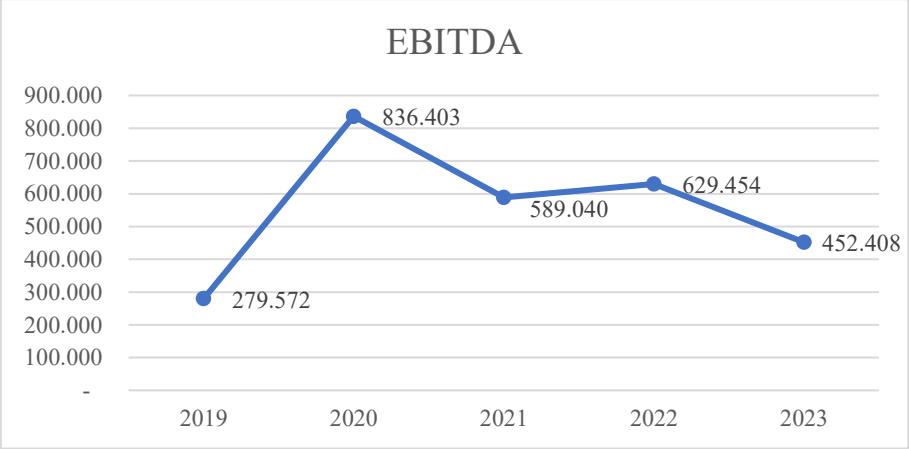


**Figure 2. *Trend* EBITDA in 10 Telecommunication Companies in Indonesia 2019 – 2023**
Source: *idx.co.id*

Significant EBITDA fluctuations in several telecommunications companies in Indonesia, especially the decline from 2020 to 2021 and declining again in 2023, can be an indicator of potential *financial distress*. In a highly competitive industry that requires large investments in infrastructure such as 5G networks, lower EBITDA could reflect the challenges of maintaining stable revenues and reducing operating costs. This can be exacerbated by external pressures such as tight regulations, technological change, and intense price competition. If this trend continues in the absence of a clear recovery strategy, telcos may face the risk of serious *financial distress*, such as difficulty meeting debt obligations and a decline in investor confidence. In addition to EBITDA, this condition is increasingly seen from the company's ROA and ROE conditions as follows.

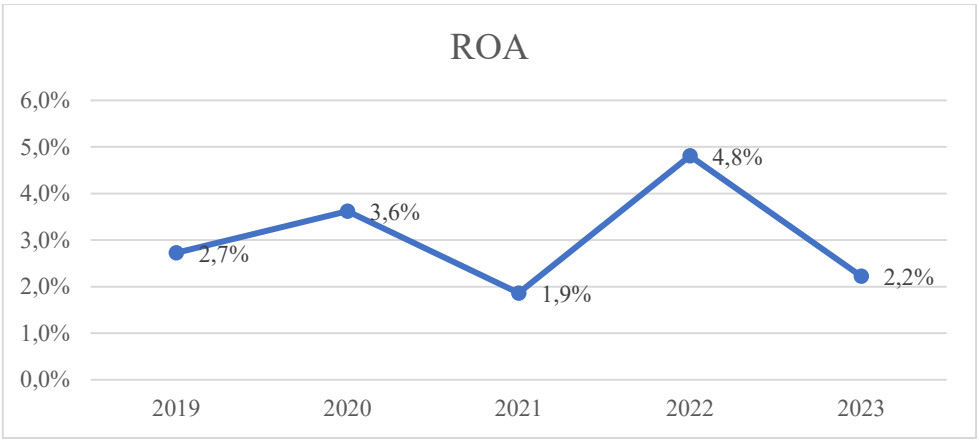


**Figure 3. *Trend* ROA in 10 Telecommunication Companies in Indonesia 2019 – 2023**
Source: *idx.co.id*

Based on Figure 1.1 above, the ROA trend from 2019 to 2023 shows significant fluctuations that can indicate a potential financial *distress* for the company. The increase in ROA from 2.7% in 2019 to 3.6% in 2020 initially signaled an improvement in asset utilization efficiency and increased profitability. However, the sharp decline in ROA to 1.9% in 2021 hinted at financial pressures that may be caused by unfavorable investments or a decline in profit margins. The significant surge in ROAs to 4.8% in 2022 reflects a temporary recovery, but the decline back to 2.2% in 2023 indicates continued instability and potential financial difficulties. These fluctuations not only reflect problems in the company's operational management and strategy, but can also indicate the impact of external factors that affect the company's financial stability in the long term.

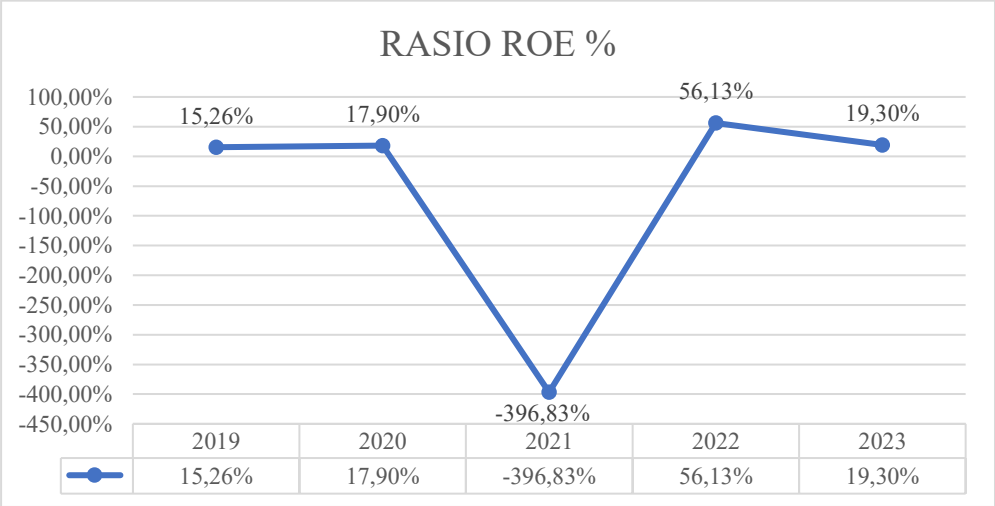


**Figure 4. *Trend* ROE in 10 Telecommunication Companies in Indonesia 2019 – 2023**
Source: *idx.co.id*

The *return on equity* (*ROE*) ratio in Indonesian telcos fluctuated during 2019–2023, with a sharp decline in 2020 due to the impact of the COVID-19 pandemic that caused non-financial financial distress, where several companies recorded negative *ROE*. However, in 2022, when the pandemic began to subside, telecommunications companies experienced a significant recovery thanks to their vital role in supporting online activities and accelerating technology adoption, so that *ROE* increased positively again. In this context, *leverage* is one of the important factors because it can help business financing, but it also contains a significant risk of financial distress if not managed wisely (Komala & Triani, 2019; Mahaningrum & Merkusiwati, 2020; Michael et al., 2024). In addition, various studies show mixed results

regarding the influence of *profitability* on financial distress, with some stating that the influence is negative (Pertiwi, 2018), insignificant (Rohmadini et al., 2018), or positive (Wahyuni, 2021), indicating the complexity of the relationship between these financial variables.

Other factors such as *sales growth* also demonstrate an inconsistent relationship with financial distress, with some studies showing a positive influence (Muslimin & Bahri, 2023; Sopian & Rahayu, 2017) and others indicating a negative impact (Amanda & Tasman, 2019; Widhiari & Merkusiwati, 2015). *Corporate Social Responsibility* (*CSR*), while not always having a direct impact on financial distress, is still recognized as important for the company's reputation, customer loyalty, and sustainability. Several studies state that *CSR* has a significant positive effect on financial distress (Choi et al., 2021; Shi et al., 2023), but there are also those who state the opposite (Purnawingsih & Aziza, 2019; Al-Hadi et al., 2017). On the other hand, *institutional ownership* shows mixed results in relation to financial distress; some studies support significant influences (Michael et al., 2024), while others deny the existence of such influences (Suryadi & Sherly, 2022; Rosifah et al., 2023). This reinforces the importance of further research with an empirical approach to comprehensively examine the determinants of financial distress in the telecommunications sector.

Some research on financial distress has been conducted, but differences in the results remain. Research by Mahaningrum & Merkusiwati (2020), Dwiantari et al. (2021), and Arifin et al. (2021) mention that *leverage* has a positive effect on financial distress, while research by Ismaili (2021) reveals that *leverage* negatively affects financial distress. In contrast, research conducted by Dirman (2020), Laurena & Ramantha (2022), and Amalina & Trisnaningsih (2023) mentions that *leverage* has no effect on financial distress. In line with Dirman (2020), research by Khan & Raj (2020) also stated that *profitability* has a positive effect on financial distress. Meanwhile, research conducted by Arifin et al. (2021), Dwiantari et al. (2021), and Ismaili (2021) mentions that *profitability* has a negative effect on financial distress. Other studies by Naibaho & Natasya (2023) and Arafah & Kusumawati (2024) mention that financial distress can be influenced by *profitability*, but is not significantly affected by *sales growth*. Meanwhile, research by Muslimin & Bahri (2023) states that *sales growth* has a positive effect on financial distress. Studies by Choi et al. (2021), Shi et al. (2023), Farooq & Noor (2021), and Utami et al. (2021) state that *CSR* has a negative effect on financial distress, while Kurnia & Djuminah (2022) and Koohi et al. (2022) mention that *CSR* has no effect on financial distress. Research by Widawati et al. (2023) points out that *institutional ownership* can strengthen the influence of *profitability* on financial distress. These varying results demonstrate a research gap. Therefore, this study seeks to reaffirm the influence of each of these variables on financial distress within the Indonesian telecommunications industry.

The telecommunications industry in Indonesia, which is growing rapidly amidst technological advances and the differing findings from previous research on the factors that affect financial distress, makes this topic relevant for renewed examination. This study aims to analyze the influence of *leverage*, *profitability*, *sales growth*, and *corporate social responsibility* on financial distress, as well as evaluate the role of *institutional ownership* as a moderating variable in these relationships in telecommunication companies listed on the Indonesia Stock Exchange during the 2019–2023 period.

This study is expected to provide both theoretical and practical benefits. Theoretically, it can enrich the literature and academic knowledge related to factors influencing financial distress, particularly in Indonesia's telecommunications industry, by examining the roles of *leverage*, *profitability*, *sales growth*, *corporate social responsibility*, and *institutional ownership* as a moderating variable. Practically, the findings of this research can serve as a reference for company management in formulating financial strategies and *CSR* policies to minimize the risk of financial distress.

## METHOD

The research method used in this study is a quantitative approach with a type of *causal* research, aiming to examine the cause-and-effect relationship between the variables of *leverage*, *profitability*, *sales growth*, and *corporate social responsibility* on financial distress, with *institutional ownership* as a moderating variable. The data used is secondary data in the form of financial and annual statements of telecommunication companies listed on the Indonesia Stock Exchange (*IDX*) during the 2019–2023 period. The sample was determined using *purposive sampling* techniques based on specific criteria and analyzed through panel data regression and *moderated regression analysis* (*MRA*) with the assistance of EViews 12 software. The analysis begins with a test of classical assumptions (*normality*, *multicollinearity*, *heteroscedasticity*, and *autocorrelation*), followed by the selection of the best regression model (*common effect*, *fixed effect*, or *random effect*), then proceeds with simultaneous and partial hypothesis testing, as well as interaction analysis to determine the moderating role of *institutional ownership*.

## RESULTS AND DISCUSSION

### Classic Assumption Test

#### *Normality Test*

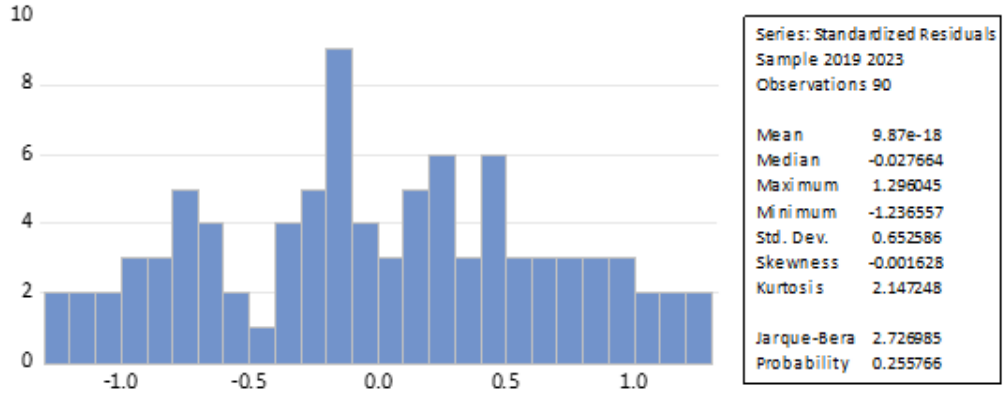


**Figure 5. Data Normality Test Results**
Source: Eviews Data Processing Results Version 12, 2025

Normality testing with the Jarque-Bera method, a value of 0.255766 was obtained. Because the prob value is above 0.05, conclusions can be drawn if the data distribution is normal.

#### *Heteroscedasticity Test*

The test is performed with *the breusch-pagan-godfrey test.* Here are the outputs of the results:

**Table 1. Heteroscedasticity Test Results**

| **Heteroscedasticity Test: Breusch-Pagan-Godfrey** | | |
|---|---|---|
| **F-statistic** | 2.113283 | **Prob. F(5,84)** = 0.0717 |
| **Obs*R-squared** | 10.05618 | **Prob. Chi-Square(5)** = 0.0737 |

Source: Processed Data using EViews Version 12, 2025

These results show that the classical assumptions regarding homoscedasticity are fulfilled, so the regression model used can be considered valid and worthy of further analysis.

### *Multicollinearity Test*

**Table 2. Multicollinearity Test Results**

| Variable | Coefficient Variance | Uncentered VIF | Centered VIF |
|---|---|---|---|
| C | 677.4029 | 23.98655 | N/A |
| DER | 12.75126 | 1.664654 | 1.556996 |
| ROA | 5.050696 | 2.245289 | 2.211552 |
| *Sales Growth* | 22.72376 | 2.065670 | 1.982495 |
| CSR | 652.3298 | 12.81332 | 1.118179 |
| M | 724.3341 | 17.39528 | 1.278984 |

Source: Eviews Data Processing Results Version 12, 2025

The VIF values of all variables in the regression model are located in the range of less than 10, which indicates that there is no multicollinearity problem. A VIF lower than 10 indicates that each independent variable does not show a strong relationship with the other independent variables, so regression models can be relied upon to provide accurate estimates without distortions caused by multicollinearity.

### *Autocorrelation Test*

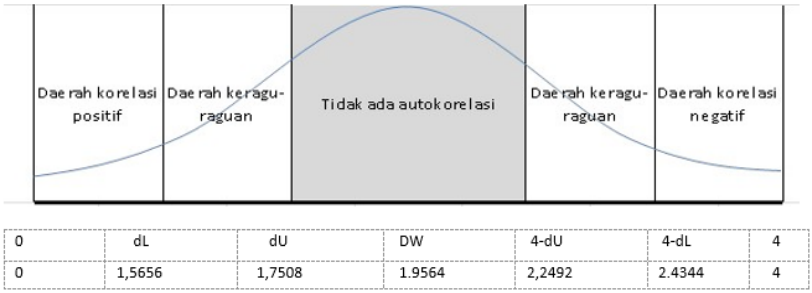


**Figure 6. Autocorrelation Test Results**
Source: Eviews Data Processing Results Version 12, 2025

The DW score was recorded at 1.956051 with a significance of α = 5%. This shows that the data does not experience autocorrelation, because 1.7508 < 1.9564 < 2.2492 (dU < dW < 4-dU).

### Selection of Regression Models

The following are the tests conducted to determine the best estimation model:

### *Chow Test*

The chow test output showed that the selected model was FEM, because the chi-square probability value of 0.0000 was below 0.05.

**Table 3. Chow Test Results Redundant Fixed Effects Tests Equation: Untitled**

| Effects Test | Statistic | Prob. |
|---|---|---|
| Cross-section F | 12.697601 | 0.0000 |
| Cross-section Chi-square | 133.881508 | 0.0000 |

Source: EViews Data Processing Results, Version 12, 2025

### *Hausman Test*

**Table 4. Hausman Test Results Correlated Random Effects - Hausman Test Equation: Untitled Test cross-section random effects**

| Test Summary | Chi-Sq. Statistic | Chi-Sq. d.f. | Prob. |
|---|---|---|---|
| Cross-section random | 213.611006 | 9 | 0.0000 |

Source: Processed Data using EViews Version 12, 2025

Based on the above output, the probability value is 0.0000 which is below the number 0.05 and the FEM model is selected. Since in the hausman test, *FEM* is selected as the best model, lagrange testing is not required.

**Panel Data Regression Analysis Test**

**Table 5. Panel Data Regression Test Results**

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | -6.693572 | 17.44303 | -0.383739 | 0.7024 |
| DER | -0.337911 | 0.039966 | -8.454976 | 0.0000 |
| ROA | -35.62225 | 4.108308 | -8.670784 | 0.0000 |
| Sales Growth | -10.25618 | 3.557026 | -2.883359 | 0.0053 |
| CSR | -3.217660 | 23.54238 | -0.136675 | 0.8917 |

Source: Eviews Data Processing Results Version 12, 2025

Based on the results of panel data regression with the FEM method approach in Table 5, the panel data regression equation is obtained as follows:

*Financial Distress* = -6.693572 - 0.337911 DER - 35.62225 ROA -10.25618 *Sales Growth* - 3.217660 CSR + e

The interpretation of the panel data regression equation above is as follows:

1) The constant value is -6.693572, this means that if all independent variables are in a constant condition or unchanged, then the *value of financial distress* is recorded at -6.693572.
2) The value of the *variable coefficient of Leverage*/DER(X1) of -0.337911 states that for every increase of 1 unit in the leverage variable, assuming that the other independent variables are constant, resulting in a decrease in the value of the dependent variable of 0.337911. The value of a negative coefficient describes the inverse relationship between *leverage* and dependent variables.
3) The value of the variable coefficient of Profitability/ROA(X2) of -35.62225 indicates that for every increase of 1 unit in the ROA, assuming that the other independent variables are constant, so that the value of the dependent variable decreases by 35.62225. Negative coefficients indicate a negative relationship between ROA and dependent variables.
4) The value of the coefficient of *the Sales Growth* variable (X3) of -10.25618 states that every 1 unit increase in the *Sales Growth* variable, assuming that the other independent variables are constant, then the value of the dependent variable will decrease by 10.25618. This negative coefficient indicates a negative relationship between *sales growth* and dependent variables.
5) The value of the CSR variable coefficient (X4) of -3.217660 indicates that every 1 unit increase in the CSR variable, assuming that the other independent variables are fixed/constant, the value of the dependent variable will decrease by 3.217660. This negative coefficient indicates a negative relationship between CSR and dependent variables, although statistically the probability value is not statistically significant (p-value = 0.8917).

**Simultaneous Significance Test (F Test)**

The results of the simultaneous test in this study are as follows:

**Table 6. Simultaneous Test Results**

| | |
|---|---|
| F-statistic | 31.15798 |
| Prob (F-statistic) | 0.000000 |

Source: Eviews Data Processing Results Version 12, 2025

The results of the simultaneous tests revealed a prob result of 0.0000 lower than the significance value of 0.05. Therefore, *leverage, profitability, sales growth,* and *CSR* simultaneously affect *financial distress*

**Coefficient Determination (Adjusted R-squared)**

Testing is useful in measuring how much role all predictor variables can explain the response variable.

**Table 7. Coefficient Results *Adjusted R-square***

| | |
|---|---|
| R-squared | 0.905859 |
| Adjusted R-squared | 0.876786 |

Source: Eviews Data Processing Results Version 12, 2025

The R-squared value of 0.876786 in this research model indicates that the variation or change that occurs in the dependent variable, namely *financial distress*, can be explained by 87.67% by the independent variables used in this study, namely leverage, *profitability*, *sales growth*, and *corporate social responsibility* (CSR). In other words, these four variables make a considerable contribution in explaining the company's *financial distress* condition. Meanwhile, the remaining 12.33% is the influence of other factors outside the model that were not studied or not included in the analysis in this study, such as macroeconomic factors, managerial policies, industry conditions, and other variables that may also have a role in influencing the level of *financial distress*.

**Partial Significance Test (t-test)**

The following are the results of the partial test in this study:

**Table 8. Panel Data Regression Test Results**

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| DER | -0.337911 | 0.039966 | -8.454976 | 0.0000 |
| ROA | -35.62225 | 4.108308 | -8.670784 | 0.0000 |
| Sales Growth | -10.25618 | 3.557026 | -2.883359 | 0.0053 |
| CSR | -3.217660 | 23.54238 | -0.136675 | 0.8917 |

Source: Eviews Data Processing Results Version 12, 2025

Refer to Table 9. Above, the results of the partial testing can be described as follows:

1. Leverage affects financial distress
   The Leverage variable or DER (X1) has a t-Statistic value of -8.454976 with a probability value of 0.0000 (< 0.05). This shows that leverage has a significant negative effect on dependent variables. Thus, the hypothesis put forward regarding the influence of leverage is accepted, and the data support the hypothesis.
2. Profitability affects financial distress
   The Profitability variable or ROA (X2) has a t-Statistic value of -8.670784 with a probability value of 0.0000 (< 0.05). This shows that profitability measured by ROA has a significant negative effect on dependent variables. Thus, the hypothesis put forward regarding the influence of profitability is accepted, and the data support the hypothesis.
3. Sales Growth Affects Financial Distress
   The Sales Growth (X3) variable has a t-Statistic value of -2.883359 with a probability value of 0.0053 (< 0.05). This shows that sales growth has a significant negative effect on dependent variables. Thus, the hypothesis proposed regarding the influence of sales growth is accepted, and the data support the hypothesis.
4. CSR Not affects financial distress

The CSR variable (X4) has a t-Statistic value of -0.136675 with a probability value of 0.8917 (≥ 0.05). This shows that CSR does not have a significant effect on dependent variables. Thus, the hypothesis put forward regarding the influence of CSR is rejected, and the data do not support the hypothesis.

## Moderated Regression Analysis *(MRA)* Test Results

**Table 9. MRA Results of Institutional Ownership with Interaction**

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| DER*KI | 5.218358 | 1.282162 | 4.069969 | 0.0001 |
| ROA*KI | 205.9522 | 135.4183 | 1.520859 | 0.1333 |
| SG*KI | -46.81386 | 11.20527 | -4.177842 | 0.0001 |
| CSR*KI | 81.09135 | 59.41540 | 1.364820 | 0.1772 |

Source: Eviews Data Processing Results Version 12, 2023

Based on Table 9. The MRA regression equation is obtained as follows:
*Financial Distress* = -15.61382 - 2.578881 DER - 108.4585 LONG -1.090672 SG - 75.73498 CSR + 13.37103 TO + 5.218358 DER*KI + 205.9522 LONG*TO - 46.81386 SG*KI + 81.09135 CSR*KI + e

Based on Table 9, the DER*KI interaction variable shows a t-statistical value of 4.069969 with a DER probability of 0.0001 (< 0.05). Therefore, it can be concluded that IP significantly plays a role as a moderation variable in the relationship between *leverage* and *financial distress* in companies in the telecommunications sector during the 2019–2023 period. Thus, the fifth hypothesis (H5) in this study is acceptable because it is supported by data.

In Table 9, the variable ROA*KI has a t-statistical value of 1.520859 with a probability value of ROA of 0.1333 (≥ 0.05). Thus, it can be interpreted that KI does not significantly moderate the relationship between ROA and *the financial distress* of telecommunications sector companies in the 2019-2023 period, so that the sixth hypothesis (H6) in this study is rejected, the data do not support the hypothesis

In Table 9, the SG*KI variable has a t-statistical value of -4.177842 with a probability value of SG of 0.0001 (< 0.05). Thus, it can be interpreted that KI is able to significantly moderate the relationship between SG and *the financial distress* of telecommunication sector companies in the 2019-2023 period, so that the seventh hypothesis (H7) in this study is accepted, the data support the hypothesis

In Table 9, the CSR*KI variable has a t-statistic value of 1.364820 with a CSR probability value of 0.1772 (≥ 0.05). Thus, it can be interpreted that KI does not significantly moderate the relationship between CSR and *the financial distress* of telecommunication sector companies in the 2019-2023 period, so that the eighth hypothesis (H8) in this study is rejected, the data does not support the hypothesis

## The Effect of *Leverage* on *Financial Distress*

Referring to the data output that has been analyzed by panel data regression using the FEM method, it is concluded that there is a role of influence with the negative direction of *leverage* against *financial distress* in telecommunications sector companies during the 2019-2023 period. The higher the value *leverage* indicates that most of the company's funding comes from external sources. Relationship between *leverage* and *financial distress* tend to be negative, because additional external funding can make it easier for companies to diversify their businesses ((Suryani, 2020). If the company is able to manage this strategy of using external funds effectively, it is likely that it will *financial distress* will be decreasing

Additional external funds are expected to be able to boost the company's performance, thereby helping to maintain its financial stability ((Suryani, 2020). Meanwhile, research

(Septiani & Dana, 2019) indicates that the level of *leverage* Large is not always associated with a high probability of bankruptcy, but it can also indicate low risk. The ability of a heavily indebted company to finance asset purchases and increase its profitability. The results of this study are also in line with *trade-off theory*, which focuses on the balance between the benefits and costs of debt. *Leverage* provide benefits in the form of tax burden reduction through *tax shield,* where the interest on debt can be deducted from taxable profit. This allows companies to increase profitability without significantly increasing tax costs.

The findings in this study show consistency with the results of previous research conducted by (Septiani & Dana, 2019), (Suryani, 2020) which also concludes that leverage has a negative influence on *financial distress*. This means that the higher the company's ability to utilize *leverage* Optimally, the less likely the company is to face a depressed or unhealthy financial condition.

**The Effect of Profitability on *Financial Distress***

Based on the results of data analysis conducted through the panel regression method, it can be concluded that the profitability variable is able to encourage a decrease in *the company's* financial distress condition. This research is in line with research (Izzah et al., 2021) which suggests that profitability has a negative impact on *financial distress*. High profitability reflects the company's ability to generate stable and consistent profits, which contributes to the company's overall financial health. With high profits, companies can meet financial obligations such as debt and interest payments on time, thereby reducing the risk of default. In addition, high profitability allows the company to strengthen financial reserves, fund operational activities, as well as invest in long-term business strategies, which ultimately strengthens operational stability.

**The Effect *of Sales Growth* on *Financial Distress***

Based on the results of data processing using panel data regression analysis, it was concluded that *sales growth* had a negative effect on *financial distress*. This research is in line with (Halim & Riswan, 2024) who found that *Sales growth* has a negative influence on *financial distress*. Good sales growth lowers the risk of financial failure because it creates income stability and provides flexibility for companies to manage risk. However, this influence can vary depending on the type of industry, financial management strategy, and market conditions. In the context of companies facing stiff competition or economic fluctuations, *Sales growth* can be an important indicator to assess a company's ability to face financial and operational challenges.

**The Effect of *Corporate Social Responsibility* on *Financial Distress***

Based on the results of data processing with panel data regression using the FEM method, it is concluded that *CSR* does not have a significant negative influence on *financial distress* in telecommunications sector companies during the 2019-2023 period. These findings indicate that the implementation of CSR programs, while having a positive impact on corporate image and stakeholder relations, is not directly able to reduce risks *financial distress* company. CSR often has no direct impact on a company's financial condition in the short term. This is because CSR focuses more on long-term goals, such as improving the company's reputation, building customer loyalty, and strengthening relationships with the community ((Dwi et al., 2023).

This research also supports (Putri et al., 2024) which says that CSR is part of a business strategy and that companies can reap economic benefits in return. If the company has weak financial management, allocations for CSR cannot effectively reduce risk *financial distress*.

From the perspective of agency theory, this finding can be explained by the existence of a conflict between the interests of shareholders and management.

Management may implement CSR programs to improve the company's image or meet stakeholder expectations, but do not direct the results of those CSRs to improve the company's financial condition. For example, the decision to expand a CSR program without considering the company's financial condition can increase the cost burden, which ultimately does not help in reducing the *financial distress.* The results of this study are in line with the results of research conducted by (Utami et al., 2021; Kurnia & Djuminah 2022; (Koohi et al., 2022)).

**The Effect of *Leverage* on *Financial Distress* Moderated by Institutional Ownership**

Based on the results of data processing with panel data regression using the FEM method, it is concluded that institutional ownership is able to moderate influence *leverage* against the effect on *financial distress.* Institutional ownership acts as an effective supervisory mechanism, so that it can minimize risks *financial distress* caused by *leverage* tall ones. This effect occurs because institutional investors tend to have long-term interests and expertise that can help ensure companies use *leverage* wisely. Based on agency theory, the existence of institutional investors who have significant stakes in the company can reduce the potential for conflicts between owners (*principal*) and manager (agent) (Rosifah et al., 2023).

This is in line with research (Aliyana et al., 2020) and (Rosifah et al., 2023) which shows that institutional ownership plays a role in reducing agency issues between shareholders and the company's management. Institutional investors can ensure that funds obtained through debt are used for productive investments and not for risk-enhancing activities *financial distress.* Thus, the results of this study confirm that institutional ownership has an important role in moderating influence *leverage* against *financial distress.*

**The Effect of Profitability on *Financial Distress* Moderated by Institutional Ownership**

Based on the results of data processing with panel data regression using the FEM method, it can be concluded that the institutional ownership variable does not play a significant role as a moderation variable in the relationship between profitability and *financial distress*. In other words, how large or small the portion of share ownership by the institution is not able to strengthen or weaken the influence of profitability on the possibility of the company experiencing financial pressure. This shows that the existence of institutional investors is not necessarily automatically able to encourage companies to manage profits in a way that can reduce the risk of *financial distress*. Although a company has a high level of profitability, it does not necessarily guarantee a stable financial condition or freedom from financial stress. The effectiveness of profitability in suppressing *financial distress* is greatly influenced by how the profits are allocated and used by the company's management, whether it is directed to support healthy operations, strengthen the capital structure, or be used for other purposes that do not contribute to long-term financial resilience.

This is in line with agency theory, which states that conflicts of interest between institutional owners and management can affect strategic decision-making. In this context, even if the company records high profitability, institutional ownership may not encourage management to use those profits optimally, such as to pay off debts or strengthen working capital. In contrast, some institutional shareholders may focus more on short-term dividends than long-term financial sustainability, thus influencing profitability on *financial distress* remains insignificant. This is in line with the results of research conducted by (Nurdiansari, 2023), which also reveals that institutional ownership is unable to moderate the influence of profitability on *financial distress.* However, it is not in line with the results of the research conducted by (Maghfiroh et al., 2022), which actually states that institutional ownership cannot moderate the effect of profitability on *financial distress.*

**The Effect of *Sales Growth* on *Financial Distress* Moderated by Institutional Ownership**

Based on the results of data processing with panel data regression using the FEM method, it is concluded that institutional ownership is able to moderate the influence of sales growth on the decline *financial distress*. Sales growth reflects an increase in operating income that has the potential to reduce the risk of financial difficulties. However, these benefits are only optimal if the income is managed with good governance, which is often reinforced by the presence of institutional investors.

This is in line with research (Aliyana et al., 2020) and (Rosifah et al., 2023), which indicates that ownership by institutions has the potential to minimize conflicts of interest between shareholders and the company's management. Institutional ownership acts as a supervisory mechanism that improves corporate governance. In relation to the aspect of sales growth, the existence of institutional ownership also contributes to directing management to manage the additional revenue obtained from increased sales wisely and efficiently. This is important so that the available resources can be used as optimally as possible to strengthen the company's financial structure and minimize the possibility of it happening *financial distress*, as explained by *(*(Ali et al., 2024). Thus, the existence of institutional investors not only improves the aspect of managerial supervision, but also strengthens the positive relationship between sales growth and a more stable and sustainable financial condition of the company.

**The Influence *of Corporate Social Responsibility* on *Financial Distress* Moderated by Institutional Ownership**

The results of the study show that institutional ownership does not moderate the influence of *Corporate Social Responsibility* (CSR) on *financial distress*. These findings indicate that the role of institutional ownership as a corporate governance mechanism is not strong enough to increase the effectiveness of CSR in reducing the risk of *financial distress*. Institutional ownership, which is often assumed to have a significant influence on a company's strategic decision-making, does not always provide an effective moderation impact. Although institutional shareholders typically have the capacity to drive strategic CSR execution, they are often more focused on short-term performance than supporting the implementation of sustainability-oriented CSR and the reduction of corporate financial risks.

This is in line with (Asiva Noor Rachmayani, 2015) which states that institutional ownership can be oriented towards a quick return on investment, thus paying less attention to the long-term benefits of CSR. institutional ownership is considered not to have a significant influence on the effectiveness of the implementation of CSR programs, because generally institutional owners are not actively involved in the process of supervision or evaluation of the implementation of CSR programs in companies. The result of this lack of involvement is that the implementation of CSR is not optimal, and even has the potential to be carried out only as a formality or as a form of fulfilling administrative obligations to meet regulatory requirements alone. Thus, the real impact of CSR on the company's financial condition, especially in reducing the possibility of it happening *financial distress*, becoming very limited or even invisible at all.

## CONCLUSION

Based on the results of the study, of the eight hypotheses proposed, most are supported by the data. *Leverage*, *profitability*, and *sales growth* are proven to have a significant negative effect on financial distress, while *corporate social responsibility* (*CSR*) has no significant influence. *Institutional ownership* is able to moderate the influence of *leverage* and *sales growth* on financial distress, but it does not moderate the influence of *profitability* and *CSR*. Based on these findings, it is recommended that telecommunications companies

manage *leverage* wisely, increase *profitability* sustainably, strengthen *sales growth* strategies, review the effectiveness of *CSR* programs, optimize the role of *institutional ownership* as a strategic director, and enhance governance and transparency to reduce financial distress risks and increase long-term competitiveness.

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