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THE EFFECT OF LIQUIDITY AND PROFITABILITY ON FINANCIAL DISTRESS WITH COMPANY AGE AS A MODERATING VARIABLE

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Abstract

The purpose of this study is to investigate the impact of liquidity and profitability ratios on financial distress, with firm age serving as a moderating variable. This study employs a quantitative approach with an associative methodology. The data used is secondary data from the financial statements of companies listed on the Indonesia Stock Exchange (IDX) for the years 2021-2023. The purposive sampling methodology was used for the sampling. This study analyzed 60 yearly financial reports. Multiple linear regression methods are used in this study's data analysis, as well as moderated regression. The findings indicated that liquidity had a favorable and significant effect on financial distress. Profitability has a favorable and considerable impact on financial stress. Profitability and liquidity have a substantial positive impact on financial distress. Company age reduces the impact of liquidity and profitability on financial hardship. The effect of liquidity and profitability on financial distress is 34.2%. Liquidity and profitability as well as the interaction of independent variables with moderating variables of company age, can predict financial distress by 35.1%.

Keywords: Liquidity Ratio, Profitability Ratio, Financial Distress, Company Age

INTRODUCTION

The global economy has undergone rapid transformation in recent decades, driving the creation of many new business opportunities in various industrial sectors (Syamhari, 2023; Wulandari, 2024). Widespread globalization exacerbates competition between companies, both in domestic and international markets, requiring every company to continuously adapt and improve competitiveness. This economic globalization, as explained by Yuliaty et al., (2020), also encourages the growth in the number of new businesses, which causes increasingly intense competition between companies. In this highly competitive environment, companies that have experience and financial strength tend to have the upper hand in achieving profits, while new or less experienced companies are often caught in financial crises and even the risk of bankruptcy (Sa'adah, Alayda, 2024; Hutauruk et al., 2021).

Financial distress is a state in which a corporation is suffering financial troubles that may lead to bankruptcy. This occurs when operations cash flow is insufficient to cover present obligations and hence needs to be improved. This condition reflects unhealthy financial pressure, where individuals or entities are unable to pay the necessary costs and require action to overcome these financial problems (Shekarsari & Padmantyo, 2023). Lau (2021) explains that financial distress conditions can pose a serious threat to the continuity of company operations and can lead to bankruptcy if not handled properly. Financial distress can often be identified through the company's financial statements, which provide an overview of the company's overall financial condition and performance. Therefore, financial statement analysis is important in helping stakeholders, such as investors, managers, and shareholders, make the right decisions about the company's financial status (Sunanto et al., 2023; Yunika & Rahmizal, 2022).

Several large companies in Indonesia have experienced financial distress due to liquidity pressures and decreased profitability. One example is PT Garuda Indonesia (Persero) Tbk, which experienced serious financial difficulties during the COVID-19 pandemic (Kusuma & Purnamasari, 2025)

. The airline's revenue fell sharply due to air travel restrictions, while short-term liabilities continued to run. The low cash flow and high debt burden caused the company to default on its obligations to creditors. Although Garuda is an old and experienced company, it was not strong enough to cushion the impact of the crisis. Eventually, Garuda had to undergo restructuring through PKPU mechanism to save its operations.

Another phenomenon is PT Tiga Pilar Sejahtera Food Tbk, a food producer company that also experienced financial distress (Siregar & Prihatini, 2021). In 2018, the company failed to pay interest on bonds and bank debts due to mismanagement of investments in the rice sector which made huge losses. As profitability declined and debt ballooned, the company's financial condition worsened. Although the company had a long operational track record, its age was not able to withstand the internal crisis. Very low liquidity levels meant that the company was unable to pay its obligations on time. This case shows that a bad combination of profitability, liquidity and governance can push companies to the brink of financial distress, regardless of how long they have been around.

The latest phenomenon related to financial distress in Indonesia occurred at PT Sri Rejeki Isman Tbk (Sritex), one of the largest textile companies in Southeast Asia. In 2024,

Sritex faced the threat of bankruptcy after the court granted the bankruptcy petition of its trading partner, PT Indo Bharat Rayon, due to unpaid debts (Putri & Subagyo, 2024). The company has a total debt of around USD 1.6 billion and employs around 50,000 employees, so the potential bankruptcy raises concerns of mass layoffs. Although Sritex had previously reached a debt restructuring agreement in 2022, the court decision invalidated the agreement. The Indonesian government is currently considering measures to rescue the company to prevent wider social and economic impacts. This case highlights the importance of effective debt management using sound business practices to avoid financial difficulties, especially in large companies that have a systemic impact on the national economy.

Prior studies have demonstrated that financial distress is significantly impacted by profitability and liquidity. According to Rachmawati & Suprihhadi (2021) and Azizah et al. (2023), liquidity significantly or favorably affects financial distress in businesses. However, Azzahra et al. (2021) and Yolanda & Sudiyanto (2024) discovered that financial distress is positively and significantly impacted by profitability. Financial strain is significantly impacted by company age (Asysyafa & Putri, 2023).

Company age is therefore suggested as a moderating variable in this study that has the potential to either strengthen or lessen the association between profitability and liquidity on financial distress. The company's age indicates how stable and experienced it is in dealing with different market conditions (Prasetya & Suwarno, 2024). Companies with a longer age tend to have advantages in terms of market knowledge, relationships with stakeholders, and operational efficiency. These advantages can help companies better manage financial risks, even when other factors show indications of financial stress. As a moderating variable, it is anticipated that firm age will give a more complete picture of how these important characteristics impact financial difficulty.

In light of the growing rivalry between domestic and foreign businesses and the increasingly intricate problems facing the global economy, this research is crucial. Particularly vulnerable to financial difficulties are newly established companies or those with limited capital and expertise. Improved knowledge of the factors influencing financial distress and how company age might lessen the influence of liquidity and profitability on financial distress are therefore necessary to assist firm management in developing more successful financial risk management methods.

REVIEW OF LITERATURE

Agency Theory

Agency theory, as defined by Jensen & Meckling (1976) in Setiawati & Wijaya (2023), is a theory that describes the contractual connection between one or more business owners (principals) and firm management (agents), in which each side seeks to maximize its prospects. Investors and management have different interests, according to agency theory., namely company owners tend to want to show smaller profits to avoid high political costs. Meanwhile, company managers try to make profits look high so that their performance can be assessed positively (Asri Lestari et al., 2023).

Signaling Theory

Signaling theory, explains the relationship between financial distress and Signaling theory where debt loans taken by companies are a signal to investors, because they are

considered to meet operational needs and business expansion (Hermawan Kustanta, 2024). According to the signaling theory, which was first put forth by Spence (1973) in Sri Ayem (2024), the company owner, who is the sender of the information, gives the investor, who is the recipient of the information, a signal that describes the state of the business. Typically, this signal is found in the financial statements of the company. Related parties, including managers, investors, and creditors, can learn about the company's financial situation thanks to the information in the financial statements.

Liquidity

According to Salsabila et al. (2024), liquidity is the capacity of an organization to satisfy its immediate liabilities using its present assets. A corporation with high liquidity has enough cash on hand or quickly liquidated assets to pay off its debts (Azizah et al., 2023). Current, quick, and cash ratios are examples of frequently used liquidity ratios. Investor and creditor trust in the business can be bolstered by a high degree of liquidity (Komara & Riana, 2024).

An organization's financial performance may suffer from excessively high or low liquidity levels (Hasanah & Nuansari, 2024). Excessive liquidity indicates that there are too many idle funds that could have been used for more profitable investments. Conversely, low liquidity indicates a risk of default in meeting short-term obligations. Therefore, company management must maintain an optimal liquidity balance (Rachmawati & Suprihhadi, 2021).

Profitability

Profitability measures how well a business can make money off of the resources it uses to run its operations (Rinofah et al., 2021). According to Machmuddah et al. (2024), profitability measurements like net profit margin, return on equity (ROE), and return on assets (ROA) are used to gauge how efficiently a business generates money. A corporation with high profitability is able to effectively manage its capital and assets in order to produce revenue (Septiani, 2024). With a good level of profitability, the company can increase value for shareholders and attract more investors.

Stable and increasing profitability reflects the company's financial health in the long term (Azzahra et al., 2021). Factors that affect profitability include operational efficiency, business strategy, and macroeconomic conditions (Yolanda & Sudiyanto, 2024). Companies that have low profitability can face difficulties in business expansion and meeting financial obligations. Therefore, profitability analysis is important in evaluating the company's performance and growth prospects.

Financial Distress

Financial distress is a condition in which a company experiences financial difficulties that can lead to bankruptcy (Suryati & Setyawati, 2024). Indicators of financial distress include decreased profitability, inability to pay debts, and negative operating cash flow (Hutauruk et al., 2021). If not handled properly, Financial difficulties may result in corporate liquidation and bankruptcy. In order to solve this issue, businesses must implement financial restructuring techniques.

Both internal and external factors might be the primary causes of financial despair. Management's inability to effectively manage assets and obligations is an example of an internal factor; regulatory changes or a slowdown in the economy are examples of an external factor. To prevent a bigger impact, businesses in financial difficulties need to make urgent

improvements to their business plan. To identify early indicators of financial crisis and take prompt mitigation action, careful financial analysis is required.

Company Age

The number of years from the firm's founding is known as its "company age," and it can have an impact on its performance and stability. (Hidayat & Ajengtiyas, 2022). Older companies tend to have more experience in dealing with market dynamics and business risks. With long experience, companies can build a better reputation and more easily gain access to funding sources (Soleman et al., 2022). However, long- established companies are also at risk of stagnation if they do not innovate in their operations.

In contrast, fledgling companies often face challenges in building customer and investor trust (Mangngalla, 2022). Young companies generally have higher flexibility in adjusting to market changes (Anggraeni & Prasetyono, 2021). However, they are also more vulnerable to business risks due to limited resources and lack of experience. Consequently, the company's age plays a significant role in determining its viability and future growth.

Liquidity to Financial Distress

The company's ability to pay short-term debts is reflected in its liquidity (Salsabila et al. 2024). Due to their inability to fulfill their commitments on time, businesses with limited liquidity frequently face financial challenges. Conversely, by guaranteeing the availability of funds for operations and debt payments, strong liquidity can lower the risk of financial distress (Hasanah & Nuansari, 2024). Consequently, a company's likelihood of experiencing financial crisis decreases with its level of liquidity. According to Putri and Kristanti (2020), financial hardship is positively impacted by liquidity. This study's hypothesis is as follows:

H_1 : Liquidity has a significant effect on financial distress

Profitability on Financial Distress

Profitability indicates the amount of profit generated by the company's operational activity (Rinofah et al., 2021). Companies with high profitability have more consistent cash flow, which reduces the danger of financial difficulty. Low profitability, on the other hand, can increase the risk of financial difficulty due to insufficient funds to pay debts and operational expenditures (Septiani, 2024). Thus, the bigger the profitability, the less likely the company would face financial difficulties. Ginanjar and Rahmayani (2021) investigated the effect of liquidity and profitability on financial distress in manufacturing enterprises using the IDX and discovered that profitability has an impact on financial distress. The following is the hypothesis of this study:

H_2 : Profitability has a significant effect on financial distress

Company Age Moderates the Relationship between Liquidity and Financial Distress

Company age reflects experience and operational stability in facing financial challenges (Theresa & Pradana, 2022). Longer-established companies tend to have better cash management, so they can maximize the benefits of liquidity in avoiding financial distress. Conversely, new companies may not have an effective liquidity management system, making them more vulnerable to financial stress (Asysyafa & Putri, 2023). As a result, firm age can strengthen or reduce the link between liquidity and financial trouble. Hidayat et al. (2024) found that firm age modifies the association between liquidity and financial hardship. This study's hypothesis is as follows:

H_3 : Company age strengthens the effect of the relationship between liquidity on financial distress

Company Age Moderates the Relationship between Profitability and Financial Distress

Companies that are longer established usually have a more mature business strategy in managing profitability to avoid financial distress (Ramadhany & Syofyan, 2021). Longer experience allows companies to optimize profits and better overcome financial challenges. In contrast, new companies may not yet have a stable business model, so their profitability is more volatile and at risk of financial distress (Hidayat & Ajengtiyas, 2022). Thus, the age of the company can influence the amount to which profitability protects the company from financial trouble. Utaminingsih and Nursiam (2023) discovered that firm age moderates the association between profitability and financial difficulty. This study's hypothesis is as follows:

H4 : Company age strengthens the effect of the relationship between profitability and financial distress

Research Framework

The framework for this research is as follows:

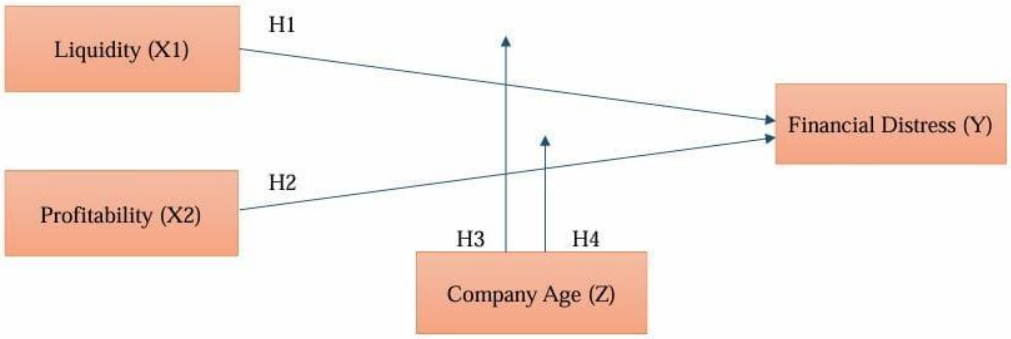

Figure 1.
Research framework

RESEARCH METHOD

To examine the link between independent variables, moderating variables, and dependent variables, this study employs a quantitative approach using associative research methodologies. The purpose of this study is to investigate the impact of liquidity and profitability ratios on financial distress, with firm age serving as a moderating variable.

This study's population consists of food and beverage sub-sector manufacturing enterprises that are listed on the Indonesia Stock Exchange from 2021 to 2023. The sampling strategy was purposive sampling, in which the sample was chosen based on specific criteria related to the research aims. The secondary data utilized in this study were taken from the 2021–2023 financial statements of profitable businesses that are listed on the Indonesia Stock Exchange (IDX). Sixty annual financial reports from 20 companies were selected based on these criteria. Consequently, 60 annual financial reports served as the study's data source.

Techniques for collecting data using documentation. The data for profit-making companies' financial statements is gathered from the Indonesia Stock Exchange's official website. The data will be evaluated using multiple linear regression and moderated regression methods (Moderated Regression Analysis) to determine the impact of liquidity

and profitability ratios on financial distress, as well as how firm age influences the relationship. Before data analysis, conventional assumption tests were performed at a significance level of 5%. To achieve precise and valid results, data is processed using SPSS statistical software.

RESULTS AND DISCUSSION

The findings of this study are based on financial statement data from companies listed on the Indonesia Stock Exchange (IDX) between 2021 and 2023, which served as the research sample. The research data can be described as follows:

Table 1.
Description of Observed Data

	N	Minimum	Maximum	Mean	Std. deviation
Liquidity	60	0.094	5.443	1.110	1.102
Profitability	60	0.004	0.164	0.039	0.032
Financial Distress	60	0.066	3.939	1.154	0.902
Company Age	60	7	19	12.650	2.973

Source: Data analysis, 2025

Table 1 indicates that liquidity ranges from a minimum of 0.094 to a maximum of 5.443. The standard deviation is less than the average value, which suggests that the data distribution is fairly good. The average liquidity is 1.110, and the standard deviation is 1.102. This indicates that there is a data deviation between the liquidity value and the average value of 0.0667.

Profitability ranges from a minimum of 0.004 to a maximum of 0.164. The standard deviation is 0.032, and the average profitability is 0.039. In other words, the data distribution is fairly excellent since the standard deviation number is lower than the average value.

The value of financial distress ranges from 0.066 at the lowest to 3.939 at the highest. The standard deviation of financial distress is 0.902, and the average is 1.154. Stated differently, a good data distribution is indicated by a standard deviation value that is lower than the average.

The firm size figure and its average value of 27.3416 are not the same, since the standard deviation is 2.973 and the average company size is 12.650. That is to say, the data distribution is fairly excellent since the standard deviation is lower than the average value.

Data will be analyzed following the collection of information on liquidity, profitability, financial hardship, and firm age. Multiple linear regression analysis and moderated regression analysis (MRA) will be used to assess the data, together with the traditional assumption test (Casella & Berger, 2002).

Analyzing the research data using the Kolmogorov-Smirnov normality test will be the initial stage. If the p-value is greater than a = 0.05, the data is considered to be regularly distributed. The findings of the computation for the normalcy test are as follows:

Table 2.
Kolmogorov Smirnov Normality Test Results

		Unstandardized Residual
N		60
Normal Parameters[a,b]	Mean	.0000000

	Std. Deviation	.90026066
Most Extreme Differences	Absolute	.166
	Positive	.166
	Negative	-.109
Test Statistic		.166
Asymp. Sig. (2-tailed)		.128[c]

Source: Data analysis, 2025

Table 2 displays the determination of the data normalcy test at the significance level α = 0.05. When the p-value is higher than α, it can be concluded that the data originates from a population that is regularly distributed.

Using a multicollinearity test to analyze the data will be the second step. These are the outcomes of the multicollinearity computation in the study's findings:

Table 3.
Findings from the Multicollinearity Test

No.	Data	Tolerance	VIF
1.	Liquidity	0,993	1,007
2.	Profitability	0,993	1,007

Source: Data analysis, 2025

Table 3 indicates that the independent variables in the regression model do not exhibit multicollinearity, as the tolerance value is greater than 0.10 and the VIF value is less than 10.

The third phase involves evaluating the research data's heteroscedasticity. Here are the findings from this study's heteroscedasticity calculation:

Table 4.
Heteroscedasticity Test Results

No.	Data	$p - Value$	Significance
1.	Liquidity	.501	0,05
2.	Profitability	.226	0,05

Source: Data analysis, 2025

With a significance threshold of α = 0.05, the independent variables have p-values of 0.322 and 0.364, respectively, according to the findings of the heteroscedasticity test, which are displayed in Table 4. Heteroscedasticity is not present because the p-values are greater than α = 0.05.

Multiple linear regression analysis, a parametric test, was employed in this study to assess the hypotheses. The initial test in multiple linear regression analysis is the F test. The results of the Multiple Linear Regression Analysis's F test are shown in the table below:

Table 5.
Results of the F Statistical Test (Simultaneous Test) Equation 1

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.202	2	.101	.120	.009[b]
	Residuals	47.818	57	.839		
	Total	48.019	59			

Source: Data analysis, 2025

According to Table 5, the p-value is 0.000 < 0.05. Financial distress is significantly impacted by both profitability and liquidity at the same time, it can be determined.

Table 6.
Results of the Simultaneous F Statistical Test Equation 2

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.687	5	.337	.393	.001[b]
	Residuals	46.332	54	.858		
	Total	48.019	59			

Source: Data analysis, 2025

Based on Table 6, the p-value = 0.001 <0.05. These results indicate that the regression equation model after the interaction of independent variables with moderation variables simultaneously affects financial distress.

The t-test is the second statistic used in multiple linear regression analysis. The t-test results for Multiple Linear Regression analysis are provided in the table below.

Table 7.
Partial Statistical Test Results (t Test) Equation 1

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	11.080	.225		4.806	.000
	Liquidity	-.312	-.103	.004	.030	.020
	Profitability	-.821	-.717	.065	.490	.016

Source: Data analysis, 2025

The multiple linear regression equation based on Table 7 is :

$$\hat{Y} = 11{,}080 - 0{,}312X_1 - 0{,}821X_2$$

The value of 11.080 is constant, meaning that profitability and liquidity will be close to 11.080 if financial distress does not increase. The regression coefficient, -0.312, indicates that there will be an increase in liquidity of -0.312 for every additional financial distress number. Likewise, the regression coefficient is -0.821, meaning that there will be an increase in profitability of -0.821 for every number of financial distresses that increases.

According to Table 7, the value p - $value$ for the influence of liquidity on financial distress = 0,020 is less than 0.05. These data suggest that financial distress is influenced by liquidity. Furthermore, the p-value for the influence of profitability on financial distress is 0.016, which is less than 0.05. These findings suggest that financial difficulty is influenced by profitability.

Table 8.
Partial Statistical Test Results (t-test) Equation 2

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	11.938	1.370		1.414	.163
	Liquidity	.993	.687	.858	.970	.003
	Profitability	2.782	1.716	.492	.516	.016

Company Age	.065	.102	.214	.635	.028
Liquidity*Company Age	.056	.055	.874	1.022	.006
Profitability*Company Age	1.150	1.939	.595	.593	.018

Source: Data analysis, 2025

Based on Table 8 of the moderated regression analysis (MRA) testing, the following equation is obtained.:

$$Y\hat{} = 11{,}938 + 0{,}993X_1 + 2{,}782X_2 + 0{,}065Z + 0{,}056X_1Z + 1{,}150X_2.Z$$

The regression equation above shows that the value of financial distress is influenced by liquidity, profitability, and company age, where every 1 unit increase in liquidity, profitability, and company age will increase financial distress by 0.993, 2.782, and 0.065, respectively, assuming other variables remain constant. In addition, there is an interaction effect between liquidity and company age (with a coefficient of 0.056) and between profitability and company age (with a coefficient of 1.150), which means that Company age serves as a moderator variable in this model since its value determines how liquidity and profitability affect financial distress.

The interaction between liquidity and firm age had a p-value of 0.003 (<0.05). As a result, it is possible to assume that firm age can mitigate financial distress by diminishing the effect of liquidity. So, the first hypothesis, which claims that firm age enhances the influence of liquidity on financial hardship, is supported. The interaction between profitability and firm age had a p-value of 0.016 (less than 0.05). As a result, it is possible to assume that firm age can mitigate the impact of profitability on financial distress. So the third hypothesis, which claims that company age enhances the influence of profitability on financial difficulty, is confirmed.

In essence, the next test, the coefficient of determination (R2) test, evaluates how much the variance in financial distress characteristics can be explained by profitability and liquidity. The results of the coefficient of determination (R^2) are shown in the table below:

Table 9.
Results of Testing Equation 1 for the Coefficient of Determination (R^2)

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.465[a]	.342	.307	.9159185

Source: Data analysis, 2025

According to Table 9, the R2 value is 0.342, meaning that profitability and liquidity have a 34.2% impact on financial hardship. According to these findings, liquidity and profitability have an impact on the financial difficulties experienced by 34.2% of businesses.

Table 10.
Coefficient of Determination (R^2) Equation 2 Test Results

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.387[a]	.351	.254	.9262850

Source: Data analysis, 2025

The result of $R^2 = 0.351$, or 35.1%, is displayed in Table 10. Based on these findings, it can be said that while 64.9% of financial distress is impacted by factors outside the regression model, independent liquidity, profitability, and the interaction of independent

variables with the moderating variable of firm age may all predict financial hardship by 35.1%.

Effect of Liquidity on Financial Distress

A company's capacity to endure in challenging financial times is largely dependent on its liquidity. High liquidity companies are able to satisfy short-term obligations without having to liquidate assets in unfavorable circumstances. On the other hand, because there are fewer funds available, businesses with low liquidity are more likely to have financial troubles. Thus, the key to lowering the risk of financial hardship is effective liquidity management.

The p-value is 0.020 <0.05, and the regression coefficient value is 0.312 based on the results of the various tests. These findings suggest that financial distress is negatively impacted by liquidity. Therefore, there is evidence to support the idea that liquidity has a negative impact on financial hardship.

The findings demonstrated a negative correlation between financial distress and liquidity. Because they can meet their financial obligations on time, companies with higher liquidity levels are less likely to face financial difficulties. On the other hand, because they are unable to service their short-term debt, businesses with limited liquidity are more likely to go bankrupt. This implies that when evaluating a company's financial health, having adequate liquidity might be a crucial metric.

Furthermore, this study discovered that businesses with effective cash management techniques are more resilient to monetary setbacks. Businesses will be more resilient to economic downturns if they can keep a balance between their short-term liabilities and current assets. The organization will be able to weather financial duress if cash and liquid assets are allocated wisely. High liquidity is therefore crucial to establishing financial stability.

Effect of Profitability on Financial Distress

A key determinant of a business's long-term financial health is profitability. Businesses with the capacity to make money consistently have a better financial capacity to deal with economic pressures. High profitability allows companies to build up financial reserves, which can be used when facing difficult conditions. Conversely, companies with low profitability are more at risk of financial distress due to limited financial resources.

Based on the individual test results, the regression coefficient value is -0.821, and the p-value is

0.016 <0.05. These results indicate that profitability has a negative effect on financial distress. Thus, the hypothesis stating that profitability has a negative effect on financial distress is supported.

The results of this study indicate that profitability has a negative relationship with financial distress. The higher the level of profitability of a company, the less likely the company is to experience financial distress. Companies that are able to make profits sustainably have easier access to funding, both from investors and creditors. Therefore, maintaining a good level of profitability is very important for the sustainability of the company's business.

Furthermore, this study shows that businesses with effective operational efficiency plans are less likely to experience financial difficulties. Effective cost management and increased revenue are the main factors in maintaining healthy profitability. Thus, good

management in increasing profit margins can help companies reduce the risk of bankruptcy. Therefore, companies need to focus on strategies to increase profitability to maintain financial stability.

Company Age Moderates the Effect of Liquidity on Financial Distress

One of the elements that can increase the impact of liquidity on financial distress is the age of the company. Longer-running businesses typically have more experience handling their cash. The business can minimize the danger of bankruptcy by making the best use of its liquid assets thanks to this experience. Conversely, a new company may not have an optimal liquidity management system so that it is more vulnerable to financial distress.

According to the findings of the Moderated Regression investigation (MRA) investigation, the interaction between business age and liquidity separately yielded a p-value of 0.006 <0.05 and a regression coefficient value of 0.056. These findings suggest that the impact of liquidity on financial distress is strengthened by the age of the organization. Therefore, there is support for the theory that the size of the company increases the impact of liquidity on financial hardship.

The results show that older companies have a stronger liquidity effect in reducing financial distress. Companies with longer experience usually have better relationships with financial institutions, making it easier to get access to funding when facing a crisis. Furthermore, businesses with a longer history of operation are also better prepared to handle their cash flow. As a result, the beneficial effect of liquidity on financial hardship might be reinforced by the age of the organization.

In addition, older companies also tend to have better risk management systems than newer companies. They have more mature liquidity policies, such as the use of emergency funds or investment diversification. Businesses with more experience can allocate liquid assets more prudently and reduce the risk of insolvency. Consequently, business age has a significant impact on how well liquidity reduces financial distress.

Company Age Moderates the Effect of Profitability on Financial Distress

Company age can also moderate the effect of profitability on financial distress. Longer operating companies usually have better financial stability than new companies. They have easier access to external funding because they have built a strong reputation in the market. On the contrary, new companies, despite having high profitability, are still at risk of financial distress due to limited access to capital.

Based on the results of the Moderated Regression Analysis (MRA) analysis, individually the A regression coefficient value of 1.150 and a p-value of 0.018 <0.05 were derived from the interaction between profitability and business age. These findings suggest that the impact of profitability on financial hardship is strengthened by the age of the organization. Therefore, there is evidence for the theory that the impact of profitability on financial distress is strengthened by the size of the organization.

The results show that older companies are better able to utilize their profitability to avoid financial distress. With longer experience, they can use the profits earned to strengthen the company's financial structure. More established companies also tend to have a better financial management system in allocating profits for long-term investment. Consequently, the negative correlation between financial difficulty and profitability is reinforced by the age of the organization.

In addition, the study also found that companies with a longer lifespan have a wider business network, which helps them survive economic uncertainty. They can use their profitability to forge strategic partnerships or expand more steadily. In contrast, new firms still face higher market risks, despite their good profitability. Therefore, firm age is an important factor in increasing the effectiveness of profitability in reducing financial distress.

Effect of Liquidity on Financial Distress

A company's capacity to endure in challenging financial times is largely dependent on its liquidity. High liquidity companies are able to satisfy short-term obligations without having to liquidate assets in unfavorable circumstances. On the other hand, because there are fewer funds available, businesses with low liquidity are more likely to have financial troubles. Thus, the key to lowering the risk of financial hardship is effective liquidity management.

The p-value is 0.020 <0.05, and the regression coefficient value is 0.312 based on the results of the various tests. These findings suggest that financial distress is negatively impacted by liquidity. Therefore, there is evidence to support the idea that liquidity has a negative impact on financial hardship.

The findings demonstrated a negative correlation between financial distress and liquidity. Because they can meet their financial obligations on time, companies with higher liquidity levels are less likely to face financial difficulties. On the other hand, because they are unable to service their short-term debt, businesses with limited liquidity are more likely to go bankrupt. This implies that when evaluating a company's financial health, having adequate liquidity might be a crucial metric.

Furthermore, this study discovered that businesses with effective cash management techniques are more resilient to monetary setbacks. Businesses will be more resilient to economic downturns if they can keep a balance between their short-term liabilities and current assets. The organization will be able to weather financial duress if cash and liquid assets are allocated wisely. High liquidity is therefore crucial to establishing financial stability.

Effect of Profitability on Financial Distress

A key determinant of a business's long-term financial health is profitability. Businesses with the capacity to make money consistently have a better financial capacity to deal with economic pressures. High profitability allows companies to build up financial reserves, which can be used when facing difficult conditions. Conversely, companies with low profitability are more at risk of financial distress due to limited financial resources.

Based on the individual test results, the regression coefficient value is -0.821, and the p-value is 0.016 <0.05. These results indicate that profitability has a negative effect on financial distress. Thus, the hypothesis stating that profitability has a negative effect on financial distress is supported.

The results of this study indicate that profitability has a negative relationship with financial distress. The higher the level of profitability of a company, the less likely the company will experience financial distress. Companies that are able to make profits sustainably have easier access to funding, both from investors and creditors. Therefore, maintaining a good level of profitability is very important for the sustainability of the company's business.

Furthermore, this study shows that businesses with effective operational efficiency plans are less likely to experience financial difficulties. Effective cost management and increased revenue are the main factors in maintaining healthy profitability. Thus, good management in increasing profit margins can help companies reduce the risk of bankruptcy. Therefore, companies need to focus on strategies to increase profitability to maintain financial stability.

Company Age Moderates the Effect of Liquidity on Financial Distress

One of the elements that can increase the impact of liquidity on financial distress is the age of the company. Longer-running businesses typically have more experience handling their cash. The business can minimize the danger of bankruptcy by making the best use of its liquid assets thanks to this experience. Conversely, a new company may not have an optimal liquidity management system so that it is more vulnerable to financial distress.

According to the findings of the Moderated Regression investigation (MRA) investigation, the interaction between business age and liquidity separately yielded a p-value of 0.006 <0.05 and a regression coefficient value of 0.056. These findings suggest that the impact of liquidity on financial distress is strengthened by the age of the organization. Therefore, there is support for the theory that the size of the company increases the impact of liquidity on financial hardship.

The results show that older companies have a stronger liquidity effect in reducing financial distress. Companies with longer experience usually have better relationships with financial institutions, making it easier to get access to funding when facing a crisis. Furthermore, businesses with a longer history of operation are also better prepared to handle their cash flow. As a result, the beneficial effect of liquidity on financial hardship might be reinforced by the age of the organization.

In addition, older companies also tend to have better risk management systems than newer companies. They have more mature liquidity policies, such as the use of emergency funds or investment diversification. Businesses with more experience can allocate liquid assets more prudently and reduce the risk of insolvency. Consequently, business age has a significant impact on how well liquidity reduces financial distress.

Company Age Moderates the Effect of Profitability on Financial Distress

Company age can also moderate the effect of profitability on financial distress. Longer operating companies usually have better financial stability than new companies. They have easier access to external funding because they have built a strong reputation in the market. On the contrary, new companies, despite having high profitability, are still at risk of financial distress due to limited access to capital.

Based on the results of the Moderated Regression Analysis (MRA) analysis, individually the A regression coefficient value of 1.150 and a p-value of 0.018 <0.05 were derived from the interaction between profitability and business age. These findings suggest that the impact of profitability on financial hardship is strengthened by the age of the organization. Therefore, there is evidence for the theory that the impact of profitability on financial distress is strengthened by the size of the organization.

The results show that older companies are better able to utilize their profitability to avoid financial distress. With longer experience, they can use the profits earned to strengthen the company's financial structure. More established companies also tend to have a better financial management system in allocating profits for long-term investment. Consequently, the

negative correlation between financial difficulty and profitability is reinforced by the age of the organization.

In addition, the study also found that companies with a longer lifespan have a wider business network, which helps them survive economic uncertainty. They can use their profitability to forge strategic partnerships or expand more steadily. In contrast, new firms still face higher market risks, despite their good profitability. Therefore, firm age is an important factor in increasing the effectiveness of profitability in reducing financial distress.

CONCLUSION

The following conclusions can be drawn from the analysis and discussion of this research:

1. Financial distress is negatively impacted by liquidity. By guaranteeing that the business can fulfill its short-term obligations, high liquidity helps lower the risk of financial difficulty.
2. Financial strain is negatively impacted by profitability. By boosting access to capital and financial resilience, high profitability helps businesses stay out of financial trouble.
3. The impact of liquidity on financial distress is strengthened by the age of the company, which moderates it. Due to more experience in cash flow and financial management, a company's age increases the impact of liquidity on financial hardship.
4. The impact of profitability on financial hardship is strengthened by the age of the company, which moderates it. By improving financial stability and efficient use of profits, company's age increases the impact of profitability on financial distress.
5. There is a 34.2% correlation between financial difficulty and profitability and liquidity. Financial hardship may be predicted by 35.1% using liquidity, profitability, and the interplay of independent factors with the moderating variable of firm age.

To lower the danger of financial trouble, businesses should optimize their liquidity and profitability management. To be more resilient to economic stresses, new businesses must also improve their financial plans and increase their access to capital. Future studies can take into account outside variables like governmental regulations and macroeconomic conditions, which also affect financial distress.

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