

The Effect of Financial Performance, Activity Ratio, Inflation, and Exchanges Rates On Financial Distress

¹*Risma Amalia, ²Bayhaqi Muhdava, ³Ika Amalia

¹*Sekolah Tinggi Ilmu Ekonomi Tri Bhakti, Bekasi, Indonesia

²Politeknik Pertanian Negeri Samarinda , Samarinda, Indonesia

³Universitas Bina Nusantara , Jakarta, Indonesia

Email : ²muhdava06@gmail.com , ³ikaamalia823@gmail.com

Corresponding author e-mail: ¹rismaamaliarifa2405@gmail.com

Article Info	Abstract
<i>Keywords:</i> ○ Financial Performance; ○ Activity Ratio; ○ Inflation; ○ Exchange Rate; ○ Financial Distress	Purpose – This research aims to obtain empirical evidence on the influence of Financial Performance, Activity Ratios, Inflation, and Exchanges Rates on Financial Distress. Design/methodology/approach – This reseach uses a quantitative approach. The sample consists of 49 energy sector companies listed on the Indonesia Stock Exchange between 2022–2024. The analytical technique used to test the hypothesis is logistic regression analysis using Eviews 9 software. Findings – This research of this study found that Financial Performance has a positive and statistically significant effect on Financial Distress, the Activity Ratio Variable has a positif effect on Financial Distress and is statistically significant on Financial Distress, the Inflation Variable has a positif effect on Financial Distress and is statistically significant on Financial Distress, the Exchange Rate Variable has a negative effect on Financial Distress and is statistically significant on Financial Distress. Research limitations/implications – This research is limited to the 2022–2024 observation period and energy sector companies listed on the Indonesia Stock Exchange (IDX), and only examines financial performance, activity ratio, inflation, and exchange rate as determinants of corporate financial distress. The practical implication of this research is that the findings may serve as a reference for management and investors in assessing and anticipating corporate financial distress risk.
Article History	
Received: 06 – 01 - 2026 Revised: 11 – 02 - 2026 Accepted: 16 – 05 - 2026 Published: 01 – 07 - 2026	
DOI	
https://doi.org/10.65440/jaa.v2i2.180	
 Copyright: © 2026by the authors. Submitted for possible open access publication under the terms and conditions of the Creative Commons Attribution (CC BY SA) license (https://creativecommons.org/licenses/by-sa/4.0/)	JEL : G33, G32, E31, F31

INTRODUCTION

The energy sector plays a crucial role in the Indonesian economy. Nearly all social and industrial activities depend on the availability of energy, whether in the form of electricity, gas, or fuel oil. Therefore, the stability of the energy sector, or its availability, is key to maintaining the resilience and stability of Indonesia's economy, ensuring it can withstand various global

and domestic pressures.

In recent years, the Indonesian energy sector has faced significant challenges. One phenomenon that has garnered public attention is the rise in domestic energy prices, including increases in electricity and fuel prices, which are impacted by adjustments to government subsidies, changes in energy prices, and efforts to improve energy efficiency. These policies are well-intentioned, aimed at maintaining fiscal balance and energy efficiency, but in practice, they can put significant pressure on energy sector companies, particularly those with high cost structures. Rising energy prices also lead to increased production and operational costs. Companies that lack high efficiency may feel the direct impact, including decreased profitability, decreased liquidity, and weakened operational activities. If this situation persists, it will lead to decreased revenue and impaired financial health, resulting in difficulties in meeting their financial obligations, both in the short and long term.

In recent years, the Indonesian government has allocated tens of trillions of rupiah for energy subsidies, with the allocation reaching 189.1 trillion rupiah. These subsidies are designed to maintain energy affordability for the public. From a policy perspective, the government is making efforts to maintain fuel price stability through state-owned enterprises (SOEs) such as Pertamina, but this still requires a balance between business actors, consumer interests, and national energy stability.

In line with these conditions, Indonesia's energy sector has shown cautious recovery in recent years. In 2022, the energy sector began to improve with increased economic activity and domestic energy demand post-pandemic. In 2023, energy sector growth is expected to slow due to external pressures such as global oil price volatility, weakening demand for energy exports, and rising production costs. Furthermore, electricity and fuel tariff adjustments have impacted consumer purchasing power and the revenue structure of energy companies, particularly those lacking operational efficiency. This situation has caused several energy sector companies to face declining profit margins and cash flow pressures. In 2024, the energy sector will still show relatively stable performance, but with limited growth. Although domestic energy demand remains stable, rising input costs, dependence on fossil fuels, and significant investment requirements will continue to face challenges. If these factors are not managed effectively, energy sector companies could potentially experience a decline in financial performance, ultimately increasing the risk of financial distress.

Another external factor that can impact financial performance is fluctuations in the rupiah exchange rate against the US dollar, as many Indonesian energy sectors currently rely on imported raw materials, other components, and foreign financing, such as equipment valued in foreign currencies. If the exchange rate weakens, import costs rise, and foreign currency liabilities rise, the company's financial condition will deteriorate, ultimately leading to an increased risk of financial distress. The combination of internal factors (financial performance and company activity) and external factors (inflation and exchange rates) creates significant challenges for the sustainability of energy companies. This situation is even more relevant because the energy sector plays a crucial role in supporting economic growth and supporting sustainable development.

Several energy sector companies listed on the Indonesia Stock Exchange have shown a decline in performance in recent years, as evidenced by declining net profit due to increased operating expenses and revenue growth that has not met expectations. Furthermore, the current ratio and total asset turnover have also declined, indicating a decline in liquidity and

asset utilization efficiency. In this situation, some companies face significant financial pressure, which, if not managed effectively, could lead to financial distress.

This situation is evident in the performance of several energy sector companies listed on the Indonesia Stock Exchange (IDX), where several companies have experienced declining net profit in recent years. For example, Medco Energi Internasional Tbk recorded a net profit decline of approximately 80% in 2025 compared to the previous period. This was due to increasing operating expenses and energy price pressures.

According to (Saragih, 2024), financial distress can be caused by internal factors, namely leverage. Leverage provides evidence of the extent to which a company's budgetary needs are financed by debt.

Looking at this phenomenon, it is crucial for researchers to examine the influence of financial performance, activity, inflation, and exchange rates on financial distress in companies listed on the Indonesia Stock Exchange. This is because, amidst external pressures such as rising energy prices, inflation, and fluctuations, companies need to maintain stable financial performance. This research is relevant because it provides an overview of how internal and external factors interact with each other.

In analyzing financial distress in energy sector companies, it is crucial to consider various internal factors that can impact financial stability. This research focuses on four main variables: financial performance, activity ratio, inflation, and exchange rates.

Financial performance can be attributed to the numerous decisions continuously made by company management to achieve specific goals effectively and efficiently (Lisa, 2024). Companies with good financial performance will have stronger financial stability, healthy cash flow, and a high level of operational efficiency.

Another factor contributing to financial distress is the activity ratio. The activity ratio is defined as a ratio used to measure a company's effectiveness in utilizing its assets, or a ratio that can be used to measure the level of efficiency (activity) in the utilization of company resources (Sartono, 2025). Companies with a high activity ratio demonstrate that the company's assets are being used effectively to support operational activities and generate revenue. This condition can reflect efficient use of resources, thereby strengthening a company's financial performance and reducing the risk of financial distress. Conversely, a low activity ratio can lead to inefficiencies in asset utilization, which can lead to decreased revenue and increased potential for financial distress in the long term.

Inflation is defined as an overall, simultaneous, and sustained increase in price levels. Inflation will impact people's purchasing power, economic stability, and social welfare. If inflation occurs, the value of a country's currency will decline (Ansari, 2025).

Meanwhile, the exchange rate is also defined as the relative price of one currency against another. There are three exchange rate systems: fixed exchange rate, managed floating exchange rate, and floating exchange rate (Solikin, 2017). Changes in exchange rates can have a significant impact, particularly on the financial performance of a company that has import and export activities, and obligations denominated in foreign currencies. A weakening exchange rate can increase a company's import costs and debt burden, potentially depressing profits and cash flow. This condition can increase the risk of financial distress if the company is unable to effectively manage exchange rate risk. Conversely, exchange rate stability can help a company maintain stable costs and financial performance on an ongoing basis.

Previous research found that there are a number of variables that influence Financial

Distress, including Earnings Management (Arianne, 2023), Company Value (Hasanah et al., 2023), Efficiency (Jumirin Asyikin, Sri Ernawati, 2020), Good Corporate Governance (Ni Kadek Ayu Ekayanthi, Ni Nyoman Ayu Suryandari, 2021), Interest Rates (Evi Dwiyanti, 2023), Sales Growth (Santa, 2024), Profitability (Elisabeth Christina, 2022), Interest Rates (Wafi et al., 2021), Liquidity (Evita Indriani & Titik Mildawati, 2019), Audit Committee (Swastika, 2023), Cash Flow (Agustinus Nicolas Saputra, 2023), Capital Structure (Purba, 2024), WCTA (Zakya, 2022). The variables focused on in this study are Financial Performance, Activity Ratio, Inflation, and Exchange Rate.

In this study, the first variable that can influence Financial Distress, including Financial Performance, negatively affects Financial Distress because the greater a company's ability to meet its short-term obligations, the lower the company's risk of experiencing Financial Distress (Wahyu Tri Susilowati, 2021).

The next variable influencing Financial Distress is the Activity Ratio. Research conducted by (Rinofah et al., 2022) states that the Activity Ratio negatively impacts Financial Distress because it reflects the efficiency of asset utilization to generate sales. A higher Activity Ratio indicates the company's ability to utilize its assets effectively, increasing sales. This, in turn, helps the company meet its financial obligations, thus reducing the occurrence of Financial Distress.

The third variable influencing financial distress is inflation. Research by (Arianne, 2023) states that inflation has a positive effect on financial distress because it can increase a company's operational and production costs. These cost increases can drive up product prices and reduce consumer purchasing power. Declining sales and profits can weaken a company's financial condition and increase the risk of financial distress.

Finally, the fourth variable influencing financial distress is the exchange rate. Research by (Evi Dwiyanti, 2023) states that the exchange rate negatively impacts financial distress. A weakening exchange rate can reduce foreign investor interest, reduce investment, and weaken financial performance, thereby increasing the risk of financial distress.

The 2022–2024 period is a crucial time for the energy sector in Indonesia due to numerous changes affecting company performance. Following the pandemic, the economy is recovering, but at the same time, global energy prices are fluctuating, and government policies related to the energy transition continue to evolve. These conditions create a different business environment than in previous periods and provide an opportunity to assess how energy companies are adapting and maintaining stable financial performance. Therefore, this period offers a different perspective for understanding corporate financial behavior amidst economic pressures and industry changes.

LITERATUR REVIEW

Agency Theory

Agency Theory was first proposed by (Jensen & Meckling 1976). Jansen stated that an agency relationship occurs when one or more people employ others to provide services, who then delegate decision-making tasks. The essence of the agency relationship is the separation of functions between ownership by investors and control by management. Agency Theory has two contributions: information and information risk. Agency theory is based on the contractual relationship between shareholders and management.

Agency theory has a significant impact on financial performance, so financial performance has a positive impact on financial distress. Agency theory influences financial performance because the quality of the relationship between the principal and agent determines the effectiveness of company management. If oversight mechanisms are functioning well, such as good corporate governance, transparent financial reporting, and an incentive system aligned with the owner's goals, management will be encouraged to improve operational efficiency and profitability. This will positively impact financial performance.

Signaling Theory

Signaling theory was developed by (Spence, 1973), "Job Market Signaling." This theory describes how people with a wealth of information can communicate with others when information asymmetry exists. This concept has been developed and used in many fields, such as finance, marketing, labor markets, and business strategy. The key concepts in signaling theory are information asymmetry, signals, signaling costs, signal reception, and equilibrium. Signaling theory refers to the practice where managers use insider knowledge of financial statements to signal economic information to stakeholders. Signaling theory also predicts that a company will disclose more information than required.

Signaling theory emerges in competitive environments. Signals are often consistent, but sometimes they are not. The activity ratio is highly consistent, according to this theory, resulting in positive results and an impact on financial distress (Gumanti, 2009)

A consequence of signaling theory is that managers have an incentive to signal their expectations of future profits because if investors believe the signals, stock prices will rise, and shareholders will benefit.

Purchasing Power Parity Theory

Purchasing Power Parity Theory was introduced by a Swedish economist named (Cassel, 1918). This theory is basically a way to predict the equilibrium exchange rate if a country experiences a payment imbalance. Purchasing Power Parity theory also explains that the exchange rate between the currencies of two countries is the ratio of the prices of the two countries measured in their own currencies, then being an appropriate measure of purchasing power, these prices must include all goods and services produced by each country.

Exchange Rate Theory

The exchange rate is the price of one country's currency measured or expressed in terms of another currency. The exchange rate theory has been misinterpreted because it focuses on the monetary impact on the exchange rate, where payments on the balance sheet actually trigger foreign exchange transactions. This theory developed two new theories: the sticky price model of loan value and the modern foreign exchange market theory that incorporates international capital flows into a simultaneous approach (C.Miller, 2002).

Financial Distress

Financial Distress can be defined as a situation in which an organization's financial health is in crisis. The term "financial distress" has been used to describe a situation where an organization's morale and long-term assets are insufficient to meet short-term obligations (Goh, 2023).

Financial distress occurs when a company experiences difficulty meeting its obligations as they fall due. Financial distress begins when debtors are unable to meet their debt repayment schedules to creditors when they fall due, or when the company's cash flow projections indicate that the company will soon experience liquidity difficulties (Jannah, 2023).

Financial Performance

Financial performance is the results of a company's operational activities presented in the form of financial figures. These results must be compared with the financial performance of previous periods, the budgeted balance sheet, and the average financial performance of similar companies. The results of this comparison will reveal favorable or unfavorable deviations. The causes of these deviations will then be investigated, and management will then make improvements in planning and implementation (Sari, 2019).

Financial performance can also be defined as the efforts made by a company over a period. It can be used to measure a company's success in generating profits through its resources, enabling it to assess the company's prospects, growth, and development potential (Hermawan, 2020).

Activity Ratio

Activity Ratios are ratios that measure the effectiveness of a company's accounts receivable management. These activity ratios involve comparisons between sales and investments in various types of assets, including accounts receivable turnover, inventory turnover, fixed asset turnover, and total asset turnover (Sari, 2019). Activity ratios are also known as asset utilization ratios, which are used to assess the effectiveness and intensity of a company's assets in generating sales (Erika, 2022).

Based on this explanation, it can be concluded that Activity Ratios are an indicator for assessing a company's effectiveness in managing and utilizing its assets.

Inflation

Inflation is defined as the tendency for prices of goods to rise generally and continuously. If only one or two goods increase, it cannot be called inflation, unless the price of those goods is able to cause the prices of other goods to rise as well (Satar & silviana Kardinar, 2018). Inflation is divided into two types. The first is demand-pull inflation, where inflation is caused by the pull of increasing demand. If demand for goods or services exceeds existing supply, then the potential demand will push prices up. Second, cost-push inflation, where inflation is caused by the push of rising production costs to produce goods or services. If costs increase, this will push prices up (Basri, 2005).

Inflation is divided into several types, including inflation based on severity: mild, moderate, severe, and very severe inflation. Based on its source, inflation is divided into domestic inflation and imported inflation (Faizin, 2021).

Exchange Rate

An exchange rate is defined as the value of one country's currency to another. Changes in a country's exchange rate can have significant implications for the global market. A high dollar value means a dollar can be exchanged for more foreign currencies than before (Prahendratno, 2023). Several approaches are used to determine an exchange rate, including

the monetary approach and the asset market approach (Khaidar Rahmaini Jamila, 2025). Exchange rates are categorized into three main types: fixed exchange rates, floating exchange rates, and mixed exchange rates (Chandrayani & Meri Dwi Anggraini, 2025).

Hypotheses development

Financial performance is defined as a formal effort undertaken by a company to evaluate the efficiency and effectiveness of its activities over a specific period. Financial performance can also be defined as the efforts undertaken by a company over a period and can be used to measure a company's success in generating profits through its resources, enabling it to assess its prospects, growth, and development potential (Hermawan, 2020). Financial performance plays a crucial role in the corporate context. It utilizes measurement as a tool to improve operational quality and remain competitive in the market. Financial performance involves financial data, calculations, measurements, interpretations, and providing solutions related to a company's finances. When financial performance improves, the value of the business increases.

H₁: Financial Performance has a positive effect on Financial Distress.

Activity ratios are used to measure the efficiency of a company's resource utilization or to assess its ability to carry out its daily activities. Activity ratios, also known as asset utilization ratios, are used to assess the effectiveness and intensity of a company's assets in generating sales. These activity ratios are among the factors influencing financial distress (Erika, 2022). One of the activity ratios in this study is Total Asset Turnover (TATO), which indicates the turnover of total assets as measured by sales volume. Total asset turnover has a significant negative effect on a company's financial distress (Eka, 2021). Several large energy companies, including Medco Energi, experienced fluctuations in net income during this period. These conditions highlight the importance of efficient asset utilization in maintaining financial stability. Companies with stronger total asset turnover are generally more capable of sustaining revenue generation despite macroeconomic uncertainty. Total Asset Turnover (TATO), as one of the key activity ratios, measures how effectively total assets are converted into sales.

H₂: Activity Ratio has a positive effect on Financial Distress.

Inflation is defined as a general and persistent tendency for prices of goods to rise. If only one or two goods rise, it cannot be called inflation, unless the price of those goods causes the prices of other goods to rise as well (Satar & Silviana Kardinar, 2018). Inflation tends to be a persistent price increase that can lead to a decline in purchasing power. If the price of a good increases, the price of that good will rise. Consequently, people cannot afford to purchase it, and companies will struggle to operate because their purchase prices are increasingly high and their selling prices are unaffordable for consumers, resulting in declining sales. This will impact the company's financial condition (Murdo, 2025). Inflation has a significant impact on financial distress. High inflation rates will impact a company's operations because they increase production costs, which can increase selling prices and can lead to a decline in purchasing power, leading to financial distress (Arianne, 2023).

H₃: Inflation has a positive effect on Financial Distress.

The exchange rate is defined as the value of one country's currency to another. Changes in a country's exchange rate can have significant implications for the global market. A high dollar value means that a dollar can be exchanged for more foreign currencies than before (Prahendratno, 2023). Exchange rates also reflect the relative value of a country's currency against foreign currencies and are a macroeconomic variable that directly impacts a company's financial performance. Exchange rate fluctuations create uncertainty in international transactions, particularly for companies dependent on raw material imports, foreign debt, or export activities. According to (Nurfauziah, 2022), exchange rates significantly influence financial distress, thus exposing companies to uncertainty. The higher the exchange rate, the higher the risk of financial distress. Exchange rates carry uncertainty risks that can affect global market investors when engaging in investment activities. When investing, investors must consider the exchange rate risk premium due to fluctuations in exchange rates. Companies will experience decreased profitability due to rupiah depreciation. If this decline occurs, it will increase the profitability of companies experiencing financial distress (Myllariza, 2021).

H₄: Exchange Rate has a positive effect on Financial Distress.

RESEARCH METHOD

This study aims to examine the relationship between independent variables, namely Financial Performance, Activity Ratio, Inflation, and Exchange Rate, with Financial Distress. The main focus of this study is to test hypotheses explaining the relationship between several variables in a specific context. This research was conducted in a natural environment, where the operational activities of the research subjects proceed as usual without direct intervention from the researcher. The unit of analysis in this study is organizations, specifically energy sector companies listed on the Indonesia Stock Exchange. The level of researcher involvement is minimal, because the researcher does not directly participate in the activities of the research objects but conducts observations using secondary data to support the analytical process. The sampling technique used is non-probability sampling with a purposive sampling approach, where samples are selected based on specific criteria relevant to the research objectives. The data used in this study is panel data, which combines cross-sectoral data and time series data, and is analyzed using a quantitative approach to test the proposed hypotheses.

Table 1. Operationalization of Research Variable

Variable	Dimension / Formula	Source
Financial Performance	$FP = \frac{\text{Current Asset}}{\text{Current Liabilities}}$	(Hasanah et al., 2023)
Activity Ratio	$\text{Total Asset Turnover} = \frac{\text{Net Sales}}{\text{Total Asset}}$	(Evita Indriani & Titik Mildawati, 2019)
Inflation	$\text{Inflation Rate} = \frac{IHK_n - IHK_{n-1}}{IHK_{n-1}} \times 100\%$	(Zedde et al., 2022)
		(Wafi et al., 2021)

Variable	Dimension / Formula	Source
Exchange Rate	Exchange Rate = Selling Rate-Sell Rate / 2	
	$FD = 1,2 X1 + 1,4 X2 + 3,3 X3$ $+ 0,6 X4 + 1,0 X5$	
Financial Distress	Description: X1 = Working Capital/Total Assets X2 = Retained Earnings/Total Assets X3 = Earnings Before Interest and Taxes (EBIT)/Total Assets X4 = Book Value of Equity/Book Value of Total Liabilities X5 = Sales / Total Asset	(L.Altman, 2013)

Population

The population of this study consists of energy sector companies listed on the Indonesia Stock Exchange (IDX) during the 2022-2024 period. Population identification was conducted based on data collected in September 2025 to ensure the timeliness and relevance of the information used in the analysis. Based on this process, a total population of 62 industrial sector companies was identified.

Sample

The research sample was selected using a purposive sampling technique. The sample selection criteria included energy sector companies listed on the IDX during the 2022-2024 period, companies that published complete financial statements or annual reports containing data relevant to this study, companies whose financial statements were presented in Indonesian Rupiah (IDR), and the availability of financial data and information related to the research variables. Based on these criteria, 49 companies met the requirements for inclusion in the research sample. Observations were conducted over a three-year period, resulting in a total of 147 company-year observations.

Data Sources

This study uses secondary data. The data sources consist of annual reports of industrial sector companies listed on the Indonesia Stock Exchange for the period 2022-2024, obtained from the respective company's official websites, the Indonesia Stock Exchange's official website (www.adx.co.id), and the Central Statistics Agency's website (www.bps.go.id/id)

RESULTS

Descriptive Analysis

Statistical variable analysis explains the independent and dependent variables used in this study. The independent variables consist of Financial Performance, Activity Ratio, Inflation, and Exchange Rate, while the dependent variable is Financial Distress. The analysis results provide the minimum, maximum, average, and standard deviation values for each variable during the observation period from 2022 to 2024. The descriptive statistics are presented in the following table:

Table 2. Descriptive Statistics

Variable	N	Min	Max	Mean	Std. Dev
FP	129	0.0012	9.576	1.584	1.7365
AR	129	0.0004	8.294	0.705	0.8202
INF	129	983.00	69982	25919	24250
ER	129	1.0100	1.011	1.010	0.0005
FD	129	-6.4278	113.59	7.423	11.077

FP (Financial Performance), AR (Activity Ratio), INF (Inflation), ER (Exchange Rate), FD (Financial Distress).

Source: Processed Data (2025)

Panel Data Regression Model Selection

Chow Test

Table 3. Chow Test

Effects Test	Statistic	d.f.	Prob.
Cross-section F	1.445846	(48,94)	0.0646
Cross-section Chi-square	81.277792	48	0.0019

Based on the Chow Test results using E-views 9, the Cross-Section F probability value is 0.0646. This result indicates that the value is above the significance level. Therefore, the best model to use is the Common Effects Model (CEM).

Hypothesis Test

Table 4. Partial Test (Common Effect Model)

Variable	Prediction	Coefficient	T-Statistic	Prob
C		-3783.6	2.0558	0.0416
FP	+	1.1126	2.1375	0.5205

Variable	Prediction	Coefficient	T-Statistic	Prob
AR	+	1.2964	-1.1674	1.1105
INF	+	7.03	0.1745	40.286
ER	+	3749.8	2.0588	1.821.3
<i>R-Squared</i>				0.0681
<i>Adjusted R-Squared</i>				0.0419
<i>F-statistic</i>				2.5980
<i>Prob(F-Statistic)</i>				0.0387

Description:

*= 5% significance level

FP (Financial Performance), AR (Activity Ratio), INF (Inflation), ER (Exchange Rate), FD (Financial Distress).

Source: Processed Data (2025)

Partial Test (t-test)

The partial test is used to determine whether each independent variable individually has a significant effect on the dependent variable. Based on the results of hypothesis testing using the Common Effect Model (CEM), the findings can be summarized as follows:

1. Financial Performance has a significant effect on Financial Distress.

The first hypothesis (H_1) in this study states that Financial Performance has an effect on Financial Distress (FD). The results of data processing show that the t-test result on the Financial Performance (FP) variable produces a t-count value of $2.1375 > t$ table of 1.68023. Because this study uses a one-tailed hypothesis, the probability value is divided by two, namely $0.0343/2 = 0.01715$. This value is smaller than the significance level of $\alpha = 0.05$ (5%), so there is a significant influence between Financial Performance on Financial Distress. Thus, H_0 is rejected and H_a is accepted. This shows that good Financial Performance management is able to optimize the company's financial condition so that it can contribute to reducing the risk of Financial Distress.

2. Activity Ratio has a significant effect on Financial Distress.

The second hypothesis (H_2) in this study states that the Activity Ratio (RA) has an effect on Financial Distress (FD). The results of the data processing show that the t-test results on the Activity Ratio (AR) variable produce a t-count value of $1.1674 < t$ table of 1.68023. Because the study uses a one-tailed hypothesis, the probability value is divided by two, namely $0.2450/2 = 0.1225$. This value is greater than the significance level of $\alpha = 0.05$ (5%), so there is no significant influence between the Activity Ratio and Financial Distress. Thus, H_0 is accepted and H_a is rejected. This indicates that the Activity Ratio has not been able to provide a real influence in reducing the risk of Financial Distress. One possible cause is

that the high level of turnover of the Company's activities is not necessarily accompanied by effective cost management and increased profitability, so that the resulting operational performance does not fully reflect a healthy financial condition. As a result, although the Activity Ratio tends to correlate with a decrease in Financial Distress, this influence is not strong enough to have a significant impact

3. Inflation has a significant effect on Financial Distress.

The third hypothesis (H_3) in this study states that inflation (INF) has an effect on financial distress (FD). The results of the data processing show that the t-test results on the inflation variable (INF) produce a calculated t of $0.1745 < t$ table of 1.68023. Because the study uses a one-tailed hypothesis, the probability value is divided by two, namely $0.8617 / 2 = 0.43085$. This value is greater than the significance level of $\alpha = 0.05$ (5%), so there is no significant effect between inflation and financial distress. Thus, H_0 is accepted and H_a is rejected. This shows that the inflation rate has not been able to provide a real effect in reducing the risk of financial distress. One possible cause is that companies tend to anticipate changes in the inflation rate through adjustments to prices, operational costs, and financial strategies, so that the impact of inflation on the company's financial condition is relatively limited. As a result, although inflation has the potential to affect a company's financial performance, this influence is not yet strong enough to have a significant impact on financial distress.

4. Exchange Rate has a significant effect on Financial Distress.

The fourth hypothesis (H_4) in this study states that the Exchange Rate (NT) has an effect on Financial Distress (FD). The results of data processing show that the t-test results on the Exchange Rate (ER) variable produce a calculated t value of $2.0588 > t$ table of 1.68023. Because the study uses a one-tailed hypothesis, the probability value is divided by two, namely $0.0413 / 2 = 0.02065$. This value is smaller than the significance level of $\alpha = 0.05$ (5%), so it can be concluded that the Exchange Rate has no a significant effect on Financial Distress. Thus, H_0 is accepted and H_a is rejected. One of the reasons is that changes in the Exchange Rate do not directly affect the company's financial condition in the short term. In certain conditions, companies have hedged or have a relatively stable cost structure, so that fluctuations in the Exchange Rate do not put significant pressure on financial performance. As a result, even though changes in the Exchange Rate occur, they have not been able to have a real impact on increasing or decreasing the condition of a company's Financial Distress.

DISCUSSIONS

The Effect of Financial Performance on Financial Distress.

The results of the first hypothesis test (H_1) indicate that the Financial Performance (FP) variable has a positive influence on Financial Difficulty (FD). This finding is consistent with the first hypothesis (H_1), which states that Financial Performance (FP) has a negative influence on Financial Difficulty (FD). Financial performance is defined as a formal effort undertaken by a company to evaluate the efficiency and effectiveness of its activities over a specific period. Financial performance can also be defined as the efforts undertaken by a company over a

period of time and can be used to measure a company's success in generating profits through its resources, thereby enabling it to assess the company's prospects, growth, and development potential (Hermawan, 2020). The findings of this study are inconsistent with the findings of (Wahyu Tri Susilowati, 2021) who studied energy sector companies listed on the Indonesia Stock Exchange, stating that Financial Performance has a negative effect on Financial Distress because the higher the company's ability to meet its short-term obligations, the lower the risk of the company experiencing Financial Distress.

The Effect of Activity Ratio on Financial Distress.

The results of the first hypothesis test (H_2) indicate that the Activity Ratio (RA) variable has a negative influence on Financial Distress (FD). This finding is consistent with the second hypothesis (H_2), which states that the Activity Ratio (RA) has a negative influence on Financial Distress (FD). The activity ratio is defined as the asset utilization ratio, where this ratio is used to assess the effectiveness and intensity of the company's assets in generating sales (Erika, 2022). The findings of this study are consistent with the findings of (Rinofah et al., 2022), who studied energy sector companies listed on the Indonesia Stock Exchange, stating that the Activity Ratio has a negative effect on Financial Distress because it reflects the efficiency of asset utilization to generate sales. If the activity ratio is higher, it can show that the company is able to use its assets effectively so that sales increase and from this condition it can help the company meet its financial obligations, thereby reducing the occurrence of Financial Distress.

The Effect of Inflation on Financial Distress.

The results of the third hypothesis test (H_3) show that the Inflation variable (INF) has a negative influence on Financial Difficulty (FD). This finding is consistent with the third hypothesis (H_3), which states that Inflation (INF) has a negative influence on Financial Difficulty (FD). Inflation is defined as a tendency for prices of goods to increase in general and continuously (Satar & silviana Kardinar, 2018). This study's findings are inconsistent with those of (Arianne, 2023) who studied energy sector companies, which stated that inflation has a positive effect on financial distress because rising inflation can increase a company's operational and production costs. Therefore, these cost increases can drive up product prices and reduce purchasing power.

The Effect of Exchange Rate on Financial Distress.

The results of the fourth hypothesis test (H_4) indicate that the exchange rate (ER) variable has a negative influence on Financial Distress (FD). This finding is no consistent with the fourth hypothesis (H_4), which states that the Exchange Rate (ER) has a negative influence on Financial Distress (FD). An exchange rate is defined as the value of one country's currency in terms of another. Changes in a country's exchange rate can have important implications for global markets. The findings of this study are consistent with the findings of (Evi Dwiyantri, 2023) who studied energy sector companies listed on the Indonesia Stock Exchange, stating that the Exchange Rate has a negative effect on Financial Distress because the weakening of the exchange rate can reduce the interest of foreign investors, reduce investment, and weaken financial performance, thereby increasing the risk of Financial Distress.

CONCLUSIONS

Based on the analysis and discussion presented in the previous chapter, this study concludes that financial performance has a significant impact on financial distress. This indicates that an increase in a company's financial performance is accompanied by an increased risk of financial distress, indicating that a company's financial management is not yet fully capable of mitigating the occurrence of financial distress. Similarly, the activity ratio was found to have no significant impact on financial distress, indicating that the efficiency of many companies in utilizing assets has not yet significantly contributed to mitigating the occurrence of financial distress. Furthermore, inflation was found to have no significant impact on financial distress, indicating that companies' inflation levels have not yet fully contributed to mitigating the risk of financial distress. Finally, the exchange rate was found to have a no significant impact on financial distress, indicating that changes in the exchange rate do not have significant impact on a company's financial condition. From a theoretical perspective, this study contributes to the financial distress literature by highlighting that sector-specific resilience can moderate the expected impact of macroeconomic variables. In the context of the energy sector, companies appear to rely more on internal financial structures than on external economic stability. These findings extend previous research by demonstrating that macroeconomic stressors such as inflation and exchange rate volatility do not automatically lead to financial distress without weaknesses in firm-level financial management.

Practically, these results imply that energy companies should strengthen financial governance, improve liquidity management, and adopt proactive cost-control strategies. Although inflation and exchange rate fluctuations were not statistically significant in this study, companies are advised to implement risk mechanisms and countermeasures such as currency hedging and long-term financial planning to anticipate future macroeconomic shocks. For policymakers, the findings highlight the importance of maintaining a stable regulatory and financial environment that supports cost efficiency and financial sustainability in the energy sector.

This study is limited by the observation period and the range of variables analyzed. Future research could expand the time horizon, incorporate additional macroeconomic indicators, or compare multiple industry sectors to gain a broader understanding of the dynamics of financial distress.

REFERENCE

- Agustinus Nicolas Saputra, R. K. (2023). *Jurnal Ekonomi Akuntansi. Jurnal Ekonomi Akuntansi*, 1(1), 99–107.
- Ansari. (2025). *Dasar-Dasar Teori Inflasi*.
- Arianne, J. (2023). Pengaruh Inflasi, Kinerja Keuangan, Dan Manajemen Laba Terhadap Financial Distress Perusahaan Sektor Properti, Real Estate. *Ilmu Dan Riset Akuntansi*, 12(18), 1.
- Basri, D. H. I. G. & D. H. (2005). *Manajemen Keuangan-Edisi*.
- C.Miller, N. (2002). *Balance Of Payments And Exchange Rate* (P. 2).
- Cassel, G. (1918). Pengujian Teori Paritas. *Administrasibisnis*, 10(1), 2.
- Chandrayani, D. I. T., & Meri Dwi Anggraini, R. H. (2025). *Manajemen Keuangan Lanjutan*.
- Eka, E. (2021). Pengaruh Profitabilitas, Likuiditas, Leverage, Dan Aktivitas Terhadap Financial Distress. *Ilmu Riset Manajemen*, 10(9).

- Elisabeth Christina, N. B. (2022). Pengaruh Company Size, Profitability, Dan Inflation Terhadap Financial Distress. *Jurnal Paradigma Akuntansi*, 4(3), 1292–1301. <https://doi.org/10.24912/Jpa.V4i3.19979>
- Erika, T. (2022). *Kinerja Keuangan Perusahaan Dan Agresivitas Pajak* (Pp. 28–29).
- Evi Dwiyanti, F. (2023). Pengaruh Nilai Tukar Dan Suku Bunga Terhadap Financial Distress Pada Perusahaan Sub Sektor Pariwisata Yang Terdaftar Di Bei. *Majalah Ekonomi*, 28(01), 30–36. <https://doi.org/10.36456/Majeko.Vol28.No01.A7462>
- Evita Indriani & Titik Mildawati. (2019). Pengaruh Profitabilitas, Aktivitas, Likuiditas, Leverage Dan Arus Kas Terhadap Financial Distress Pada Perusahaan Telekomunikasi. *Jurnal Ilmu Dan Riset Akuntansi*, 8(4), 1–21. <https://jurnal.unmas.ac.id/index.php/juara/article/view/558>
- Faizin, M. (2021). *Ekonomi Makro Islam*.
- Goh, T. S. (2023). *Monograf: Financial Distress*. https://www.google.com/search?safe=strict&sxsrf=Alekk00vzf4skipecsvdtitqmt_Lqind2a%3a1606791450026&ei=Grhfx96paaoymgeas66qcg&q=Buku+Financial+Distress+Pdf&oq=Buku+Financial+Distress&gs_lcp=CgzwC3ktywiqargamgqiixanmggiabdjaxdlatigcaaQfhaemgyiabaweb4ybggaeb
- Gumanti, T. (2009). *Teori Sinyal Dalam Manajemen Keuangan*.
- Hasanah, K., Hamdun, E. K., & Wiryaningtyas, D. P. (2023). Pengaruh Struktur Modal Dan Kinerja Keuangan Terhadap Nilai Perusahaan Dengan Financial Distress Sebagai Variabel Intervening. *Jurnal Mahasiswa Entrepreneur (Jme)*, 2(3), 361–377.
- Hermawan, D. S. (2020). *Pengukuran Kinerja Keuangan Dan Peran Intellectual Capital*.
- Jannah, M. (2023). *Model Prediksi Financial Distress*.
- Jensen, & Meckling. (1976). *Teori Akuntansi*. <https://www.mendeley.com/search/?page=1&query=Teori+Agensi&sortby=Relevance>
- Jumirin Asyikin, Sri Ernawati, A. Y. S. (2020). Pengaruh Kinerja Keuangan Terhadap Financial Distress Melalui Efisiensi Dan Risiko (Studi Empiris Pada Bank Umum Syariah Di Indonesia). *40 Spread*, 9(2), 40–64. <http://journal.stiei-kayutangi-bjm.ac.id/index.php/index>
- Khaidar Rahmaini Jamila. (2025). *Ekonomi Moneter Keuangan Islam*.
- L. Altman, E. (2013). *Predicting Financial Distress Of Companies*. 428–456.
- Lisa, O. (2024). *Peran Audit Dalam Kinerja Keuangan Operasi*.
- Murdo, I. T. (2025). Inflasi Indonesia Sejak Penerapan Inflation Targeting. *Inflasi*, 4(4), 1030.
- Myllariza, V. (2021). Pengaruh Rasio Keuangan Dan Makroekonomi Terhadap Financial Distress Pada Perusahaan Sektor Industri. 9(3).
- Ni Kadek Ayu Ekayanthi, Ni Nyoman Ayu Suryandari, I. . B. M. (2021). Pengaruh Good Corporate Governance Dan Kinerja Keuangan Terhadap Financial Distress (Pada Perusahaan Manufaktur Yang Terdaftar Di Bei Tahun 2015-2017). *Jurnal Karma (Karya Riset Mahasiswa Akuntansi)*, 1(4), 1386–1403.
- Nurfauziah. (2022). Faktor Makroekonomi Dan Kinerja Keuangan Dalam Memprediksi Financial Distress. *Keuangan*, 1(2).
- Prahendratno, A. (2023). *Buku Ajar Pengantar Bisnis*.
- Purba, D. P. (2024). Pengaruh Struktur Modal, Likuiditas, Pertumbuhan Penjualan, Biaya Agensi Dan Nilai Tukar Terhadap Financial Distress Pada Perusahaan Consumers Goods Yang Terdaftar Di Bursa Efek Indonesia. *Jurnal Of Economy*, 7(3), 1.
- Rinofah, R., Sari, P. P., & Juliani, T. (2022). Pengaruh Kinerja Keuangan Terhadap Financial Distress Pada Perusahaan Manufaktur Sub Sektor Industri Barang Konsumsi Makanan Dan Minuman Yang Terdaftar Di Bursa Efek Indonesia Periode 2016 - 2020. *Al-Kharaj : Jurnal Ekonomi, Keuangan & Bisnis Syariah*, 4(3), 726–744. <https://doi.org/10.47467/Alkharaj.V4i3.719>
- Santa, T. (2024). Pengaruh Arus Kas, Pertumbuhan Penjualan Dan Inflasi Terhadap Financial Distress. *Jurnal Of Finance*, 3(1), 1.

- Saragih, R. M. (2024). Analysis Of Factors Yhat Affect Financial Distress In Manufacturing Companies In The Consumer Goods Industry Sector Listed On The Bei. *Jurnal Of Economic*, 7(4), 1–4.
- Sari, P. B. (2019). *Suatu Pengantar Financial Management*.
- Sartono. (2025). *Analisa Laporan Pajak*.
- Satar & Silviana Kardinar. (2018). *Teori Ekonomi Makro*.
- Solikin, P. W. (2017). *Kebijakan Moneter Di Indonesia*.
- Spence. (1973). *Eksplorasi Teori-Teori Akuntansi Lanjutan*.
- Swastika, D. (2023). Penagruh Komite Audit, Likuiditas, Levergae, Dan Aktivitas, Terhadap Financial Distress (Studi Kasus Pada Perusahaan Jasa Sub Keuangan Sektor Asuransi Yang Terdaftar Di Bursa Efek Indonesia (Bei) Periode 2017-2022). *Ilmiah Raflesia Akuntansi*, 9(2), 1.
- Wafi, A., Mardani, R. M., & Wahono, B. (2021). Pengaruh Inflasi, Nilai Tukar, Harga Minyak Dunia Dan Suku Bunga Terhadap Financial Distress (Studi Pada Perusahaan Manufaktur Yang Terdaftar Di Bei Tahun 2019-2020). *Jurnal Riset Manajemen*, 10(04), 1–14.
- Wahyu Tri Susilowati. (2021). Pengaruh Financial Distress Terhadap Kinerja Keuangan (Studi Empiris Pada Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia Tahun 2014-2019). *Jurnal Ilmiah Akuntansi Dan Finansial Indonesia*, 5(1), 31–38. <https://doi.org/10.31629/jiafi.V5i1.3863>
- Zakya, F. (2022). Pengaruh Profitabilitas, Aktivitas, Likuiditas, Wcta Terhadap Financial Distress Pada Emiten Industri Properti Dan Real Estate. *Ekonomi*, 1(11), 1.
- Zedde, A., Wahyudi, I., & Ridwan, M. (2022). Pengaruh Good Corporate Governance Dan Inflasi Terhadap Financial Distress. *Jurnal Akuntansi Dan Auditing*, 19(1), 94–115.
- Agustinus Nicolas Saputra, R. K. (2023). Jurnal Ekonomi Akuntansi. *Jurnal Ekonomi Akuntansi*, 1(1), 99–107.
- C.Miller, N. (2002). *Balance Of Payments And Exchange Rate* (P. 2).
- Cassel, G. (1918). Pengujian Teori Paritas. *Administrasibisnis*, 10(1), 2.
- Chandrayani, D. I. T., & Meri Dwi Anggraini, R. H. (2025). *Manajemen Keuangan Lanjutan*.
- Eka, E. (2021). Pengaruh Profitabilitas, Likuiditas, Leverage, Dan Aktivitas Terhadap Financial Distress. *Ilmu Riset Manajemen*, 10(9).
- Elisabeth Christina, N. B. (2022). Pengaruh Company Size, Profitbility, Dan Inflation Terhadap Financial Distress. *Jurnal Paradigma Akuntansi*, 4(3), 1292–1301. <https://doi.org/10.24912/jpa.V4i3.19979>
- Erika, T. (2022). *Kinerja Keuangan Perusahaan Dan Agresivitas Pajak* (Pp. 28–29).
- Evi Dwiyanti, F. (2023). Pengaruh Nilai Tukar Dan Suku Bunga Terhadap Financial Distress Pada Perusahaan Sub Sektor Pariwisata Yang Terdaftar Di Bei. *Majalah Ekonomi*, 28(01), 30–36. <https://doi.org/10.36456/Majeko.Vol28.No01.A7462>
- Evita Indriani & Titik Mildawati. (2019). Pengaruh Profitabilitas, Aktivitas, Likuiditas, Leverage Dan Arus Kas Terhadap Financial Distress Pada Perusahaan Telekomunikasi. *Jurnal Ilmu Dan Riset Akuntansi*, 8(4), 1–21. <https://jurnal.unmas.ac.id/index.php/juara/article/view/558>
- Faizin, M. (2021). *Ekonomi Makro Islam*.
- Goh, T. S. (2023). *Monograf: Financial Distress*. https://www.google.com/search?safe=strict&sxsrf=Alekk00vzf4skipecsvdtitqmt_Lqind2a%3a1606791450026&ei=Grhfx96paaoymgas66qcg&q=Buku+Financial+Distress+Pdf&oq=Buku+Financial+Distress&gs_lcp=CgzwC3ktywiqargamgqiixanmggiabdjaxdlatigcaaqaqfhaemgyiabaweb4ybgaeb
- Gumanti, T. (2009). *Teori Sinyal Dalam Manajemen Keuangan*.
- Hasanah, K., Hamdun, E. K., & Wiryaningtyas, D. P. (2023). Pengaruh Struktur Modal Dan Kinerja Keuangan Terhadap Nilai Perusahaan Dengan Financial Distress Sebagai Variabel Intervening. *Jurnal Mahasiswa Entrepreneur (Jme)*, 2(3), 361–377.
- Hermawan, D. S. (2020). *Pengukuran Kinerja Keuangan Dan Peran Intellectual Capital*.
- Jannah, M. (2023). *Model Prediksi Financial Distress*.

- Jensen, & Meckling. (1976). *Teori Akuntansi*.
<https://www.Mendeley.Com/Search/?Page=1&Query=Teori Agensi &Sortby=Relevance>
- Jumirin Asyikin, Sri Ernawati, A. Y. S. (2020). Pengaruh Kinerja Keuangan Terhadap Financial Distress Melalui Efisiensi Dan Risiko (Studi Empiris Pada Bank Umum Syariah Di Indonesia). *40 Spread*, 9(2), 40–64. [Http://Journal.Stiei-Kayutangi-Bjm.Ac.Id/Index.Php/Index](http://Journal.Stiei-Kayutangi-Bjm.Ac.Id/Index.Php/Index)
- Khaidar Rahmaini Jamila. (2025). *Ekonomi Moneter Keuangan Islam*.
- L.Altman, E. (2013). *Predicting Financial Distress Of Companies*. 428–456.
- Murdo, I. T. (2025). Inflasi Indonesia Sejak Penerapan Inflation Targeting. *Inflasi*, 4(4), 1030.
- Myllariza, V. (2021). *Pengaruh Rasio Keuangan Dan Makroekonomi Terhadap Financial Distress Pada Perusahaan Sektor Industri*. 9(3).
- Purba, D. P. (2024). Pengaruh Struktur Modal, Likuiditas, Pertumbuhan Penjualan, Biaya Agensi Dan Nilai Tukar Terhadap Financial Distress Pada Perusahaan Consumers Goods Yang Terdaftar Di Bursa Efek Indonesia. *Jurnal Of Economy*, 7(3), 1.
- Rinofah, R., Sari, P. P., & Juliani, T. (2022). Pengaruh Kinerja Keuangan Terhadap Financial Distress Pada Perusahaan Manufaktur Sub Sektor Industri Barang Konsumsi Makanan Dan Minuman Yang Terdaftar Di Bursa Efek Indonesia Periode 2016 - 2020. *Al-Kharaj : Jurnal Ekonomi, Keuangan & Bisnis Syariah*, 4(3), 726–744. <https://doi.org/10.47467/Alkharaj.V4i3.719>
- Santa, T. (2024). Pengaruh Arus Kas, Pertumbuhan Penjualan Dan Inflasi Terhadap Financial Distress. *Jurnal Of Finance*, 3(1), 1.
- Saragih, R. M. (2024). Analysis Of Factors Yhat Affect Financial Distress In Manufacturing Companies In The Consumer Goods Industry Sector Listed On The Bei. *Jurnal Of Economic*, 7(4), 1–4.