

Factors Influencing Financial Distress In Indonesian Healthcare and Energy Companies

¹Bella Dwimare Mamun , ²Ibeakamma Ugochinyere¹Sekolah Tinggi Ilmu Ekonomi Tri Bhakti, Bekasi, Indonesia²Zhejiang Normal University, Jinhua, ChinaEmail : ² ugochinyere@zjnu.edu.cnCorresponding author e-mail: ¹Belladwimare@gmail.com

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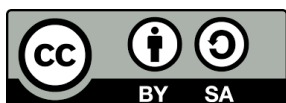
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Abstract

Purpose – This study aims to examine the effect of Total Asset Turnover, Audit Committee Characteristics, Working Capital Turnover, and Market Ratio on financial distress in healthcare and energy companies listed on the Indonesia Stock Exchange during the 2022–2024 period.

Design/methodology/approach – This research employs a quantitative approach using panel data from 59 companies, resulting in 177 firm-year observations. The analysis is conducted using panel data regression with the Random Effect Model (REM), following model selection tests including Chow, Hausman, and Lagrange Multiplier tests.

Findings – The results indicate that Working Capital Turnover has a statistically significant negative effect on financial distress, suggesting that efficient working capital management reduces the likelihood of financial difficulties. Meanwhile, Total Asset Turnover, Audit Committee Characteristics, and Market Ratio do not show statistically significant effects on financial distress. These findings imply that liquidity efficiency plays a more decisive role than asset utilization or formal governance mechanisms in determining financial resilience within high-pressure sectors.

Research limitations/implications – This study is limited by its focus on two sectors and a three-year observation period, which may restrict generalizability to other industries or longer time horizons. The relatively low explanatory power of the model indicates that financial distress is influenced by additional external factors such as macroeconomic conditions and regulatory pressures. Nevertheless, the findings provide practical implications for managers and regulators by emphasizing the importance of working capital efficiency as a key strategy to mitigate financial distress risk in capital-intensive and highly regulated sectors.

JEL : G33, G30, M41

INTRODUCTION

Financial distress represents a critical issue in corporate finance, as it often constitutes the preliminary stage preceding bankruptcy and corporate failure. In emerging economies such as Indonesia, the risk of financial distress is particularly complex due to exposure to macroeconomic volatility, regulatory intervention, structural industry pressures, and capital market instability. The post-pandemic recovery period has further intensified these challenges, especially for strategic sectors that play a crucial role in national economic stability, such as healthcare and energy industries.

The healthcare sector has experienced rising operational costs, shifting demand patterns, regulatory adjustments, and dependency on government policies related to procurement and public health financing. Meanwhile, the energy sector faces global commodity price volatility, capital-intensive operational structures, energy transition pressures, and regulatory constraints related to sustainability and subsidy policies. Both sectors share structural similarities, including high capital intensity, complex cost structures, and significant liquidity requirements to sustain operations. These characteristics increase their vulnerability to financial distress, particularly during periods of economic uncertainty and recovery.

Extensive literature has examined the determinants of financial distress using financial performance indicators and corporate governance mechanisms. Activity ratios such as Total Asset Turnover are commonly associated with operational efficiency, while Working Capital Turnover reflects liquidity management efficiency. Market-based indicators such as Market Ratio (Earnings Per Share) are often interpreted as signals of firm performance from investors' perspectives. Additionally, corporate governance mechanisms, particularly Audit Committee Characteristics, are theoretically expected to mitigate agency conflicts and enhance monitoring effectiveness, thereby reducing financial risk.

However, empirical findings remain inconsistent across sectors and economic periods. While some studies report that asset efficiency and governance mechanisms significantly reduce financial distress, others find weak or insignificant relationships, particularly in capital-intensive and highly regulated industries. Many prior studies predominantly focus on manufacturing firms or employ cross-sector samples under relatively stable economic conditions, thereby limiting contextual sensitivity. Consequently, limited evidence exists regarding how traditional financial and governance indicators behave within high-pressure sectors during post-crisis recovery periods.

This study seeks to address this research gap by examining the effect of Total Asset Turnover, Audit Committee Characteristics, Working Capital Turnover, and Market Ratio on financial distress among healthcare and energy companies listed on the Indonesia Stock Exchange during the 2022–2024 period. The selection of this period reflects a transitional recovery phase characterized by liquidity constraints, operational cost pressures, and regulatory adjustments. Rather than introducing new variables, the novelty of this research lies in its sector-specific and period-specific context, which enables a reassessment of the explanatory power of classic financial and governance indicators under heightened sectoral stress.

The decline in financial performance highlights the vulnerability of the energy sector to global pressures, including oil price volatility, post-pandemic demand fluctuations, and rising operational costs. Such conditions may generate liquidity constraints and operational

inefficiencies that increase the likelihood of financial distress. Similar structural pressures are also experienced by healthcare companies, particularly during the post-pandemic recovery period, where regulatory adjustments and cost escalation affect financial stability.

Prior studies identify Total Asset Turnover (TATO) as an indicator of asset utilization efficiency in generating revenue. From a theoretical perspective, higher TATO reflects more efficient use of assets, which should strengthen cash flow generation and reduce the probability of financial distress. Conversely, low asset turnover may signal operational inefficiency and reduced financial flexibility. Nevertheless, empirical evidence remains inconclusive. Several studies (Agustin & Nugroho, Dwi, 2025; Yudiawati, Rike & Indriani, 2016) found that Total Asset Turnover negatively impacts financial distress, while research by (Amah et al., 2023; Oktariyani, 2019; Oktaviana et al., 2023) showed that Total Asset Turnover has no negative (positive) impact on financial distress.

Audit committee characteristics constitute an essential component of corporate governance mechanisms. In theory, an audit committee with adequate size, independence, and financial expertise enhances monitoring effectiveness, improves financial reporting quality, and reduces agency conflicts. These improvements are expected to mitigate financial risk and lower the probability of financial distress. However, empirical findings remain mixed. Some studies (Elyanto & Syafruddin, 2013; Kristanti & Syafruddin, 2012; Masak & Noviyanti, 2019) found that audit committee characteristics negatively influence financial distress, while (Dharmawan, Febryan, 2024; Gunawijaya, 2015) showed that audit committee characteristics have no negative (positive) influence on financial distress.

Working Capital Turnover (WCTO) reflects the efficiency of working capital management in generating sales and sustaining liquidity. Theoretically, higher WCTO indicates effective short-term asset management, enabling firms to maintain operational continuity and reduce financial pressure. Conversely, inefficient working capital utilization may restrict liquidity and increase the risk of distress. Although several studies (Basri & Dumilah, 2025; Najwa Rahma & Rinaldi, 2024; Tambunan et al., 2023) found that Working Capital Turnover influences financial distress, while Sandrina, Firdaus Latief (2024) showed that Working Capital Turnover has no negative (positive) effect on financial distress.

The market ratio, proxied by Earnings per Share (EPS), represents a firm's ability to generate returns for shareholders and is often interpreted as a signal of financial performance and future prospects. A higher EPS is theoretically associated with profitability stability and reduced financial distress risk, while declining EPS may signal deteriorating financial health. Nevertheless, empirical evidence is also inconsistent Murni (2018) found that the market ratio negatively impacts financial distress, while sedangkan (Edi & Eilyn, 2023; Mustahgfiroh & Lisiantara, 2021) showed that the market ratio has no negative (positive) impact on financial distress.

Overall, prior research on financial distress demonstrates inconsistent and context-dependent findings, particularly across industries, countries, and economic periods. Most studies rely on cross-sector samples or relatively stable economic environments, with limited focus on high-pressure sectors during post-pandemic recovery phases. Therefore, this study aims to examine the influence of Total Asset Turnover, Audit Committee Characteristics, Working Capital Turnover, and Market Ratio on financial distress in healthcare and energy companies listed on the Indonesia Stock Exchange during the 2022–2024 period. By focusing

on strategic sectors operating under heightened economic pressure, this research seeks to provide empirical insights into the contextual behavior of traditional financial and governance indicators within Indonesia's emerging market environment

LITERATUR REVIEW

Signaling Theory

The signaling theory introduced by Spence (1973) explains that when one party possesses more complete information than another, information asymmetry arises and must be reduced through signals. An effective signal involves certain costs and must be difficult to imitate so that it credibly reflects quality differences. In the corporate context, financial indicators serve as signals to investors and creditors regarding a firm's financial condition and future prospects.

Within this framework, financial ratios such as Total Asset Turnover, Working Capital Turnover, and Earnings Per Share function as performance signals. Firms with strong financial fundamentals are more capable of sending credible positive signals to the market. However, during periods of high sectoral pressure, the reliability of these signals may vary, particularly in capital-intensive industries such as healthcare and energy.

Agency Theory

Agency theory explains the conflict arising from the separation between ownership and management. Managers possess more detailed information regarding company operations than shareholders, creating information asymmetry and potential opportunistic behavior Milles (2012), This perspective is reinforced by (Vivi Kumalasari Subroto, S.E, M.Si & Eni Endaryati, S.Kom., 2024) and (Dr. Agus Wibowo, M.Kom., M.Si. & Dr., 2023), who emphasize that information imbalance may encourage earnings manipulation, inefficient decision-making, or risk avoidance behavior.

Corporate governance mechanisms, particularly audit committees, are designed to mitigate agency conflicts through monitoring and oversight. However, the effectiveness of governance mechanisms depends not only on structural compliance but also on their substantive implementation. In emerging market contexts, governance practices may function formally rather than effectively, potentially weakening their role in preventing financial distress.

Financial Distress

Financial distress reflects a decline in a company's ability to meet financial obligations and may precede bankruptcy. In times of declining performance, weak governance and inefficient financial management can accelerate financial deterioration. Jostarndt (2007) highlights that financial distress often triggers managerial turnover as a disciplinary mechanism. Recent studies (2021–2024) suggest that financial distress determinants vary across industries and economic periods, particularly in sectors exposed to regulatory pressure and high capital intensity. This indicates that contextual factors must be considered when evaluating financial distress predictors.

Total Asset Turnover

Total Asset Turnover (TATO) measures a company's efficiency in utilizing assets to generate revenue Yudiawati, Rike & Indriani (2016), Theoretically, higher asset efficiency should

enhance cash flow generation and reduce financial risk.

Empirical findings, however, show mixed results. Several studies (Agustin & Nugroho, Dwi, 2025; Yudiawati, Rike & Indriani, 2016) report a negative relationship between TATO and financial distress, indicating that efficient asset utilization reduces financial risk. Conversely, other research (Amah et al., 2023; Oktariyani, 2019; Oktaviana et al., 2023) finds no significant effect. These inconsistencies suggest that asset efficiency alone may not guarantee financial stability, particularly in capital-intensive sectors where large asset bases do not necessarily translate into liquidity strength. This research gap motivates further examination within healthcare and energy companies during the post-pandemic recovery period.

Audit Committee Characteristics

Audit committee characteristics, particularly independence and expertise, are expected to strengthen oversight quality Kristanti & Syafruddin (2012), . From an agency theory perspective, stronger monitoring should reduce managerial opportunism and financial reporting risks, thereby lowering financial distress probability. Nevertheless, empirical evidence remains divided. Some studies (Elyanto & Syafruddin, 2013; Kristanti & Syafruddin, 2012; Masak & Noviyanti, 2019) find a negative relationship between audit committee characteristics and financial distress, while others (Dharmawan, Febryan, 2024; Gunawijaya, 2015) find insignificant results. These findings indicate that governance mechanisms may lose effectiveness when they function primarily as formal regulatory compliance rather than active monitoring systems. This gap becomes particularly relevant in emerging markets such as Indonesia.

Working Capital Turnover

Working Capital Turnover (WCTO) measures the effectiveness of working capital utilization in generating sales Najwa Rahma & Rinaldi (2024), Theoretically, efficient working capital management enhances liquidity and operational continuity, reducing financial pressure. Empirical findings are also mixed. Studies by (Basri & Dumilah, 2025; Najwa Rahma & Rinaldi, 2024; Tambunan et al., 2023) find significant relationships between WCTO and financial distress. However, (Sandrina, Firdaus Latief, 2024) report insignificant results. Given the heightened liquidity pressure during the 2022–2024 recovery period, examining the role of working capital efficiency in high-pressure sectors becomes particularly important.

Market Ratio

Market ratio, proxied by Earnings Per Share (EPS), reflects investor perception of firm performance Mustahgfiroh & Lisiantara (2021), Under signaling theory, higher EPS conveys positive information about profitability and stability. However, empirical findings remain inconsistent. (Murni, 2018) finds a negative relationship between EPS and financial distress, whereas (Edi & Eilyn, 2023; Mustahgfiroh & Lisiantara, 2021) find no significant impact.

These inconsistencies suggest that market-based indicators may not always accurately reflect internal liquidity conditions, especially during sector-specific financial stress.

Hypotheses development

Total Asset Turnover (TATO) reflects a company's efficiency in utilizing its assets to generate revenue. Higher TATO indicates more effective asset management and stronger operational performance (Oktariyani, 2019; Yudiawati, Rike & Indriani, 2016). Conversely, low

TATO suggests underutilized assets and limited revenue generation capacity (Amah et al., 2023), which may weaken cash flow and increase financial vulnerability. From the perspective of Signaling Theory (Spence, 1973), strong asset efficiency serves as a positive signal to investors regarding a firm's operational strength and financial stability. Firms with high TATO are perceived as having greater capability to generate sustainable revenue and meet financial obligations, thereby lowering the probability of financial distress. Although prior studies report mixed findings, several empirical results (Agustin & Nugroho, Dwi, 2025; Yudiawati, Rike & Indriani, 2016) support a negative relationship between TATO and financial distress. Therefore, it is hypothesized that:

H₁: Total Asset Turnover has a negative effect on Financial Distress.

Audit committee characteristics, particularly independence and expertise, represent essential elements of corporate governance. Independent audit committees enhance monitoring effectiveness and improve financial reporting quality (Kristanti & Syafruddin, 2012). Based on Agency Theory (Milles, 2012), conflicts between principals and agents arise due to information asymmetry. Effective monitoring mechanisms, such as independent and competent audit committees, reduce managerial opportunism and agency costs. Strong oversight may prevent financial mismanagement and detect financial risks at an early stage, thereby reducing the likelihood of financial distress. While some studies report insignificant effects, prior research (Elyanto & Syafruddin, 2013; Masak & Noviyanti, 2019) demonstrates that strong audit committee characteristics are associated with lower financial distress risk. Thus, the hypothesis is formulated as follows:

H₂: Audit Committee Characteristics have a negative effect on Financial Distress

Working Capital Turnover (WCTO) measures the efficiency of working capital utilization in generating sales (Najwa Rahma & Rinaldi, 2024). Efficient working capital management strengthens liquidity and supports operational continuity, whereas inefficient management may constrain cash flow and increase financial pressure. Under Signaling Theory, high WCTO serves as a positive signal of operational efficiency and liquidity strength. Firms capable of efficiently rotating working capital demonstrate financial resilience and lower bankruptcy risk. Although empirical findings vary, several studies (Basri & Dumilah, 2025; Tambunan et al., 2023) confirm that efficient working capital management significantly reduces financial distress risk. Accordingly, this study proposes:

H₃: Working Capital Turnover has a negative effect on Financial Distress

The market ratio, proxied by Earnings Per Share (EPS), reflects a company's ability to generate profits for shareholders (Mustahgfiroh & Lisiantara, 2021). Higher EPS indicates profitability stability and stronger market confidence (Murni, 2018). From the perspective of Signaling Theory, EPS acts as a signal of financial health. Firms with higher EPS are perceived as financially stable and less exposed to bankruptcy risk. Conversely, declining EPS may indicate operational difficulties and increased financial vulnerability. Despite mixed empirical findings, prior research (Murni, 2018) supports a negative relationship between EPS and financial distress.

H₄: Market Ratio (EPS) has a negative effect on Financial Distress

RESEARCH METHOD

Table 1. Operationalization of Research Variable

Variable	Dimension / Formula	Source
Total Asset Turnover	$Total Asset Turnover (TATO) = \frac{Net Sales}{Total Assets}$	(Yudiawati, Rike & Indriani, 2016)
Audit Committee Characteristics	$ACINDP = \frac{Number of Independent Directors}{Number of Members} \times 100\%$	(Kristanti & Syafruddin, 2012)
Working Capital Turnover	$Working Capital Turnover (WCTO) = \frac{Sales}{Working Capital}$	(Najwa Rahma & Rinaldi, 2024)
Market Ratio	$Earning Per-share (EPS) = \frac{Earning Available for Common Stock}{Number of Shares of Common Stock Outstanding}$	(Mustahfiroh & Lisiantara, 2021)
Financial Distress	$FD = 6,56 X1 + 3,26 X2 + 6,72 X3 + 1,05 X4$ 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	(Amah et al., 2023)

Population

The population of this study consists of all healthcare and energy sector companies listed on the Indonesia Stock Exchange (IDX) during the 2022–2024 period. These sectors were selected because they experienced significant operational and financial dynamics during the post-pandemic recovery and global energy volatility period. Based on data obtained from the official IDX website and company listings as of September 2025, a total of 59 companies met the sector classification criteria and were identified as the research population.

Sample

The sample selection was conducted using a purposive sampling method to ensure that only companies meeting specific research criteria were included. The criteria applied in this study are as follows: Companies classified under the healthcare and energy sectors and listed on the Indonesia Stock Exchange (IDX) during 2022–2024, Companies that consistently published complete annual financial statements during the observation period, Companies presenting financial statements in Rupiah (IDR) or United States Dollar (USD), Companies with complete financial data required to calculate all research variables (FD, TATO, ACC, WCTO, and MR). After applying these criteria, 59 companies were eligible as research samples. Observations were conducted over three accounting periods (2022–2024), resulting in 177 firm-year observations. However, after data cleaning and elimination of incomplete observations, the final dataset consisted of 174 balanced panel observations used in the regression analysis.

Data Sources

This study utilizes secondary data for analysis. The data is sourced from the annual reports of companies in the industrial sector listed on the Indonesia Stock Exchange for the period 2022 to 2024. Data collection was conducted through searches on each company's official website and the Indonesia Stock Exchange website (www.idx.co.id).

RESULTS

Descriptive Analysis

Table 2. Descriptive Statistic

	FD	TATO	ACC	WCTO	MR
Mean	7.276335	0.823617	0.435286	7.080520	539.0928
Median	5.287028	0.641219	0.400000	3.044362	70.88500
Maximum	113.5928	3.182798	0.750000	326.1719	47182.02
Minimum	-6.427821	0.000451	0.200000	-170.9660	-46.46000
Std. Dev.	10.98148	0.591332	0.111366	31.54470	3631.692
Skewness	6.187167	1.697746	0.825957	5.347658	12.33398
Kurtosis	54.82423	6.242085	3.160964	68.01917	158.2936
Jarque-Bera	20581.85	159.7934	19.97180	31478.65	179253.4
Probability	0.000000	0.000000	0.000046	0.000000	0.000000
Sum	1266.082	143.3093	75.73968	1232.010	93802.14
Sum Sq. Dev.	20862.57	60.49357	2.145594	172146.8	2.28E+09
Observations	174	174	174	174	174

Source : Processed Data (2025)

Description:

TATO (Total Asset Turnover), ACC (Audit Committee Characteristics), WCTO (Working Capital Turnover), MR (Market Ratio), FD (Financial Distress)

The table above shows 174 observations (balanced) for the 2022-2024 research period. The descriptive statistics for the above data are as follows:

Financial Distress (FD) shows a minimum value of -6.427821 and a maximum value of 113.5928, with a mean of 7.276335 and a standard deviation of 10.98148. The relatively high standard deviation compared to the mean indicates substantial variability in the financial distress conditions among healthcare and energy companies. The extreme maximum value suggests that several firms experienced severe financial pressure during the observation period. Total Asset Turnover (TATO) has a mean value of 0.823617, indicating that, on average, companies generate IDR 0.82 in sales for every IDR 1 of total assets. The standard deviation of 0.591332 suggests moderate dispersion, implying relatively stable asset utilization efficiency across firms. Audit Committee Characteristics (ACC) range from 0.20 to 0.75, with an average of 0.435286. The relatively small standard deviation (0.111366) indicates limited variation in audit committee composition among sampled firms, suggesting a relatively homogeneous governance structure. Working Capital Turnover (WCTO) shows substantial variability, with values ranging from -170.9660 to 326.1719 and a mean of 7.080520. The high standard deviation (31.54470) indicates extreme fluctuations in working capital efficiency, reflecting operational instability in certain firms. Market Ratio (MR), measured by EPS, displays significant dispersion, with a mean of 539.0928 and a standard deviation of 3631.692. The high kurtosis and skewness values indicate the presence of outliers and non-normal distribution patterns, suggesting that several firms experienced exceptionally high or low earnings during the period. Overall, the descriptive statistics reveal considerable heterogeneity in financial performance and operational efficiency across healthcare and energy companies during 2022–2024.

Panel Data Regression Model Selection Chow Test

Table 3. Chow Test

Effects Test	Statistic	d.f.	Prob.
Cross-section F	1.889292	(57,112)	0.0021
Cross-section Chi-square	117.22673257		0.0000

Based on the results of the Chow Test conducted using E-Views 9, the cross-section probability F value was obtained at 0.0021, which is smaller than the 5% significance level ($\alpha = 0.05$). This result indicates that the most appropriate model is the Fixed Effect Model (FEM). Therefore, a Hausman Test is necessary to determine the more appropriate model to use between the Fixed Effect Model and the Random Effect Model.

Hausman Test

Table 4. Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	8.000585	4	0.0916

Source Processed Data (2025)

The Hausman test produces a probability value of 0.0916 (> 0.05). Therefore, the Random Effect Model (REM) is more appropriate than the Fixed Effect Model.

Langrange Multipler Test

Table 5. Langrange Multiplier Test

	Test Hypothesis		
	Cross-section Time	Both	
Breusch-Pagan	7.391293 (0.0066)	0.357034 (0.5502)	7.748327 (0.0054)

Source: Processed Data (2025)

Based on the results of the Lagrange Multiplier Test, the significance value of the Both Breusch-Pagan is 0.0066. This result is less than the significance level value ($\alpha = 0.05$). Thus, the best model used is the Random Effect Model (REM).

Hypothesis Test

Table 6. Partial test (Random Effect Model)

$$Z = 5.640789 + 1.87677 \cdot TATO + 2.551655 \cdot ACC + -0.128128 \cdot WCTO + -0.000211 \cdot MR$$

Variable	Prediction	Coefficient	t-Statistik	Prob
C		5.640789	1.488351	0.1385
TATO	-	1.87677	1.226317	0.1109
ACC	-	2.551655	0.331142	0.37045

Variable	Prediction	Coefficient	t-Statistik	Prob
WCTO	-	-0.128128	-5.428797	0.0000*
MR	-	-0.000211	-1.013855	0.15605
R-Squared				0.155224
Adjusted R-Squared				0.13523
F-statistic				7.763271
Prob (F-Statistic)				0.000009

Description:

*Significance Level 5%

TATO (Total Asset Turnover), ACC (Audit Committee Characteristic),

WCTO (Working Capital Turnover), MR (Market Ratio)

Source: Processed data (2025)

Partial Test (t-test)

The partial test aims to indicate whether each independent variable has a significant individual effect on the independent variable. Based on the test results using the Random Effects Model (REM), the following conclusions can be drawn:

1. Total Asset Turnover has a negative effect on Financial Distress

The first hypothesis (H_1) in this study stated that Total Asset Turnover had no effect on Financial Distress. However, the data processing results showed a t-test of $1.226317 < \text{the t-table of } 1.67412$. Because this study used a one-tailed hypothesis, the probability value was divided by two, namely $0.2218/2 = 0.1109$, which is greater than the significance level of $\alpha = 0.05$. Therefore, the results of this study do not support hypothesis (H_1). Therefore, H_0 is accepted and H_a is rejected. This indicates that Total Asset Turnover has no effect on financial distress. One possible cause is the suboptimal use of assets to generate income, which can raise investor concerns regarding the environmental risks facing the company.

2. Audit Committee Characteristics Negatively Influence Financial Distress

The second hypothesis (H_2) states that Audit Committee Characteristics have no effect on Financial Distress. The analysis results show a coefficient of 2.551655, indicating a positive effect and contradicting the hypothesis. The calculated t-test is $0.331142 < \text{the t-table of } 1.67412$. Because this study uses a one-tailed hypothesis, the probability value is divided by two, namely $0.7409/2 = 0.37045$, which is greater than the significance level of $\alpha = 0.05$. Therefore, the results of this study do not support hypothesis H_2 . Therefore, H_0 is accepted and H_a is rejected. This indicates that Audit Committee Characteristics do not negatively influence financial distress. One possible cause is that the quality of the audit committee is

merely a formality and ineffective, which can raise investor concerns regarding the environmental risks facing the company.

3. Working Capital Turnover has a negative effect on Financial Distress

The third hypothesis (H3) states that Working Capital Turnover has a negative effect on Financial Distress. The analysis results show a coefficient of -0.128128, indicating a negative effect and in line with the hypothesis. The calculated t-test showed $-5.428797 < t\text{-table of } 1.67412$. Because this study uses a one-tailed hypothesis, the probability value is divided by two, i.e., $0.0000/2 = 0.0000$, which is less than the significance level of $\alpha = 0.05$. Therefore, the results of this study support hypothesis (H3). Therefore, H3 is rejected and H3 is accepted. This indicates that Working Capital Turnover has a negative effect on Financial Distress. In this context, a company's Working Capital Turnover (WCR) that utilizes working capital efficiently can generate optimal sales and minimize the risk of financial distress.

4. Market Ratio has a negative effect on Financial Distress

The fourth hypothesis (H₄) states that the Market Ratio has a negative effect on Financial Distress (FD). Based on the analysis, the coefficient analysis was -0.000211, indicating a negative effect and in line with the hypothesis. The t-test showed $-1.013855 < 1.67412$. Because this study used a one-tailed hypothesis, the probability value was divided by two, which is $0.3121/2 = 0.15605$, still greater than the significance level of $\alpha=0.05$. Therefore, the results of this study support hypothesis (H₄). Therefore, H₀ is rejected and H_a is accepted. This indicates that the Market Ratio has a negative effect on Financial Distress. In this case, high EPS reflects the company's ability to generate profits consistently, thereby increasing investor confidence and reducing the perception of the risk of financial distress.

Coefficient of Determination Test (Adjusted R-Squared)

Based on the regression test results, the Adjusted R-Square value of 0.13523 indicates that 13.52% of the variation in the Financial Distress variable can be explained by the independent variables used in this study: Total Asset Turnover, Audit Committee Characteristics, Working Capital Turnover, and Market Ratio. The remaining 86.48% is explained by other factors outside the model, not included in this study, such as Current Ratio, Profitability, and Net Profit Margin Yudiawati, Rike & Indriani, (2016), Oktariyani, (2019), Mustahfiroh & Lisiantara, (2021), (Najwa Rahma & Rinaldi, 2024), Sandrina, Firdaus Latief, (2024) . Furthermore, it can be influenced by the variables EBITDA, Return on Assets, and Gender Diversity Oktariyani, (2019), Tambunan et al., (2023), Basri & Dumilah, (2025), Dharmawan, Febryan, (2024). This demonstrates the importance of considering other variables in Financial Distress analysis, so that research results can provide a more comprehensive and accurate picture of the factors influencing market valuation of a company.

DISCUSSIONS

The findings of this study reveal important insights regarding the determinants of financial distress in healthcare and energy companies during the 2022–2024 period, which was characterized by post-pandemic recovery, commodity price volatility, and increased

operational pressure.

Total Asset Turnover and Financial Distress

The empirical results indicate that Total Asset Turnover (TATO) does not have a statistically significant effect on Financial Distress. Although the coefficient direction is positive, the relationship is not strong enough to be considered statistically meaningful. This finding suggests that asset utilization efficiency alone is insufficient to explain variations in financial distress within the observed sectors. From the perspective of Signaling Theory, high asset turnover should theoretically function as a positive signal to investors, reflecting operational efficiency and revenue-generating capability. However, in the context of healthcare and energy sectors, asset efficiency may not directly translate into improved liquidity or lower financial pressure. High sales volume does not automatically guarantee strong cash flow, especially when companies face high operating costs, capital intensity, and volatile input prices. This finding implies that market participants may not interpret asset turnover as a primary indicator of financial stability. Instead, investors and creditors may place greater emphasis on liquidity strength and debt management. Therefore, during periods of sectoral pressure, operational efficiency in asset utilization may lose its predictive power in explaining financial distress.

Audit Committee Characteristics and Financial Distress

The results also show that Audit Committee Characteristics do not have a statistically significant effect on Financial Distress. Although theoretically grounded in Agency Theory, which emphasizes monitoring mechanisms to reduce conflicts between principals and agents, the empirical evidence suggests that structural governance characteristics alone do not significantly reduce distress risk. Agency Theory posits that independent and competent audit committees should enhance oversight quality, improve financial reporting transparency, and reduce managerial opportunism. However, the insignificant result indicates that the mere existence or proportion of independent audit committee members does not necessarily reflect effective monitoring in practice.

This finding may suggest that governance mechanisms in some firms function more as formal compliance tools rather than substantive control mechanisms. Under conditions of high economic pressure, operational and financial risks may exceed the monitoring capacity of governance structures. Consequently, governance characteristics measured quantitatively may not fully capture the effectiveness of internal oversight.

Working Capital Turnover and Financial Distress

In contrast, Working Capital Turnover (WCTO) demonstrates a statistically significant negative effect on Financial Distress. This finding highlights the critical role of liquidity efficiency in maintaining financial stability. From a Signaling Theory perspective, efficient working capital management provides a credible signal of operational discipline and financial resilience. Companies that effectively manage receivables, inventories, and short-term liabilities are better positioned to sustain cash flow and meet immediate obligations. This reduces financial pressure and lowers the probability of distress. The significance of WCTO suggests that short-term financial management is more crucial than long-term asset efficiency in explaining distress conditions within high-pressure sectors. In industries characterized by

capital intensity and regulatory constraints, liquidity flexibility becomes a decisive factor in maintaining operational continuity.

Market Ratio and Financial Distress

The Market Ratio, measured by Earnings Per Share (EPS), shows a negative coefficient but does not have a statistically significant effect on Financial Distress. While theoretically EPS reflects profitability and investor confidence, the empirical findings indicate that market-based profitability signals were not strong determinants of distress risk during the study period. This may indicate that investors in healthcare and energy sectors prioritize liquidity indicators and risk exposure over accounting profitability measures. EPS can fluctuate due to accounting policies, non-recurring income, or market expectations, which may reduce its reliability as an early distress predictor. Therefore, although the direction of the relationship aligns with theoretical expectations, EPS does not provide sufficient explanatory power in predicting financial distress within the observed sample.

Overall Interpretation

Overall, the discussion suggests that during periods of economic and sectoral pressure, financial distress in healthcare and energy companies is more strongly influenced by liquidity management than by asset utilization efficiency, governance structure characteristics, or market-based profitability indicators. These findings contribute to the financial distress literature by demonstrating that classic financial and governance indicators may behave differently under high-risk sectoral conditions. The results emphasize the contextual nature of financial distress determinants and highlight the importance of sector-specific analysis in emerging markets.

CONCLUSIONS

This study aims to examine the effect of Total Asset Turnover (TATO), Audit Committee Characteristics (ACC), Working Capital Turnover (WCTO), and Market Ratio (EPS) on Financial Distress in healthcare and energy sector companies listed on the Indonesia Stock Exchange during the 2022–2024 period. Based on the results of panel data regression analysis using the Random Effect Model (REM), the findings indicate that only Working Capital Turnover has a statistically significant negative effect on Financial Distress. This suggests that liquidity efficiency plays a critical role in reducing the likelihood of financial distress in high-pressure sectors such as healthcare and energy. In contrast, Total Asset Turnover, Audit Committee Characteristics, and Market Ratio (EPS) do not show statistically significant effects on Financial Distress. Although their coefficient directions are generally consistent with theoretical expectations, the empirical results indicate that these variables do not provide sufficient explanatory power in predicting financial distress during the observation period.

These findings imply that, within the context of post-pandemic recovery and sectoral volatility, short-term liquidity management appears to be more influential than asset utilization efficiency or formal governance mechanisms in determining financial stability. The insignificant results for TATO, ACC, and EPS suggest that operational efficiency, governance structure, and market-based indicators may not directly translate into immediate financial resilience under sectoral pressure. Furthermore, the relatively low Adjusted R-Squared value

indicates that financial distress in healthcare and energy companies is influenced by other factors beyond the variables examined in this study. This highlights the complexity of financial distress and suggests that additional financial, structural, or macroeconomic variables may better explain variations in distress risk. Overall, this study contributes to the financial distress literature by demonstrating that the predictive strength of classic financial and governance indicators may vary across sectoral contexts and economic conditions. Specifically, in high-risk and capital-intensive industries, liquidity efficiency emerges as a more dominant determinant compared to asset turnover or governance characteristics.

Limitations

This study has several limitations that may impact its results. First, the study was limited to the period 2022 to 2024. Due to this time constraint, not all companies publish their financial reports. Second, the data in this study was obtained from published annual reports, so the results are highly dependent on the consistency and accuracy of the companies in conveying information. Third, some companies experienced losses during certain periods, so not all companies in the healthcare and energy sectors could be studied.

Implications

Based on the conclusions outlined, the following implications can be proposed:

For Academics

This research is expected to contribute to the development of literature in the field of financial accounting. This research focuses on how Total Asset Turnover, Audit Committee Characteristics, Working Capital Turnover, and Market Ratio can influence Financial Distress in healthcare and energy companies listed on the Indonesia Stock Exchange (IDX) for the 2022-2024 period. Therefore, this research is expected to enrich the literature related to reporting accounting information in anticipating financial distress.

For Companies

This research is expected to provide input for healthcare and energy companies in managing and utilizing company resources to anticipate financial distress. Companies need to be aware that a high Total Asset Turnover does not always directly reduce the risk of financial distress, as the effectiveness of asset utilization in generating sales is not necessarily accompanied by increased profitability and adequate cash flow. Therefore, more targeted asset management and utilization are needed to optimize the company's potential to provide added value.

Furthermore, companies are also expected to pay attention to the working capital turnover rate as part of effective corporate financial management. Optimal Working Capital Turnover management is expected to support smooth operations and more efficient managerial decision-making processes, enabling companies to maintain financial stability and anticipate the risk of future financial distress.

For Regulators

The findings of this study are expected to provide input for regulators, particularly the Financial Services Authority (OJK) and the Indonesia Stock Exchange (IDX), in evaluating

policies and developing guidelines for reporting corporate financial information. The results indicate that information related to Total Asset Turnover and audit committee characteristics does not fully reflect a company's financial condition directly. Therefore, improvements in the quality, consistency, and comparability of this information disclosure are needed to ensure optimal utilization by stakeholders.

Furthermore, regulators are expected to encourage increased transparency and refine disclosure standards related to company operational performance, oversight mechanisms through audit committees, working capital management, and market assessments. Strengthened regulations, coupled with ongoing oversight, are expected to create a more informative and accountable market environment, thereby supporting prevention and early detection of potential financial distress in companies.

Suggestions

This research is expected to serve as a foundation for further research, addressing several aspects not optimally addressed in this study, as follows:

This research is expected to serve as a baseline for further research, addressing various aspects not optimally addressed in this study, as follows: Future researchers can consider other variables that potentially influence financial distress, such as debt-to-asset ratio, current ratio, EBITDA, liquidity, return on equity, net profit margin, sales growth ratio, leverage, debt-to-equity ratio, probability, solvency, and productivity. Future researchers can compare the healthcare and energy sectors with other sectors, such as the financial sector, technology, and consumer cyclicals, to determine the effect of sustainability on financial distress in these sectors.

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