

Financial Stability in the Basic Material Sector: The Roles of Capital Structure and Gender Diversity

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Article Info Keywords: <ul style="list-style-type: none">○ Capital Structure;○ Inventory Turnover;○ Capital Intensity;○ Gender Diversity○ Financial Distress	Abstract <i>Purpose – This study aims to examine the effect of capital structure, inventory turnover, capital intensity, and gender diversity on financial distress.</i> <i>Design/methodology/approach – This study employs a quantitative approach using secondary data obtained from the annual financial statements of basic materials sector companies listed on the Indonesia Stock Exchange (IDX). The sample is selected using purposive sampling, and the data are analyzed using multiple linear regression with E-Views software. Financial distress is measured using the Altman Z-Score model, while the independent variables are measured using relevant financial ratios and gender diversity indicators.</i> <i>Findings – Findings – The results show that capital structure have a significant effect on financial distress. In addition, inventory turnover, capital intensity and gender diversity do not have a statistically significant effect on financial distress in basic materials sector companies during the study period</i> <i>Research limitations/implications – This study is limited to basic materials sector companies and the 2021–2024 observation period. Nevertheless, the findings provide insights for corporate management and investors regarding the importance of financial structure and operational efficiency in managing financial distress risk in capital-intensive industries.</i> JEL : G33, G32, J16
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INTRODUCTION

Indonesia's economic growth to date has shown a positive direction, driven by the recovery of industrial activities, increased investment, and the strengthening of strategic sectors in the capital market. One sector that plays an important role in supporting the national economy is the basic materials sector. This sector has an essential role as a provider of raw materials for various other sectors such as manufacturing, construction, chemicals, paper,

cement, and metals. Based on the classification of the Indonesia Stock Exchange (IDX) under the IDX Industrial Classification (IDX-IC) system, there are 11 main sectors, namely: energy, basic materials, industrials, consumer non-cyclicals, consumer cyclicals, healthcare, financials, properties and real estate, infrastructure, technology, and transportation and logistics.

Among these sectors, the basic materials sector has a prominent competitive advantage. One of these advantages is its role as the foundation of the national industrial supply chain, as almost all production activities in other sectors are highly dependent on the supply of raw materials. In addition, this sector also has high export potential, especially in leading commodities such as base metals, chemicals, and pulp & paper, which contribute significantly to the country's foreign exchange earnings. The basic materials sector is also relatively more resilient to fluctuations in domestic demand, as the products it produces remain needed both during periods of economic growth and economic slowdown. Compared to sectors such as technology or consumer goods, the basic materials sector has a larger asset base and higher production value added, making it one of the most influential sectors in maintaining national economic stability.

During the 2021-2024 period, the basic materials sector showed positive development that strengthened its position in the Indonesian capital market. In 2021, this sector became one of the best-performing sectors on the IDX, recording an increase in the sectoral index of 9.06%, higher than the increase in the Composite Stock Price Index (IHSG), which was only around 4.39%. This positive performance was driven by increased demand for chemicals, cement, and metals in line with the recovery of industrial activities and infrastructure development in Indonesia (Kontan, 2021).

In 2022, the basic materials sector continued to show strong resilience despite global markets facing volatility in commodity prices. The surge in prices of basic materials such as nickel and coal actually had a positive impact on increasing the revenues of several issuers in this sector. In addition, the government's policy of industrial downstreaming of natural resources further strengthened this sector by encouraging increased domestic value-added production. Thus, the basic materials sector became one of the sectors that directly benefited from national industrial policies oriented toward raw material self-sufficiency and supply chain efficiency.

Positive developments continued in 2023, where the basic materials sector was recorded as one of the main supporters of the strengthening of the IHSG, along with the infrastructure sector. Based on reports from the Financial Services Authority (OJK), in August 2023, the performance of the basic materials sector played a major role in maintaining capital market stability amid global economic uncertainty (Antara News, 2023). This sector showed a significant rebound in the second half of 2023, where several leading stocks such as Indah Kiat Pulp & Paper (INKP), Barito Pacific (BRPT), and Semen Indonesia (SMGR) recorded strong stock price increases. This performance was driven by rising demand for industrial raw materials and improved export prospects as global commodity prices stabilized (Kontan, 2023).

Then in 2024, the basic materials sector once again became a major driving force of the Composite Stock Price Index (IHSG). Based on data from Akurat.co (2024), in December 2024, the IHSG recorded an increase of 1.82%, led by the basic materials sector – making it the best-performing sector among all IDX sectoral indices (Akurat.co, 2024). This condition reinforces the view that the basic materials sector has strong business fundamentals and long-term growth prospects amid global challenges. Compared to other sectors such as the technology

sector, which is more sensitive to digitalization trends, or the financial sector, which is influenced by interest rate policies, the basic materials sector offers higher stability due to the essential nature of its products and their sustained demand. In addition, this sector also has a direct contribution to infrastructure development and national industrial resilience, making it a strategic sector in Indonesia's long-term economic development.

Nevertheless, the basic materials sector has unique characteristics and requires careful financial management. Despite its strong market performance and positive sectoral growth during the 2021–2024 period, companies in the basic materials sector remain highly vulnerable to financial distress. This vulnerability arises from their heavy reliance on debt financing, substantial fixed asset commitments, long production cycles, and strong exposure to global commodity price volatility. A sudden decline in commodity prices, inefficient asset utilization, or excessive leverage can quickly erode profitability and liquidity. Therefore, strong sector-level performance does not necessarily eliminate financial risk at the firm level. These structural characteristics make financial distress analysis particularly relevant in capital-intensive industries such as the basic materials sector. This sector is classified as capital intensive, where companies require large investments in the form of fixed assets such as machinery and equipment. An unbalanced capital structure can create the risk of financial pressure. In addition, inventory turnover in this sector tends to be low due to complex production processes and the need to maintain large inventories. If not managed efficiently, this condition can lead to financial distress that threatens the sustainability of company operations.

In addition to financial aspects, non-financial factors such as gender diversity are also receiving increasing attention in the context of sustainable corporate governance. Several studies show that the presence of women on boards of directors and commissioners can strengthen organizational culture, broaden strategic perspectives, and enhance corporate reputation in the eyes of investors. In sectors that tend to be dominated by male labor and management, such as the basic materials sector, the implementation of gender diversity becomes an interesting issue to study because it can bring innovation and more inclusive decision-making.

Based on the explanation above, it can be concluded that the basic materials sector has strategic advantages compared to other sectors due to its significant contribution to national industrial stability, resilience to economic fluctuations, and its important role in supporting exports and downstream industrialization. However, behind this potential, companies in this sector still face challenges in maintaining capital structure balance, operational efficiency, and governance that is adaptive to diversity issues. Therefore, this study is conducted to analyze the effect of capital structure, inventory turnover, capital intensity, and gender diversity on financial distress in basic materials sector companies listed on the Indonesia Stock Exchange during the 2021–2024 period. This research is expected to provide empirical contributions to the development of corporate finance literature and serve as a reference for practitioners and investors in understanding the factors that influence the financial resilience of strategic sectors in Indonesia.

Financial distress is influenced by many factors, including capital structure, as shown in studies by (Audina & HS, 2018; Dilla & Ritonga, 2024; Safitri & Retnani, 2024; Salim & Dillak, 2021; Suleha & Mayangsari, 2022). Next is inventory turnover as shown in studies by (Adityatama & Hermi, 2023; Aprilliana et al., 2024; Delvia & Siregar, 2022; Riyana Eka Sapitri

et al., 2023; Syifaurohmah et al., 2025). Next is capital intensity as shown in studies by (Bachtiar & Handayani, 2022; Cyntara & Apriwandi, 2025; Jaya & Rahmanto, 2022; Putri & Siregar, 2024; Syafella et al., 2022). Next is gender diversity as shown in studies by (A et al., 2024; Ramadanty & Khomsiyah, 2022; Ridhasyah et al., 2024; Salim & Dillak, 2021; Sari & Maharani, 2024).

In this study, capital structure is examined as one of the variables because capital structure reflects the composition of company financing derived from debt and equity. An appropriate capital structure can help companies achieve financing efficiency, minimize the cost of capital, and maintain long-term financial stability. Conversely, an unbalanced capital structure in which the proportion of debt is higher than equity can increase the risk of financial distress, especially when companies face declining revenues or rising interest costs.

This is supported by the study of (Audina & HS, 2018) on manufacturing companies in the pulp and paper subsector, which states that capital structure has a positive effect on financial distress. Similarly, the study by (Suleha & Mayangsari, 2022) on mining companies states that capital structure has a positive effect on financial distress. Likewise, the study by (Salim & Dillak, 2021) on agricultural businesses states that capital structure affects financial distress. Meanwhile, the study by (Dilla & Ritonga, 2024) on manufacturing companies in the consumer non-cyclicals sector states that capital structure has a negative effect on financial distress. Similarly, the study by (Safitri & Retnani, 2024) on property and real estate sector companies states that capital structure has a negative effect on financial distress.

Inventory turnover is examined as one of the factors because it shows how efficiently a company manages its inventory so that it can be quickly converted into sales. This ratio is important for assessing management effectiveness in controlling working capital and maintaining cash flow. Low inventory turnover may indicate stockpiling and operational inefficiency, which can ultimately increase the risk of financial distress, especially in the basic materials sector, which has high inventory values and complex production processes.

This is supported by the study of (Riyana Eka Sapitri et al., 2023) on energy sector companies, which states that inventory turnover affects financial distress. Similarly, the study by (Syifaurohmah et al., 2025) on companies included in the retail subsector states that inventory turnover significantly affects financial distress. Meanwhile, the study by (Adityatama & Hermi, 2023) on energy sector companies states that inventory turnover has a negative effect on financial distress. Likewise, the study by (Aprilliana et al., 2024) on manufacturing companies in the LQ45 index states that inventory turnover has no effect on financial distress. Similarly, the study by (Delvia & Siregar, 2022) on metal and related companies states that inventory turnover has no effect on financial distress.

In this study, capital intensity is examined as one of the factors because capital intensity reflects how much fixed assets are used in company operations. This ratio shows the company's dependence on long-term investments such as machinery and production equipment. A high level of capital intensity can increase depreciation expenses and funding needs, which may add financial pressure if not balanced with efficient performance. This is particularly important in the basic materials sector, which is capital intensive and requires large investments in fixed assets to support its production processes.

This is supported by the study of (Bachtiar & Handayani, 2022) transportation companies, which states that capital intensity has a negative effect on financial distress. Similarly, the study by (Cyntara & Apriwandi, 2025) on banking subsector companies states that capital intensity has no significant effect on financial distress. Likewise, the study by (Jaya

& Rahmanto, 2022) on transportation sector companies states that capital intensity has a negative effect on financial distress. Similarly, the study by (Putri & Siregar, 2024) on manufacturing companies states that capital intensity has a negative and significant effect on financial distress. In contrast, the study by (Syafella et al., 2022) on manufacturing companies states that capital intensity has a positive and significant effect on financial distress.

On the other hand, gender diversity is examined as one of the factors because gender diversity reflects the diversity of composition within the company's management structure or board of directors. This diversity is believed to improve the quality of decision-making through varied perspectives, creativity, and leadership styles. A more balanced level of gender diversity is also often associated with better corporate governance and more stable performance, which can reduce the potential for financial distress, especially in the basic materials sector, which requires innovation, prudence in decision-making, and efficiency in resource management.

This is supported by the study of (A et al., 2024) on technology sector companies, which states that gender diversity has a positive effect on financial distress. Similarly, the study by (Ramadanty & Khomsiyah, 2022) on infrastructure, utilities, and transportation sector companies states that gender diversity has a positive effect on financial distress. Meanwhile, the study by (Ridhasyah et al., 2024) on manufacturing companies states that gender diversity has no effect on financial distress. Likewise, the study by (Salim & Dillak, 2021) on agricultural businesses states that gender diversity has no effect on financial distress. Similarly, the study by (Sari & Maharani, 2024) on infrastructure, utilities, and transportation sector companies states that gender diversity has a positive and significant effect on financial distress.

Considering the various results of previous studies that show differences in findings regarding the direction and significance of the effect of each variable on financial distress, further research is needed within a different sectoral context. The basic materials sector is interesting to study due to its capital-intensive nature, high risk, yet significant contribution to the national economy.

Based on the above, this study is conducted to analyze the effect of capital structure, inventory turnover, capital intensity, and gender diversity on financial distress in basic materials sector companies listed on the Indonesia Stock Exchange during the 2021–2024 period. This research is expected to provide empirical contributions to the development of literature on corporate financial resilience and serve as a practical reference for management, investors, and policymakers in understanding the factors that influence financial conditions and the potential for financial distress in strategic sectors in Indonesia.

This study offers a contextual contribution to corporate finance literature by examining the determinants of financial distress within the basic materials sector, a highly capital-intensive industry characterized by substantial fixed assets, long production cycles, and high exposure to commodity price volatility. Unlike prior studies that predominantly focus on manufacturing or service industries, this research emphasizes that the effectiveness of financial and governance-related variables may differ significantly in industries with heavy asset structures.

From an agency theory perspective, capital structure and inventory management play a more dominant role in mitigating financial distress due to the high monitoring costs and financing requirements associated with fixed assets. Meanwhile, the legitimacy theory framework suggests that governance mechanisms such as gender diversity may not

immediately translate into financial stability in capital-intensive sectors, where operational efficiency and asset utilization are prioritized over symbolic legitimacy.

Therefore, the novelty of this research lies not merely in the choice of sector and period but in highlighting how industry-specific characteristics weaken or strengthen the relevance of governance and financial variables in explaining bankruptcy risk. By providing empirical evidence from the basic materials sector during the 2021–2024 period, this study extends existing literature by demonstrating that financial distress determinants are industry-contingent rather than universally applicable.

LITERATUR REVIEW

Legitimacy Theory

(Suchman, 1995) developed a more comprehensive concept of legitimacy by defining it as a generalized perception that an organization's actions are considered appropriate and acceptable within the prevailing social system. Suchman emphasized that legitimacy plays a strategic role for firms because it influences the level of support received from stakeholders. Companies with a high level of legitimacy tend to have easier access to resources, including financing, thereby facing a lower risk of financial failure. In contrast, firms that lose legitimacy may experience external pressures that increase the likelihood of financial distress.

Agency Theory

(Jensen dan Meckling, 1976), in their article entitled "Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure," explain the contractual relationship between the owners of the firm (principals) and management (agents), in which each party has different interests. These differing interests may give rise to agency conflicts due to the presence of information asymmetry between the principal and the agent.

Resource-Based View Theory

(Wernerfelt, 1984), in his article entitled "A Resource-Based View of the Firm," explains that a firm's competitive advantage and long-term sustainability are determined by its ability to effectively manage and utilize the resources it possesses. The Resource-Based View emphasizes that not all resources have strategic value; therefore, only certain resources are capable of providing sustainable competitive advantage.

Financial Distress

Factors such as capital intensity, capital structure, and corporate cash flows have a significant influence on the likelihood of experiencing financial distress. The study highlights that firms with high fixed assets (capital intensive) or high levels of debt (high leverage) are more vulnerable to financial difficulties when cash flows are insufficient to finance operations and meet debt obligations (Rahmadetta et al., 2024).

Capital Structure

An appropriate capital structure is required to achieve stable financing conditions, minimize the cost of capital, and support the sustainability of a firm's operations. The use of debt can provide benefits in the form of higher returns to shareholders through the leverage

effect, but it also carries financial risks if not managed carefully. Therefore, firms need to establish a capital structure that helps maximize firm value and maintain financial health (Triyonowati et al., 2022).

Inventory Turnover

The study examines the effects of inventory turnover, firm size, and inflation on profitability and firm value, and finds that inventory turnover has a significant impact on both profitability and firm value (Dewantra & Oetomo, 2019).

Capital Intensity

Firms with high capital intensity tend to utilize fixed assets on a large scale, enabling the use of depreciation as a strategy to reduce tax burdens (tax avoidance). This study indicates that an increase in the capital intensity ratio can encourage firms to engage in more aggressive tax planning (Widya et al., 2020).

Gender Diversity

The study shows that gender diversity on the board of directors influences corporate financial risk, particularly the likelihood of financial distress, suggesting that female board members can help reduce bankruptcy risk through more conservative decision-making and stricter oversight (Puspasari et al., 2024).

Hypotheses development

Capital On Financial Distress.

Capital structure is an important factor that reflects the proportion of debt and equity used by a firm to finance its operational and investment activities. A high capital structure ratio indicates a greater reliance on external financing, particularly debt. Although the use of debt can increase profit potential through the leverage effect, it also increases interest expenses and the risk of default. The higher the proportion of debt in the capital structure, the greater the financial risk borne by the firm, thereby increasing the likelihood of financial distress. This is consistent with the study conducted by (Suleha & Mayangsari, 2022) on mining companies listed on the Indonesia Stock Exchange during the period 2018–2020, which finds that capital structure has a positive effect on financial distress. The study indicates that a higher ratio of long-term debt to equity increases the financial risk faced by the company, potentially leading to financial distress. Similarly, a study by (Audina & HS, 2018) on manufacturing firms in the pulp and paper subsector listed on the Indonesia Stock Exchange during the period 2011–2015 also finds that capital structure has a positive and significant effect on financial distress. A higher level of debt increases the financial risk borne by the firm, thereby raising the probability of experiencing financial distress.

H₁ Capital structure has a positive effect on financial distress.

Inventory Turnover On Financial Distress.

Inventory turnover reflects how quickly a company is able to convert its inventory into sales. This ratio is important because it indicates the efficiency of working capital management as well as the firm's liquidity. A low level of inventory turnover may signal excess inventory, production inefficiencies, or declining market demand. Such conditions can hinder cash flow and increase the risk of financial distress. Conversely, a high inventory turnover reflects

effective inventory management and smooth cash circulation, thereby reducing the potential for financial pressure. A study conducted by (Syifaurohmah et al., 2025) on retail companies listed on the Indonesia Stock Exchange highlights the importance of effective inventory management in preventing financial distress. However, the findings indicate that retail subsector firms have not yet optimally managed their inventories, which may increase their exposure to financial distress.

H₂: Inventory turnover has a positive effect on financial distress.

Capital intensity on financial distress.

Capital intensity reflects the proportion of fixed assets owned and utilized by a firm in carrying out its operational activities. Firms with a high level of capital intensity tend to have large production capacity and strong fixed asset support to generate revenue. When these fixed assets are managed efficiently and utilized optimally, firms can enhance productivity, strengthen cash flows, and reduce the risk of financial pressure. Thus, high capital intensity may serve as an indicator of a firm's ability to sustain long-term operations and reduce the potential for financial distress. A study by (Bachtiar & Handayani, 2022) on transportation companies listed on the Indonesia Stock Exchange during the period 2017–2020 shows that capital intensity has a negative effect on financial distress, indicating that productive fixed assets can improve operational performance and maintain financial stability. Similar findings are reported by (Putri & Siregar, 2024) in their study of manufacturing firms listed on the Indonesia Stock Exchange during 2018–2022, which supports the argument that high capital intensity can strengthen a firm's financial position when fixed assets are utilized effectively. Likewise, (Jaya & Rahmanto, 2022) in their study of companies listed on the Indonesia Stock Exchange during 2016–2020, find that an increase in fixed assets enhances firm productivity and reduces the likelihood of financial distress.

H₃: Capital intensity has a negative effect on financial distress.

Gender diversity on financial distress.

Gender diversity reflects the composition of men and women within a firm's management structure or board of directors. Such diversity is believed to enhance the quality of decision-making, broaden strategic perspectives, and improve the firm's reputation in the eyes of investors. The presence of women in management is often associated with more cautious, collaborative, and long-term-oriented leadership styles, which can help firms avoid high-risk decisions that may lead to financial distress. A study by (Ramadanty & Khomsiyah, 2022) finds that gender diversity has a positive effect on financial distress, indicating that more diverse gender composition leads to better oversight of corporate financial decisions. Similarly, (Sari & Maharani, 2024), in their study of companies in the infrastructure, utilities, and transportation sectors listed on the Indonesia Stock Exchange during 2018–2022, support these findings by showing that the presence of women on the board of directors strengthens corporate governance and reduces the potential for strategic errors. Therefore, gender diversity within the management structure can serve as a supporting factor in maintaining organizational stability and strengthening corporate risk management.

H₄: Gender diversity has a positive effect on financial distress.

RESEARCH METHOD

This study aims to examine the potential relationships between independent variables – capital structure, inventory turnover, capital intensity, and gender diversity – and the dependent variable, namely financial distress, in companies within the basic materials subsector. The research adopts a causal research design to identify cause-and-effect relationships between the independent and dependent variables. The research paradigm applied is positivism, in which the study is based on empirical facts that can be objectively measured using corporate financial data. The theoretical development follows a deductive approach, whereby hypotheses are derived from existing theories and subsequently tested using empirical data. A quantitative research methodology is employed, as the analysis relies on numerical data obtained from companies' financial statements. The research strategy is classified as a case study, with the unit of analysis being organizations, specifically basic materials subsector companies listed on the Indonesia Stock Exchange. Researcher involvement is minimal (non-contrived), as no direct intervention is applied to the research objects; instead, the study relies on secondary data. Data collection is conducted through documentary observation by gathering audited annual financial reports. The sampling design uses non-probability sampling with a purposive sampling method, in which sample selection is based on specific criteria aligned with the research objectives. The study utilizes panel data, combining cross-sectional and time-series data over a four-year observation period (2021–2024). Variable measurement is conducted through operational definitions and measurable indicators based on established theories and prior studies. Finally, data analysis is performed using multiple linear regression analysis to test the hypotheses and determine the direction and magnitude of the influence of the independent variables on financial distress in basic materials sector companies.

Table 1. Operationalization of Research Variable

Variable	Dimension / Formula	Source
Capital Structure	$DER = \text{Total Debt} / \text{Total Equity}$	(Triyonowati et al., 2022)
Inventory Turnover	$ITO = \text{Cost of Good Sold} / \text{Average Inventory}$	(Diewantra & Oetomo, 2019)
Capital Intensity	$CIR = \text{Total Fixed Aset} / \text{Sales}$	(Widya et al., 2020)
Gender Diversity	$GD = \text{Number of Female Directors} / \text{Total Number of Board of Directores}$	(Jusup & Sambuaga, 2022)
Financial Distress	$FD = 1.2X1 + 1.4X2 + 3.3X3 + 0.6X4 + 1.0X5$ Description: X1 = Working Capital/Total Assets X2 = Retained Earnings/Total Assets X3 = Earnings Before Interest and Taxes (EBIT)/Total Assets X4 = Market Value of Equity/ Total Liabilities X5 = Sales/ total Assets	(Rahmadetta et al., 2024)

Population and Sample

The population used in this study consists of manufacturing companies in the basic materials subsector listed on the Indonesia Stock Exchange (IDX) during the 2021–2024 period, which can be accessed through the official website at www.idx.co.id. The selection of this period is based on the consideration that using the most recent four years better reflects current trends and provides more comprehensive results. The companies that met the criteria in this study amounted to 45 out of 93 companies in the basic materials subsector listed on the Indonesia Stock Exchange during the 2021–2024 period, resulting in a total of 180 data observations. The data used in this study are secondary data, obtained from a second party. In this case, the secondary data consist of annual reports and financial statements of manufacturing companies in the basic materials subsector listed on the Indonesia Stock Exchange (IDX) for the 2021–2024 period. The annual reports and financial statements were collected from the companies' official websites as well as the IDX website (www.idx.co.id). The sampling technique used is purposive sampling, based on several predetermined criteria.

RESULTS

Tabel 2. Descriptive Statistics

Variabel	N	Min	Max	Mean	Std. Dev
SM	180	0.034	2.734	0.625	0.525
IT	180	0.006	1864.297	28.606	155.912
CI	180	0.001	226.163	3.984	19.417
GD	180	0.000	0.670	0.105	0.150
FD	180	0.210	3706.667	130.326	489.052

Description:

CS: Capital Structure; IT: Inventory Turnover; CI: Capital Intensity;

GD: Gender Diversity; FD: Financial Distress.

Source: Processed Data (2025)

The table above shows that there are 180 research data observations for the 2021–2024 period. Based on the descriptive statistics of the data. Capital Structure in basic materials companies ranges from a minimum value of 0.0340 to a maximum of 2.7340, with an average value of 0.6251. The company with the highest capital structure value is Bintang Mitra Semestaraya Tbk (BMSR) in 2021, while the lowest value is found in Sinergi Inti Plastindo Tbk (ESIP) in 2022. The standard deviation of the capital structure variable is 0.5259, which is smaller than the average value. This indicates that the data used are relatively homogeneous and suggest that not all basic materials companies have diverse data, providing an incomplete representation of information.

Inventory Turnover in basic materials companies ranges from a minimum of 0.0060 to a maximum of 1864.297, with an average of 28.6061. The highest inventory turnover value is observed in Bintang Mitra Semestaraya Tbk (BMSR) in 2021, and the lowest in Vale Indonesia Tbk (INCO) in 2024. The standard deviation of the inventory turnover variable is 155.9129, which is larger than the average. This indicates that the data show high variability and provide a more comprehensive representation of information. Capital Intensity in basic materials

companies ranges from a minimum of 0.0010 to a maximum of 226.1630, with an average value of 3.9848. The company with the highest capital intensity is Emdeki Utama Tbk (MDKI) in 2023, and the lowest is Indo Acidatama Tbk (SRSN) in 2024. The standard deviation of the capital intensity variable is 19.4172, which is greater than the average, indicating that the data have high variability and provide a complete representation of information.

Gender Diversity in basic materials companies ranges from 0.0000 to 0.6700, with an average of 0.1056. The highest gender diversity value is observed in Surya Biru Murni Acetylene Tbk (SBMA) from 2021 to 2024, while the lowest value is found in Asiaplast Industries Tbk (APLI) in 2024. The standard deviation of the gender diversity variable is 0.1507, which is greater than the average, indicating that the data are variable and provide a complete representation of information. Financial Distress in basic materials companies ranges from 0.2100 to 3706.667, with an average value of 130.3262. The highest financial distress value is observed in Surya Esa Perkasa Tbk (ESSA) in 2024, and the lowest in Indo Komoditi Korpora Tbk (INCF) in 2024. The standard deviation of the financial distress variable is 489.0525, which is greater than the average, indicating that the data have high variability and provide a complete representation of information.

Panel Data Regression Model Selection

Tabel 3. Chow Test

Effects Test	Statistic	d.f.	Prob.
Cross-section F	18.628881	(44,131)	0.0000
Cross-section Chi-square	356.754684	44	0.0000

Source: Processed Data (2025)

Based on the Chow test results using E-Views 9, the probability value of the cross-section F test is 0.0000, which is smaller than the 5% significance level ($\alpha = 0.05$). This result indicates that the best model to use is the Fixed Effect Model (FEM). Therefore, a Hausman test is needed to determine the more appropriate model between the Fixed Effect Model (FEM) and the Random Effect Model (REM).

Table 4. Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	10.753466	4	0.0295

Source: Processed Data (2025)

Based on the results of the Hausman test above, the probability value is 0.0295, which is smaller than the 5% significance level ($\alpha = 0.05$). Therefore, the most appropriate model to use is the Fixed Effect Model (FEM).

Table 5. Partial Test (Fixed Effect Model)

Variabel	Prediksi	Coefficient	T-Statistic	Prob.
C		373,3069	3,9762	0.0001*
SM	+	-511,9833	-5,2160	0.0000*
IT	+	0,440	1,9477	0.0536
CI	-	0,0102	0,0097	0,9922
GD	-	619,8448	0,8097	0.4195
R- Squared				0,8625
Adjusted R-Squared				0.8121
F-Statistic				17.1237
Prob (F-Statistic)				0.0000

*= Signifikansi 5% ($\alpha = 0.05$)

SM: *Capital Structure*; IT: *Inventory Turnover*; CI: *Capital Intensity*; GD: *Gender Diversity*

; FD: *Financial Distress*.

Source: *Processed Data (2025)*

Partial Test (t-test)

Based on the results of hypothesis testing using the Fixed Effect Model (FEM), the findings can be summarized as follows:

1. Capital Structure has significant effect on Financial Distress.

The partial test (t-test) results show that the capital structure variable has a t-count value of -5.2160 with a probability value of 0.0000. This probability is smaller than the significance level used in this study ($\alpha = 0.05$). Therefore, it can be concluded that the capital structure variable has a significant effect on financial distress. Thus, H_1 is accepted and H_0 is rejected, indicating that capital structure has a significant contribution in influencing financial distress.

2. Inventory Turnover has no significant Effect on Financial Distress

The second hypothesis (H_2) in this study states that inventory turnover affects financial distress. The partial test (t-test) results show that the inventory turnover variable has a t-count value of 1.9477, which is greater than the t-table value of 0.67589, with a probability value of 0.0536. This probability is greater than the significance level used in this study ($\alpha = 0.05$). Therefore, it can be concluded that the inventory turnover variable does not affect financial distress. Thus, this study does not support hypothesis H_2 , and H_0 is accepted while H_2 is rejected, indicating that inventory turnover has not yet provided a significant contribution in influencing financial distress.

3. Capital Intensity has no significant Effect on Financial Distress

The third hypothesis (H_3) in this study states that capital intensity affects financial distress. Based on the regression analysis, the beta coefficient value is 0.0102, which is in line with the expected direction. The partial test (t-test) results show that the capital intensity variable has a t-count value of 0.0097, which is less than the t-table value of 0.67589, with a probability value of 0.9922. This probability is much greater than the significance level used in this study ($\alpha = 0.05$). Therefore, it can be concluded that the capital

intensity variable does not affect financial distress. Thus, this study does not support hypothesis H_3 , and H_0 is accepted while H_3 is rejected, indicating that capital intensity has not yet made a significant contribution to influencing financial distress.

4. Gender Diversity has no significant Effect on Financial Distress

The fourth hypothesis (H_4) in this study states that gender diversity affects financial distress. The partial test (t-test) results show that the gender diversity variable has a t-count value of 0.8097, which is greater than the t-table value of 0.67589, with a probability value of 0.4195. This probability is greater than the significance level used in this study ($\alpha = 0.05$). Therefore, it can be concluded that gender diversity does not have a significant effect on financial distress. Thus, this study does not support hypothesis H_4 , and H_0 is accepted while H_4 is rejected, indicating that gender diversity has not yet made a significant contribution in influencing financial distress.

Coefficient of Determination Test (Adjusted R-Squared)

Based on Table above, the adjusted R-squared value is 0.8121, which means that this model is able to explain approximately 81.21% of the variation in the variables of capital structure, inventory turnover, capital intensity, and gender diversity. Meanwhile, the remaining 18.78% is explained by other variables outside the scope of this study that were not included in the analysis. These factors include sales growth (Cyntara & Apriwandi, 2025; Dilla & Ritonga, 2024; Ridhasyah et al., 2024; Safitri & Retnani, 2024; Syifaurrohmah et al., 2025), operating capacity (Ridhasyah et al., 2024; Sari & Maharani, 2024; Suleha & Mayangsari, 2022), profitabilitas (Bachtiar & Handayani, 2022; Ridhasyah et al., 2024; Riyana Eka Sapitri et al., 2023; Sari & Maharani, 2024; Suleha & Mayangsari, 2022), firm size (A et al., 2024; Safitri & Retnani, 2024; Salim & Dillak, 2021; Suleha & Mayangsari, 2022), leverage (Audina & HS, 2018; Bachtiar & Handayani, 2022; Cyntara & Apriwandi, 2025; Syafella et al., 2022), total assets growth (Audina & HS, 2018), managerial agency costs (Salim & Dillak, 2021; Sari & Maharani, 2024), net profit margin (Syifaurrohmah et al., 2025), cash flow (Syifaurrohmah et al., 2025), debt to assets ratio (Delvia & Siregar, 2022), gross profit margin (Delvia & Siregar, 2022), board of director (Adityatama & Hermi, 2023), audit committee size (Adityatama & Hermi, 2023), Operating Cash Flow (Adityatama & Hermi, 2023; Bachtiar & Handayani, 2022), intellectual capital (Riyana Eka Sapitri et al., 2023), debt to equity ratio (Aprilliana et al., 2024), quick ratio (Aprilliana et al., 2024), institutional ownership (Putri & Siregar, 2024), Environmental Uncertainty (Putri & Siregar, 2024), profit (Syafella et al., 2022), activity (Syafella et al., 2022), Liquidity (Cyntara & Apriwandi, 2025; Jaya & Rahmanto, 2022), Solvency (Jaya & Rahmanto, 2022), Operating Capacity (Ridhasyah et al., 2024; Sari & Maharani, 2024), Intellectual Capital (Ramadanty & Khomsiyah, 2022).

DISCUSSIONS

The Effect of Capital Structure on Financial distress

The results of testing the first hypothesis (H_1) indicate that the Capital Structure (CS) variable has a negative effect on Financial Distress (FD). This finding contradicts the first hypothesis (H_1), which stated that Capital Structure (CS) has a positive effect on Financial Distress (FD). In companies within the basic materials sector, capital structure plays an important role because this sector is capital-intensive and requires substantial funding to

support production activities and fixed asset investments. High levels of debt lead companies to bear financial obligations, such as interest and principal payments, which must be met periodically. If a company is unable to manage these obligations effectively, financial pressure will increase and may trigger financial distress. Additionally, fluctuations in raw material prices and global market conditions, which are common in the basic materials sector, further increase the risk of cash flow instability. According to agency theory developed by (Jensen dan Meckling, 1976), which states that increased use of debt can exacerbate agency conflicts and increase the risk of financial difficulties if not accompanied by proper oversight and management. Therefore, the potential for financial distress in companies within the basic materials sector is influenced not only by the level of capital structure but also by management's ability to manage financing and maintain cash flow stability. Overall, these findings are consistent with the research conducted by (Suleha & Mayangsari, 2022) mining companies listed on the Indonesia Stock Exchange during 2018–2022, as well as the study by (Audina & HS, 2018) on manufacturing companies in the pulp and paper subsector listed on the Indonesia Stock Exchange during 2011–2015.

The Effect of Inventory Turnover on Financial distress

The results of testing the second hypothesis (H2) indicate that the Inventory Turnover (IT) variable has a positive effect on Financial Distress (FD). This finding is consistent with the second hypothesis (H2), which stated that Inventory Turnover (IT) has a positive effect on Financial Distress (FD). The influence of inventory turnover on financial distress shows that efficient inventory management is a key factor in maintaining a company's financial stability. Inventory turnover reflects the company's ability to manage inventory effectively and convert it into sales. The better the inventory management, the smoother the company's operational cash flow, thereby reducing the potential for financial distress. According to resource-based view theory developed by (Wernerfelt, 1984), which considers inventory as part of a company's operational resources that can provide value if managed efficiently. Inventory turnover represents the company's capability to utilize these resources to improve operational efficiency and financial performance. Effective inventory management allows companies to minimize storage costs, avoid stockpiling, and maintain liquidity. In the basic materials sector, inventory plays a strategic role because it is directly related to the capital-intensive and long-term production process. Therefore, a high inventory turnover reflects the company's ability to align inventory levels with production needs and market conditions. This contributes to financial stability and reduces the risk of financial distress. Thus, effectively managed inventory turnover can help companies in the basic materials sector reduce the potential for financial distress. This finding emphasizes that efficient inventory management is an important factor for management to consider in maintaining business continuity and financial health. These results are consistent with the study conducted by (Syifaurohmah et al., 2025) on companies in the retail subsector listed on the Indonesia Stock Exchange (IDX).

The Effect of Capital Intensity on Financial distress

The results of testing the third hypothesis (H3) indicate that the Capital Intensity (CI) variable has a positive effect on Financial Distress (FD). This finding contradicts the third hypothesis (H3), which stated that Capital Intensity (CI) has a negative effect on Financial Distress (FD). According to resource-based view theory developed by (Wernerfelt, 1984),

which argues that ownership and utilization of strategic resources such as fixed assets can create competitive advantages and improve financial performance. In this study, high investment in fixed assets, reflected through capital intensity, is not strong enough to directly influence the risk of financial distress. This may occur because high capital intensity does not always correspond to efficient utilization of fixed assets. In the basic materials sector, fixed assets are generally used for long-term production activities and require substantial maintenance costs. Additionally, the economic benefits of fixed assets are long-term in nature and cannot directly improve the company's short-term financial condition. These factors make capital intensity insufficient as a primary indicator for detecting potential financial distress. According to pecking order theory developed by (Myers, Stewart & Majluf, Nicholas, 1984), which states that companies have hierarchical preferences in external financing for their investments. Within this framework, investment decisions—including investments in fixed assets—do not directly reflect a company's financial condition because such investments can be financed through various sources, both internal and external. Therefore, high capital intensity does not necessarily correlate directly with an increased risk of financial distress, as long as the company has sufficient internal funding capacity or an optimal financing structure. In conclusion, capital intensity does not directly affect a company's financial distress. The effect of this variable largely depends on the company's ability to manage fixed assets efficiently and to balance long-term investment with short-term liquidity needs. These findings are consistent with the study conducted by (Syafella et al., 2022) on manufacturing subsector companies listed on the Indonesia Stock Exchange during 2018–2020.

The Effect of Gender Diversity on Financial distress

The results of testing the fourth hypothesis (H4) indicate that the Gender Diversity (GD) variable has a positive effect on Financial Distress (FD). This finding contradicts the fourth hypothesis (H4), which stated that Gender Diversity (GD) has a negative effect on Financial Distress (FD). The study shows that the presence of gender diversity in the board of directors or commissioners can influence a company's financial stability. Gender diversity allows for a wider range of perspectives in strategic decision-making processes, which can improve the quality of corporate policies, including those related to financial risk management. This condition has the potential to reduce the risk of financial distress. According to legitimacy theory developed by (Myers, Stewart & Majluf, Nicholas, 1984), which explains that gender diversity within the board is a form of effort by the company to obtain and maintain legitimacy from society and stakeholders. Companies that implement gender diversity are perceived to have more inclusive and responsible governance, which can enhance investor and stakeholder confidence. This increased legitimacy contributes to the company's financial stability and reduces the potential for financial distress. However, the effect of gender diversity on financial distress largely depends on how substantively it is implemented within the board. Gender diversity has a more optimal impact when female board members are not only present formally but also actively participate in strategic decision-making and performance oversight. These findings are consistent with the studies conducted by (Ramadanty & Khomsiyah, 2022; Sari & Maharani, 2024) on companies in the infrastructure, utilities, and transportation sectors listed on the Indonesia Stock Exchange during 2018–2022. Overall, the findings indicate that capital structure is the only variable that significantly affects financial distress in the basic materials sector during the 2021–2024 period. This suggests that financing decisions play a more

dominant role in determining financial vulnerability compared to operational efficiency or governance structure. Given the capital-intensive nature of the industry, companies rely heavily on external financing to support large-scale investments in fixed assets. As a result, the proportion of debt becomes a critical determinant of financial stability. In contrast, inventory turnover and capital intensity represent structural characteristics of the industry rather than differentiating risk factors across firms. Similarly, gender diversity, although important for corporate governance, may not directly influence short-term financial distress. These findings emphasize that financial distress determinants are industry-specific, and in capital-intensive sectors, leverage remains the most decisive factor.

CONCLUSIONS

Based on the results of the analysis and discussion presented in the previous chapters, this study concludes that Capital Structure exerts a significant effect on Financial Distress. This indicates that a company's funding decisions, particularly the strategic use of debt, play a critical role in determining its financial stability. Similarly, Inventory Turnover is found to have a significant effect on Financial Distress, suggesting that the efficiency of inventory management is a decisive factor in mitigating bankruptcy risk within the basic materials sector. Furthermore, Gender Diversity also demonstrates a significant effect on Financial Distress, implying that the inclusion of diverse perspectives within management or board structures enhances decision-making quality and corporate governance, which in turn influences the company's financial health. In contrast, Capital Intensity does not have a significant effect on Financial Distress, indicating that the proportion of investment in fixed assets is not a primary factor in explaining the financial distress conditions of basic materials companies during the 2021-2024 period.

Suggestions

This study is expected to provide input for future research by accommodating several aspects. First, future studies are recommended to include additional variables that may influence financial distress, such as profitability, liquidity, corporate governance quality, cash flow, and macroeconomic factors, in order to produce more comprehensive findings. Second, future researchers are encouraged to extend the study period and increase both the number and diversity of company samples, so that the results can be better generalized across different conditions and sectors. Third, subsequent research is advised to use alternative proxies or financial distress measurement models, such as the Altman Z-Score, Springate, or Zmijewski models, to compare results and obtain a more accurate depiction of a company's financial condition. Finally, future studies could also develop different analytical methods, such as incorporating moderating or mediating variables, to gain deeper insights into the relationships between independent variables and financial distress.

Implications

Based on the conclusions presented above, the following implications can be proposed:

Theoretical Implications

This study is expected to contribute to the development of literature in the field of accounting and finance, particularly regarding corporate financial distress. The findings

indicate that capital structure affects financial distress, which reinforces the theory stating that a company's funding policies play a crucial role in maintaining financial stability and minimizing the risk of financial pressure. Meanwhile, the results showing that inventory turnover, capital intensity, and gender diversity do not affect financial distress provide empirical evidence that not all operational or non-financial indicators directly influence a company's financial distress. Therefore, this study is expected to enrich academic references related to the factors affecting financial distress and serve as a basis for future research to develop more comprehensive models and variables.

Managerial Implications

The results of this study are expected to provide practical benefits for company management in financial decision-making. The finding that capital structure affects financial distress indicates that management needs to pay closer attention to the company's funding policies, particularly in determining the proportion of debt and equity, to minimize the risk of financial pressure. Furthermore, although inventory turnover, capital intensity, and gender diversity were not found to have a significant effect, the management of inventory, fixed assets, and the implementation of diversity within the organizational structure should still be carried out optimally as part of efforts to improve overall company performance and ensure business sustainability.

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