

ABSTRACT

Financial Distress is a condition of declining corporate financial health that may lead to financial difficulties and even bankruptcy if not properly managed. Therefore, companies need to maintain financial stability through effective management of profitability, liquidity, and capital structure. This study aims to analyze the effects of profitability, liquidity, and capital structure on Financial Distress among manufacturing companies listed on the ASEAN Exchange during the 2022–2024 period. Financial Distress is measured using the Altman Z-Score model, while profitability is proxied by Net Profit Margin (NPM), liquidity by Current Ratio (CR), and capital structure by Debt to Equity Ratio (DER).

This study employs a quantitative approach using secondary data obtained from the financial statements of manufacturing companies listed on the ASEAN Exchange. Panel data regression analysis is applied in this research. Model selection was conducted through the Chow Test, Hausman Test, and Lagrange Multiplier (LM) Test, which indicated that the Fixed Effect Model (FEM) was the most appropriate model. Since heteroscedasticity and autocorrelation problems were detected, the final estimation was performed using the Fixed Effect Model with robust standard errors to obtain more reliable results.

The findings reveal that profitability, as measured by Net Profit Margin (NPM), has a positive and significant effect on the Altman Z-Score. Liquidity, as measured by Current Ratio (CR), also has a positive and significant effect on the Altman Z-Score. Meanwhile, capital structure, as measured by Debt to Equity Ratio (DER), has a negative and significant effect on the Altman Z-Score. These results indicate that higher profitability and liquidity improve a company's financial condition and reduce the likelihood of Financial Distress, whereas higher leverage tends to decrease the Z-Score and increase the risk of Financial Distress. Simultaneously, profitability, liquidity, and capital structure significantly affect Financial Distress among manufacturing companies in the ASEAN region.

Keywords: Financial Distress, Altman Z-Score, Profitability, Liquidity, Leverage, Net Profit Margin, Current Ratio, Debt to Equity Ratio.