JAFA, 12(2), December 2025, 189-199 P-ISSN: 1979-6862
DOI: 10.21512/jafa.v12i2.14081 E-ISSN: 2746-6019

LIQUIDITY AND FINANCIAL DISTRESS IN INDONESIAN TEXTILE AND GARMENT COMPANIES: FIRM SIZE MODERATION

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ABSTRACT

This study examines the critical relationship between liquidity and financial distress within Indonesian textile and garment companies listed on the Indonesia Stock Exchange from 2021 to 2023. Faced with recent insolvencies that highlight significant financial struggles in the sector, the research adopted a quantitative methodology, analyzing secondary data from 16 purposively selected firms. The investigation utilized simple linear regression, classical assumption tests for normality, heteroscedasticity, and autocorrelation, and Moderated Regression Analysis to explore the intricate dynamics. A core finding confirms that liquidity has a significant negative impact on financial distress, underscoring that a firm's inability to meet short-term obligations directly escalates its vulnerability to financial hardship. Furthermore, a notable contribution of this study is the identification of firm size as a significant moderator in this relationship. Although larger firms often possess extensive asset bases, they can paradoxically face increased liabilities and risks due to unproductive assets that fail to generate revenue, thereby worsening financial distress. Consequently, the research emphasizes the paramount importance of diligent liquidity management and strategic asset stewardship to ensure the long-term financial viability of these companies. This study offers updated insights into a crucial period and refines the analytical approach by explicitly using the Interest Coverage Ratio (ICR) to measure financial distress.

Keywords: Liquidity; Financial Distress; Firm Size; Textile and Garment Companies

INTRODUCTION

In the increasingly competitive business environment, companies prioritize profitability, sales expansion, and the enhancement of shareholder value. To remain competitive, they must continuously improve performance and expand operations. The ability of a firm to sustain smooth operations is a critical determinant of its capacity to avoid or mitigate the risk of bankruptcy (Ardiwinarta et al., 2023), which itself signals a company's failure to manage its activities and financial standing effectively (Darmansyah et al., 2025).

The Indonesian textile and garment industry provides a compelling example of these challenges. According to Redma Gita Wirawasta, head of the Indonesian Fiber and Filament Yarn Manufacturers Association, of firms in this sector have been compelled to cease operations over the past two years, resulting in the closure or relocation of thirty factories. This has led to more than 11,207 job losses, a figure that does not account for all layoffs. (Indonesia, 2024). Specific instances of insolvency include PT Pandanarum Kenanga Textile (Panamtex), which was declared insolvent in September 2024 for failing to pay severance to laid-off employees. Similarly, PT Cahaya Timur Garmindo was ruled insolvent in March 2024 due to a debt of IDR 233 million. (Meilanova, 2024). A further case is the bankruptcy of PT Sri Rejeki Isman Tbk (SRIL), a publicly traded company that was unable to repay its creditors. (Puspapertiwi & Nugroho, 2024). These events underscore the severe financial and social consequences of corporate failure, highlighting the urgent need for a deeper understanding of the factors contributing to such distress.

A company experiencing financial hardship is said to be in a state of financial distress. (Hendrayanti, 2024; Irawati, 2022). This condition implies a struggle to meet financial commitments and can lead to delayed or suspended payments for current and future obligations. (Rahmadianti & Asyik, 2021). Ultimately, severe financial distress, where a firm lacks the capital to sustain its regular activities, can culminate in bankruptcy. Consequently, companies must closely monitor their financial health to avert such outcomes. The Interest Coverage Ratio (ICR), calculated by dividing EBIT by interest expenses, is a key metric used to assess a company's ability to service its debt. (Priyambodho, 2024).

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Another crucial indicator of financial health is a firm's liquidity. This ratio measures a company's capacity to settle its short-term liabilities using its current assets (Darmawan, 2020; Sijabat et al., 2024). Liquidity is a reflection of management's ability to convert current assets into cash to meet immediate financial obligations (Kustiningsih & Farhan, 2022). Maintaining a strong liquidity position is therefore vital for ensuring operational stability and long-term sustainability, as it directly mitigates the risk of financial distress.

Existing literature presents varied findings on the relationship between liquidity and financial distress. A significant body of research indicates a negative correlation, suggesting that higher liquidity levels reduce a company's susceptibility to financial hardship. (Aginio Bimantio & Ichsanuddin Nur, 2023; Arifuddin et al., 2023; Susanti et al., 2020; Swari & Luh Gede Sri Artini, 2025). However, other studies have reported contradictory results, finding that liquidity has a minimal or even insignificant effect on financial distress. (Laurena & Ramantha, 2022; Wira & Artini Luh Gede Sri, 2024). This divergence suggests that the relationship is complex and may be influenced by other contextual factors.

Given these inconsistent findings, this study proposes that firm size acts as a moderating variable. Larger companies often possess greater total assets. (Neldi et al., 2023), but if these assets are unproductive, they can strain liquidity and increase future obligations, thereby elevating the risk of financial distress (Laurena & Ramantha, 2022; Marantika, 2021). Firm size, measured by the natural logarithm of total assets (Henryanto Wijaya, 2022), may therefore influence the dynamic between liquidity and financial distress.

This study offers significant novelty by updating and expanding upon prior research concerning textile and garment subsector companies listed on the Indonesia Stock Exchange, particularly focusing on the most recent period of 2021-2023. Specifically, its innovative contribution lies in the in-depth investigation of the moderating role of firm size on the impact of liquidity on financial distress, achieved through the deliberate inclusion of this moderating variable. Furthermore, this research explicitly employs the Interest Coverage Ratio (ICR) as a distinct proxy for measuring financial distress, thereby contributing to a more refined methodology. This comprehensive approach effectively addresses existing knowledge gaps concerning the intricate dynamics among liquidity, firm size, and financial distress within the Indonesian textile and garment industry operating in the capital market.

Literature Review and Hypotheses Development

Liquidity

The capacity of a business to convert its current assets into cash is a key indicator of its liquidity, which in turn reflects the company's overall financial health. (Darmawan, 2020). The term "liquidity" refers to a company's ability to settle its short-term debt obligations using readily available cash and other easily convertible assets. The decisions and strategies implemented by management regarding the handling of short-term funds significantly impact the liquidity position. (Kustiningsih & Farhan, 2022). Ultimately, liquidity is a crucial financial metric demonstrating a firm's capacity to meet its immediate financial commitments with its liquid assets—those that can be readily turned into cash. This ratio not only highlights a business's financial performance but also its effectiveness in managing existing assets and converting them into cash for day-to-day operations. The policies, tactics, and choices made by management have a major influence on the company's liquidity, particularly concerning resource allocation and the preservation of liquid assets. To maintain financial stability and operational efficiency, a business must have a strong liquidity position to ensure it can pay its short-term debts promptly. The long-term growth and sustainability of a company can be supported by minimizing the risk of financial hardship and maintaining smooth operations through adequate liquidity. A company's continued success in today's highly competitive economic climate depends on its liquidity management strategies, which are essential for both short-term survival and long-term viability. Liquidity is measured by dividing current assets by current liabilities. (Sijabat et al., 2024).

Financial Distress

Financial distress is a critical state in which a company encounters severe financial hardship, leaving it unable to fulfill its obligations and commitments. This predicament can show up as delayed

or even suspended payments for both current and future debts (Rahmadianti & Asyik, 2021). At its core, this situation reflects a company's struggle to settle its bills and honor its financial pledges (Hendrayanti, 2024; Irawati, 2022). At its most severe, financial distress can lead to bankruptcy, a clear sign of a firm's failure to effectively manage its operations and financial standing (Darmansyah et al., 2025). If left unaddressed, financial hardship can have far-reaching effects on a company's long-term sustainability, potentially leading to its collapse. Therefore, it's vital for businesses to carefully monitor their financial health and take proactive measures. Having a robust financial plan and intervening when necessary are essential steps to avoid the negative consequences of financial distress. The Interest Coverage Ratio (ICR) is used as a measure of a company's financial distress. This metric is calculated by dividing the firm's EBIT (Earnings Before Interest and Taxes) by its total interest expenses (Priyambodho, 2024).

Firm Size

According to Neldi et al. (2023)Firm size is a key indicator of a company's scale. Companies are typically categorized as either large or small based on various attributes, including but not limited to total assets, logarithmic size, and market value. (Marantika, 2021). In essence, firm size serves as a critical variable for differentiating corporations and provides valuable insights into a company's financial stability, operational reach, and market standing. This classification has the potential to influence a company's strategic decisions, performance assessments, and business initiatives. To determine the size of a company, one uses the formula Ln (total assets)—the natural logarithm of assets. (Henryanto Wijaya, 2022).

Liquidity and Financial Distress

Previous research has largely established a significant negative relationship between a firm's liquidity and its likelihood of experiencing financial distress. This means that as a company's liquidity improves, its probability of facing financial difficulties decreases. (Swari & Luh Gede Sri Artini, 2025). This view is supported by studies that link the onset of financial hardship to inadequate liquidity. (Aginio Bimantio & Ichsanuddin Nur, 2023). When a firm lacks sufficient cash or readily convertible assets, it struggles to cover operational costs, short-term debts, and other pressing obligations, which directly contributes to a state of financial distress. Further evidence from other studies confirms a substantial inverse effect of liquidity on financial distress. (Arifuddin et al., 2023; Susanti et al., 2020). These findings collectively underscore that robust liquidity management is a proactive strategy for maintaining a company's financial stability. However, the academic literature also presents inconsistent findings, highlighting the complex nature of this relationship. For instance, some studies have reported that the liquidity ratio has a minimal or insignificant effect on financial hardship. (Laurena & Ramantha, 2022; Wira & Artini Luh Gede Sri, 2024). These conflicting results suggest that the link between liquidity and financial distress isn't always straightforward. Instead, it may be influenced by various contextual factors like the specific industry, macroeconomic conditions, or unique firm characteristics. Therefore, further empirical investigation is necessary to fully grasp the underlying dynamics and complexities of this relationship. The following statement presents the formulation of the study's initial hypothesis:

Hypothesis 1 (H1): Liquidity exerts a significant negative influence on financial distress among textile and garment companies listed on the Indonesia Stock Exchange during the 2021-2023 period.

Firm Size Moderating the Relationship Between Liquidity and Financial Distress

Building on the research by Laurena & Ramantha (2022)Firm size can moderate the relationship between the liquidity ratio and financial distress. Larger companies typically possess more current and fixed assets. While a substantial asset base can facilitate easier access to capital for managing or acquiring assets, it can also lead to increased future liabilities. If these assets are excessive and unproductive (i.e., not generating revenue), this situation can reduce a company's liquidity and raise its debt burden, ultimately triggering financial distress. Therefore, company owners must closely supervise

management to prevent imprudent investments that could jeopardize the firm's future financial health. The initial hypothesis of this study is formulated as follows:

Hypothesis 2 (H2): Firm size plays a moderating role in the relationship between liquidity and financial distress experienced by textile and garment companies listed on the Indonesia Stock Exchange from 2021 to 2023.

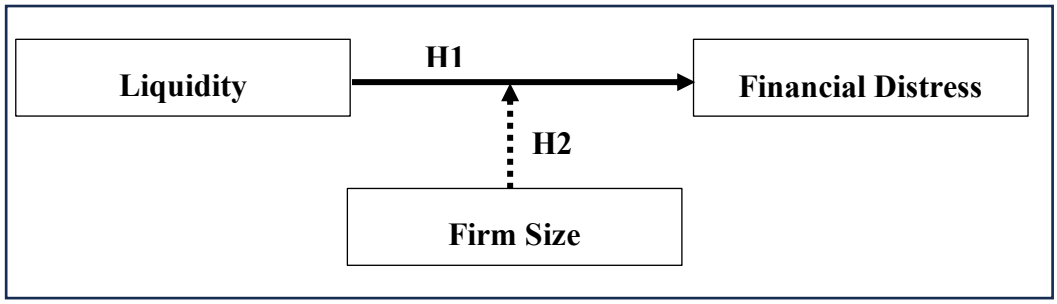

Figure 1. Conceptual Framework

RESEARCH METHOD

The quantitative methodology of this analysis is based on secondary data collected from the Indonesia Stock Exchange (IDX) for the years 2021–2023. A total of twenty-two IDX-listed textile and garment businesses make up the study's population. The study's sample was chosen using a purposive selection technique, with an emphasis on IDX-listed businesses with full and publicly available audited financial statements for the years 2021–2023. Sixteen businesses met the requirements and were thus considered for further investigation. The purpose of this meticulous sampling is to provide the groundwork for a more comprehensive data analysis by providing a representative snapshot of the IDX-listed textile and apparel sector throughout the given time frame.

This research made use of the following operational variables and metrics:

Table 1. Operational Variables and Measurement

No	Variable	Source	Indicator	Scale
1	Liquidity	(Sijabat et al., 2024)	Current Ratio = Current Assets/Current Liabilities	Ratio
2	Financial Distress	(Priyambodho, 2024)	ICR = EBIT/Interest Expense	Ratio
3	Firm Size	(Henryanto Wijaya, 2022)	Size = Ln (Total Asset)	Ratio

Source: Data Processing Results

The study goals were carefully considered while selecting the variables stated above, and particular methodologies were used to analyze each one to guarantee trustworthy and accurate results.

Simple linear regression, a statistical method for understanding the connection between one dependent variable (y) and one independent variable (x) (Setiawan et al., 2021), was used to analyze the data in this investigation. Classical assumption tests, including those for normality, heteroscedasticity, and autocorrelation, are part of the study.

To determine whether data or a sample follows a normal distribution pattern, statisticians use the normality test. This test's main goal is to ascertain whether the data come from a normally distributed population. In this context, the Kolmogorov-Smirnov test is a frequent tool. The data may be assumed to have originated from a normal distribution if the p-value that was obtained is larger than the preset significance threshold of 0.05 (Kurniawan et al., 2024).

Finding out whether the residuals of two observations have different variances is what the heteroscedasticity test is all about. The Glejser test is one of the statistical tools available for use in identifying heteroscedasticity. A high significance value (Sig) indicates that heteroscedasticity is present. (Yanti & Hamzah, 2024) State that heteroscedasticity is present when Sig < 0.05 and not present when Sig > 0.05.

The autocorrelation test is designed to find out if the current period (t) and the previous period (t-1) are related. To put it simply, it looks at how the independent variable affects the dependent variable,

with the assumption that the two sets of data shouldn't be correlated. The Durbin-Watson test is the statistical test that was used in this investigation. (Yanti & Hamzah, 2024). Here is the decision rule: The existence of autocorrelation will be shown by the rejection of the null hypothesis if the d (Durbin-Watson) value is less than dL or more than (4 - dL). We accept the null hypothesis, which states that autocorrelation does not exist, if the d (Durbin-Watson) value is between dU and (4-dU). No conclusive conclusion may be drawn if the d (Durbin-Watson) value falls between the range of dL to 2, or between (4-dU) and (4 - dL) (Trigunawan et al., 2020).

The research topic investigates the link between many variables, and the partial test provides a tentative solution to that issue. The purpose of this exam is to establish a connection between all of the research variables. According to (Rudini & Azmi, 2023)If the significance level is greater than 0.05, it means that the independent variable does not affect the dependent variable. On the other hand, if the significance level is less than 0.05, it suggests that the independent variable does affect the dependent variable.

Using a third variable, the moderator, to see whether its value or amount might affect the connection between two primary variables is the goal of Moderated Regression Analysis (MRA). Using multi-regression analysis (MRA), an expansion of regression analysis, researchers may better grasp the intricate interplay between study variables. By examining the impact of the moderator variable (M) on the connection between the independent and dependent variables (X and Y, respectively), MRA seeks to provide light on the precise circumstances in which the independent variable's effect could vary. According to (Indriani H. Ismail et al., 2024)Moderation may be inferred when the significant value ($p < 0.05$) is acquired; on the other hand, the lack of moderation effects is shown when the significance value ($p > 0.05$) is discovered.

ANALYSIS

The reliability and validity of the regression model used in this work were confirmed by the application of conventional assumption tests, such as the autocorrelation, heteroscedasticity, and normality tests. The Kolmogorov-Smirnov test is used in the normality test to see whether the residuals are distributed normally. According to the consensus, we may assume that the data follows a normal distribution if the calculated p-value is larger than the established significance threshold of 0.05. This is what the Kolmogorov-Smirnov test for normalcy turned out to be:

Table 2. Results of Data Processing using the Kolmogorov-Smirnov Test

			Unstandardized Residual
N			48
Normal Parameters[a,b]	Mean		.0000000
	Std. Deviation		.08358013
Most Extreme Differences	Absolute		.122
	Positive		.097
	Negative		-.122
Test Statistic			.122
Asymp. Sig. (2-tailed)[c]			.072
Monte Carlo Sig. (2-tailed)[d]	Sig.		0.68
	99% Confidence Interval	Lower Bound	0.62
		Upper Bound	0.75

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.
d. Lilliefors'method based on 10000 Monte Carlo samples with starting seed 79654295

Source: SPSS Data Processing Results

Since the study's data set has a Kolmogorov-Smirnov significance value (Sig.) of 0.072, which is higher than the 0.05 cutoff, the data is deemed normal according to the findings of the test.

In order to determine whether the residuals of two observations had different variances, the heteroscedasticity test used the Glejser test. If the significance value (Sig) is more than 0.05, it means that heteroscedasticity is not present, but if Sig is less than 0.05, it means that heteroscedasticity is present. Here are the outcomes of the Glejser test for heteroscedasticity:

Table 3. Results of Data Processing using the Glejser Test

Model		Unstandardized B	Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	.132	.047		2.790	.008
	Liquidity	.000	.000	.084	.574	.569
	Firm Size	-.002	.002	-.191	-1.309	.197

a. Dependent Variable: ABS_RES

Source: SPSS Data Processing Results

Glejser test findings show that both the liquidity (with a significance value of 0.569) and company size (with a significance value of 0.197) variables are statistically significant (i.e., larger than 0.05). According to these findings, heteroscedasticity was not present in the study's data.

Finally, the Durbin-Watson test was used to investigate the effect of the independent variable on the dependent variable in the autocorrelation test. The prediction was that there would be no correlation between the present observation and the observation from the preceding period. If the d (Durbin-Watson) value is less than dL or more than (4 - dL), the null hypothesis will be rejected, suggesting the existence of autocorrelation, according to the decision criteria for the Durbin-Watson test. We accept the null hypothesis, which states that autocorrelation does not exist, if the d (Durbin-Watson) value is between dU and (4-dU). Assuming the d (Durbin-Watson) value falls anywhere in the range of dL = 2 or (4 - dU) = (4 - dL), a firm conclusion cannot be made. Here are the outcomes of the Durbin-Watson test for autocorrelation:

Table 4. Results of Data Processing using the Durbin-Watson Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	1.000[a]	1.000	1.000	.08542	1.918

a. Predictors: (Constant), Firm Size, Liquidity
b. Dependent Variable: Financial Distress

Source: SPSS Data Processing Results

Between dU (1.6231) and (4 - dL) (2.3769), the Durbin-Watson test produced a value of 1.918. Consistent with the anticipated conclusion for independent observations, this finding implies that the dataset under consideration in this investigation does not exhibit autocorrelation.

The data employed in this research is genuine and trustworthy, satisfying the prerequisites for further analysis, according to the findings of the traditional assumption tests. The data does not display heteroscedasticity, the results of the normality test show that the data follows a normal distribution, and the results of the autocorrelation test show that the data does not exhibit autocorrelation.

The data must pass the traditional assumption tests before regression analysis can begin. Then, to find out how each independent variable affected the dependent variable, run a partial test or a t-test. The t-test or partial test yielded the following results:

Table 5. Results of Data Processing for the Partial Test or t-Test

Model		Unstandardized B	Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	74.475	.093		801.003	<.001
	Liquidity	-2.188	.000	-.987	-4683.886	<.001
	Firm Size	-2.381	.003	-.154	-730.547	<.001

a. Dependent Variable: Financial Distress

Source: SPSS Data Processing Results

A t-test analysis convincingly reveals a strong relationship between a company's liquidity and its susceptibility to financial distress. Specifically, for textile and apparel firms listed on the Indonesia Stock Exchange between 2021 and 2023, the data shows a highly significant correlation (p-value < 0.001), which is lower than the 0.05 significance threshold. This means higher liquidity is associated with a lower incidence of financial trouble. This outcome directly supports the initial hypothesis and aligns perfectly with an extensive body of existing academic literature. At its core, liquidity represents a company's ability to manage its immediate financial responsibilities, such as paying off debts and covering operational costs. When a company lacks sufficient liquid assets, it will inevitably struggle to meet these pressing commitments. Such a shortfall can quickly lead to a weakened financial state, escalating debt, and a decline in lender confidence. These findings are consistently reinforced by previous studies. For example, research by explicitly demonstrates a notable inverse relationship: as a company's liquid assets increase, its vulnerability to financial difficulties decreases. Similarly, identify inadequate liquidity as a primary driver of financial hardship. Further support comes from (Susanti et al., 2020) and (Arifuddin et al., 2023), both of whom highlight liquidity's substantial negative influence on financial distress. Overall, these empirical insights underscore the critical importance of proactive and meticulous liquidity management as a cornerstone for ensuring a company's long-term financial stability and avoiding distress.

Using firm size as a moderator, this research looks at textile and garment subsector businesses listed on the Indonesia Stock Exchange from 2021 to 2023 to see whether there's a correlation between liquidity and financial difficulty and how big the company is. Moderated Regression Analysis (MRA) yielded the following findings for the moderation test:

Table 6. Results of Data Processing using Moderated Regression Analysis

Model		Unstandardized B	Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	74.564	.092		806.735	<.001
	Liquidity	-2.202	.005	-.993	-426.618	<.001
	Firm Size	-2.385	.003	-.154	-733.414	<.001
	Liquidity*Firm Size	.001	.000	.006	2.772	.008

a. Dependent Variable: Financial Distress

Source: SPSS Data Processing Results

Moderated Regression Analysis (MRA) results show that when looking at the correlation between liquidity and financial distress, the business size variable is statistically significant (Sig. = 0.008). The significance of company size as a moderator of the association between the two variables is supported by the fact that this p-value is less than 0.05.

Findings indicate that bigger corporations often have more current and fixed assets than smaller ones. Companies may fortify their market position by managing or purchasing external assets, which can be funded with a greater asset base. On the other hand, as funding requirements increase, this might lead to an increase in future obligations. The liquidity of a corporation might be badly impacted if it keeps an excessive amount of non-productive assets that do not generate any income. It may be challenging to satisfy short-term financial commitments like debt and operating expenditures when non-income-producing assets impede cash flow. Because of this, the company's liquidity will be even more

reduced and its financial situation will be even worse in the future due to increased obligations associated with asset management or depreciation.

Firm size may reduce the association between liquidity ratios and financial distress, according to prior research by (Laurena & Ramantha, 2022), which is in line with this study's results. So, CEOs and other senior management must keep a close eye on the company's assets. They must watch out that investments or acquisitions don't put too much strain on the company's liquidity by bringing on too many obligations. If a company wants to keep its assets in check and its obligations in check, and avoid future financial problems, it needs good asset management. This is especially true for bigger organizations.

CONCLUSION

This study conclusively establishes that liquidity significantly and inversely impacts the financial distress experienced by textile and garment companies listed on the Indonesia Stock Exchange between 2021 and 2023. This finding highlights a crucial financial principle: a diminished level of liquidity substantially escalates a firm's vulnerability to financial hardship. Insufficient liquid assets or readily convertible cash directly impede a company's capacity to fulfill its immediate financial obligations, such as operational expenditures, short-term debt repayments, and unforeseen commitments. Such a deficiency can rapidly intensify, eroding creditor confidence, hindering operational continuity, and ultimately propelling the company towards insolvency.

Furthermore, this research reveals that firm size exerts a statistically significant moderating influence on this relationship. While larger corporations typically possess a more expansive asset base, encompassing both current and fixed assets, this scale can ironically lead to increased liabilities and an elevated risk associated with holding unproductive assets. These assets, which fail to generate adequate revenue, can tie up valuable capital, incur depreciation costs, and ultimately impair overall liquidity, thereby exacerbating financial distress even in ostensibly larger, more established entities. Consequently, meticulous liquidity management and strategic asset stewardship become paramount for the long-term sustainability of companies within the textile and garment sector. Firms must proactively and diligently monitor their cash flows, optimize working capital, and critically assess asset utilization to ensure they possess the requisite flexibility to meet all financial commitments promptly. Preventing the accumulation of non-productive assets is equally crucial, as these can deplete resources without contributing to profitability or operational efficiency. Thus, implementing robust financial planning and exercising prudent asset management are not merely best practices but essential strategies for safeguarding financial stability, enhancing resilience against economic volatility, and fostering the long-term viability of textile and garment companies amidst the inherent challenges and competitive pressures of the industry. This proactive approach ensures operational continuity and minimizes exposure to future financial risks.

This research is characterized by several limitations. Firstly, the generalizability of its findings to other sectors or industries may be restricted, as the scope of investigation was exclusively confined to textile and garment companies listed on the Indonesia Stock Exchange (IDX). Financial distress can manifest in diverse forms, largely contingent on the specific characteristics of the business and influenced by factors such as consumer behavior, market dynamics, and applicable regulations. Consequently, to gain a more comprehensive understanding of the interrelationship among liquidity, firm scale, and financial hardship, future studies should broaden their sample coverage to encompass various industrial sectors. Secondly, the data analysis conducted spans only the period from 2021 to 2023. Consequently, the results obtained exclusively reflect the market conditions and economic climate of that specific timeframe. The implications of findings from this period might not be entirely relevant for future scenarios, given the potential for shifts in policy and economic landscapes. In this regard, to deepen the understanding of how evolving market conditions might impact corporate financial distress, subsequent research should consider extending the data collection period. Furthermore, a significant constraint of this study resides in its exclusive focus on firm scale and liquidity as moderating and independent variables. Financial distress is inherently multidimensional and can be attributed to various other factors, including but not limited to profitability, capital structure, risk management strategies, and the influence of macroeconomic conditions. To achieve a more comprehensive and holistic perspective concerning the causes of organizational financial problems, it

is recommended that future studies integrate these complementary variables. By addressing these identified limitations specifically, by broadening variable coverage and incorporating additional sectors, future research has the potential to offer more robust and actionable recommendations for both companies and governments striving to alleviate financial hardship and enhance overall corporate stability.

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