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The Effect of Capital Structure, Firm Age, and Gender Diversity on Financial Distress

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ABSTRACT

The purpose of this study is to examine how capital structure, firm age, and gender diversity affect financial distress. The data were analyzed using a quantitative method with a purposive sampling technique for data collection. The data analysis technique employed was multiple linear regression, assisted by the STATA program. This study utilized data from 13 companies in the consumer non-cyclicals sector listed on the Indonesia Stock Exchange (IDX) from 2018 to 2023.The study found that capital structure partially influences financial distress. Meanwhile, firm age, and gender diversity do not affect financial distress. This research is expected to assist companies in identifying early signs of financial distress, enabling them to take corrective action before it becomes critical, and to provide regulators with information for decision-making. Furthermore, this study can contribute to the development of knowledge in the field of accounting.

Keywords: Capital Structure, Financial Distress, Firm Age, Gender Diversity

INTRODUCTION

Companies that are established aim to obtain profits that are used to help the company survive and improve its performance. However, in practice, archieving these goals does not always run smoothly, which often makes companies experience financial distress or even bankruptcy. Several interconnected factors have created significant financial vulnerabilities that could lead to bankruptcy. Internal factors such as poor operational performance, high leverage, and weak governance are consistent predictors of financial distress. These factors make companies vulnerable to external pressures, where intense market competition and macroeconomic shocks such as financial crises or pandemics often act as catalysts that push already troubled companies toward the brink of bankruptcy. Evidence from the COVID-19 period confirms that widespread external shocks significantly increase business failure rates, particularly among companies that lack liquidity buffers or resilient business models (Bartik et al., 2020).

The condition of decreasing profits was experienced by PT Matahari Putra Prima Tbk (MPPA), which reported a decrease in sales during the January-September 2021 period of 3.6% (Timorria, 2021), PT Ultra Jaya Tbk (ULTJ) is known to have experienced a decrease in revenue of 1.46% throughout 2018 (Brama, 2019), in addition, the case of decreasing profits was also experienced by PT Hero Supermarket (HERO), this is evidenced by the closure of 26 Giant network outlets

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throughout 2018 (Tristiawati, 2019). A sustained year over year decline in profits may lead the company into a state of financial distress

Financial distress is a condition in which a company's operating cash flow is insufficient to meet its short-term obligations, such as debt payments or interest expenses (Putri & Atiningsih, 2025). Sustained losses experienced by a company can disrupt its operational continuity. As a result, the company is unable to function normally, which ultimately increases the risk of financial distress and potentially leads to bankruptcy (Mafiroh & Mu'arif, 2025). Consequently, the early detection of financial deterioration is critical for companies. To proactively identify potential distress, firms should analyze key indicators such as financial performance and the effectiveness of their corporate governance structures (Kristianti, 2019). Research on financial distress holds significant importance due to its substantial contributions to various stakeholders. For the corporate world, this research provides an early detection tool to recognize signs of declining financial performance, allowing management the space to design and implement recovery strategies. For investors, current studies serve as a guide to assess a company's risk profile and identify elements that can strengthen financial fundamentals, such as an effective governance structure. Meanwhile, for regulators, a comprehensive understanding of the dynamics of financial distress is crucial in formulating regulations capable of maintaining systemic stability and preventing potential broader crises (Koutmos et al., 2024). Thus, research in this field functions as an empirical foundation that supports more informed and responsive decision-making, both within corporate contexts and public policy.

Companies can lower their risk of financial distress through effective management control, which is key to achieving long-term goals. An essential part of this is managing the capital structure, or the blend of internal funds and borrowed money used for financing (Sondakh et al., 2019). The optimal capital structure is defined by an ideal debt to equity ratio that simultaneously maximizes a company's valuation and minimizes its overall cost of capital (Bayunitri & Malik, 2022). Prudent handling of a company's capital structure is essential for fostering stability and expansion; conversely, negligence in this area may hasten financial decline. Research by García & Herrero (2021) and Wardhana et al., (2022) supports the significant influence of capital structure on financial distress. This conclusion, however, contrasts with the findings of Sari et al., (2023), who found that access to debt capital has no significant effect. The discrepancy in these findings is likely due to differences in the research characteristics, such as the type of industry, company size, and economic conditions at the time of the study. For example, debt can be highly risky for a retail company during a recession, but may not have as much impact on a technology company experiencing rapid growth.

A firm age is another significant factor influencing its vulnerability to financial distress. Company age serves as an evaluation indicator that reflects the resilience and competitiveness of a business entity, including its ability to seize economic opportunities. Essentially, the corporate life cycle is oriented toward achieving sustainable goals, namely generating profits that can continuously drive performance (Hamdini et al., 2025). Established firms typically benefit from greater experience and a more solid reputation, which facilitate access to financing and reflect their ability to navigate diverse economic conditions. These advantages are often supported by superior management, stronger market credibility, and well-developed resources and networks all of which enhance resilience during financial challenges. Experienced companies are generally more proficient in acquiring, processing, and delivering essential information due to their capacity to navigate and resolve various information-related challenges, which directly influences their overall performance (Hamdini et al., 2025). Empirical support for this view is provided by Kücher et al., (2020), Natalia & Rudiawarni, (2022), and Archanskaia et al., (2023) who each found a significant effect of firm age on financial distress. In contrast, Murni (2018) reported no such relationship. The discrepancy in these research findings likely arises because each study was conducted under different circumstances, such as in different industries, company sizes, and economic conditions. Ultimately, a firm age alone is not an absolute determinant of success or failure.

A company's exposure to financial distress may also be influenced by gender diversity, a term denoting the proportional balance of male and female employees within the organization (Roika et al., 2019), gender diversity introduces varied perspectives to the management team. These differing viewpoints, stemming from the distinct approaches men and women often bring to problem-solving and decision-making, can enhance

the overall quality of strategic choices. Gender diversity in leadership, particularly the presence of women on boards, lowers a company's risk of financial distress. Research García & Herrero (2021) shows women tend to be more cautious, reducing risk and correlating positively with a company's financial health. Such an environment mitigates financial risk by strengthening the identification of threats and opportunities, expanding strategic possibilities, and facilitating sustainable development (Samudra, 2021). Studies by Samudra (2021) and García & Herrero (2021) provide empirical evidence that gender diversity significantly reduces financial distress. This conclusion, however, is challenged by Nathania (2022), whose research found no statistically significant link between the two. The discrepancy in these research findings does not indicate an error, but rather shows that the influence of gender diversity on financial performance is neither simple nor definitive. This relationship is highly dependent on context (country, industry sector) and is influenced by accompanying factors such as workplace culture and the quality of human resources.

This research is expected to serve as an early warning system for companies to detect early signs of financial crisis, allowing management to take anticipatory measures before conditions worsen or even lead to bankruptcy. Furthermore, the findings of this research are expected to protect various affected parties, from employees at risk of losing their jobs to investors and suppliers facing economic losses.

Based on the background explanation provided, the research problem of this study is: Do capital structure, firm age, and gender diversity affect financial distress?, in accordance with the research problem above, the objective of this study is to examine the effect of capital structure, firm age, and gender diversity on financial distress in non-cyclical consumer sector companies listed on the Indonesia Stock Exchange (IDX).

LITERATURE REVIEW

Agency Theory

Agency theory posits that a contractual relationship exists between shareholders, who act as principals, and executives, who act as agents managing the firm's operations. Disputes can occur when their interests diverge. Since principals and agents may pursue different priorities, managerial actions could conflict with shareholder expectations, stemming from contrasting motivations and objectives. (Jensen & Meckling, 1976).

A primary driver of agency conflicts is information asymmetry, where managers possess more information than owners. To mitigate this, agents are obligated to provide transparent financial reports to principals, which serve as a critical gauge of the company's fiscal health. Robust operational results typically generate higher profitability, thereby diminishing the risk of financial distress (D. S. Putri & NR, 2020).

Trade-off Theory

According to trade-off theory, a company identifies its best funding mix by evaluating the trade-offs between the advantages and disadvantages of debt. A significant benefit is the tax shield from interest payments, which lowers the amount of income subject to tax, improves cash flow after taxes, and consequently raises the overall value of the firm (Sufiyati et al., 2025). Nevertheless, past a specific threshold, the value added by debt is surpassed by the dangers of financial instability, such as possible bankruptcy expenses and conflicts between stakeholders. Overleveraging increases the probability that an organization will fail to cover its interest and debt repayments, thus elevating its risk of encountering financial distress (Haryono et al., 2017).

Feminist Ethical Theory

This theory explains that, psychologically, women tend to have a leadership style characterized by caution and an emphasis on communication in every decision-making process (Peni & Vähämaa, 2010). According to (Anggraeni & Djakman, 2017), feminist ethical theory emphasizes personal (individual) rights and responsibilities in a given task. Therefore, the presence of women on the board will contribute to a better work atmosphere.Based on feminist ethical theory and its relationship to corporate governance, women have distinct perspectives in communicating their opinions, which will consequently influence the policies that are established (MacHold et al., 2008).

Financial Distress

A company enters financial distress when it loses control over its financial health, spanning from minor liquidity constraints to complete bankruptcy. Although temporary cash flow problems might seem reversible, they risk developing into permanent financial damage if unaddressed. Key indicators of financial distress include cash flow patterns,

strategic decision-making, and financial reporting (Chairunesia et al., 2018)

This study utilizes the Altman Z-Score model to evaluate financial distress. The formula for this model is provided below (Altman, 1968):

Z-Score = 0,012 (X1) + 0,014 (X2) + 0,033 (X3) + 0,006 (X4) + 0,0999 (X5)

Description:
Z : Overall Index
X1: Working Capital/Total Assets
X2: Retained Earnings/Total Assets
X3: Earning Before Interest and Taxes/Total Assets
X4: Market Value Equity/Book Value of Total Debt
X5: Sales/Total Assets

The following are employed to forecast bankruptcy, A company with a z-score lower than 1,81 is classified in the "distress zone," suggesting a high probability of financial instability.

The 1,81-2,99 z-score range represents a zone of financial uncertainty where distress potential cannot be conclusively determined. Companies with a z-score greater than 2,99 are considered financially secure and face a very low risk of distress.

The Effect of Capital Structure on Financial Distress

Capital structure is the composition or ratio between internal capital, consisting of retained earnings and ownership equity, and external financing derived from both short-term and long-term debt (Afridayani & Putren, 2025). A company whose long-term debt exceeds its capital demonstrates a higher risk profile, as it indicates potential difficulties in meeting those future financial obligations (Salim & Dillak, 2021). Excessive use of debt by companies can increase the risk of inability to pay debt and interest, so that it can trigger financial distress.

Capital structure is calculated using the ratio of a company's total debt to its total equity, which can be approximated by the long debt to debt to equity ratio. Capital structure calculation can use the following formula (Kasmir, 2018):

$$LTDER = \frac{Long\ Term\ Debt}{Equity}$$

Description:
LDER : Long Term Debt Equity Ratio
Long term debt : Total Long-Term Debt for the Current Period
Total equity : Total Assets for the Current Period

Studies by García & Herrero (2021), Candradewi & Rahyuda (2021) and Wardhana et al., (2022) indicate that capital structure influences financial distress, positing that a higher debt-to-equity ratio increases financial risk. Contradicting these views, Sari et al., (2023) found that debt access does not affect financial distress. Based on this inconsistency, the hypothesis for this research is:
H_1: Capital structure affecacts financial distress

The Effect of Firm Age on Financial Distress

The age of a firm the period since its establishment serves as an indicator of its market experience. Generally, older companies are considered less vulnerable to financial distress due to their seasoned operations. (Rose et al., 2010).

The age of a company can be calculated by taking the research year and subtracting the company's year of establishment.The calculation of the age of the company can use the following formula (Natalia & Rudiawarni, 2022):

FA = Year of Research – Year of Company Establishment

Description:
FA : Firm Age

Empirical findings regarding the link between firm age and financial distress remain inconclusive. Although studies by Natalia & Rudiawarni, (2022), Kücher et al., (2020), and Archanskaia et al., (2023) suggest that mature firms exhibit greater financial resilience, Murni (2018) observed no statistically significant relationship. To investigate this inconsistency, the following hypothesis is proposed:
H_2: Firm age affects financial distress

The Effect of Gender Diversity on Financial Distress

Gender diversity denotes the proportional representation and dynamic collaboration of men and women within a corporate structure, which is critical for organizational progress (Roika et al., 2019). By incorporating diverse viewpoints, gender-diverse boards improve the quality of strategic decisions, and empirical studies indicate that higher

gender diversity correlates with a reduced likelihood of financial distress.

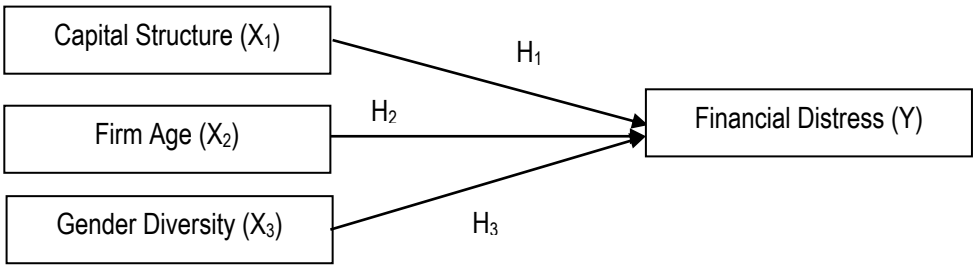
Gender diversity is measured by comparing the number of female directors in a company with the total number of directors in the company. The calculation of gender diversity can use the following formula (Samudra, 2021):

$$\textit{Gender Diversity} = \frac{\textit{Women in the Board of Directors}}{\text{total directors}}$$

Research by Samudra (2021) and García & Herrero (2021) demonstrates a significant negative relationship between gender diversity and financial distress, indicating that women's representation on corporate boards may reduce governance risk and enhance financial stability through more cautious oversight. In contrast, Nathania (2022) found no statistically significant association between these variables. To address this empirical contradiction, the following hypothesis is put forward:

H_3: Gender Diversity affects financial distress

The relationships and hypotheses derived from this explanation are synthesized into the research framework presented in Figure 1.



Source: Author (2024)

Figure 1. Research Framework

RESEARCH METHODOLOGY

This study focuses on non-cyclical consumer sector firms listed on the Indonesia Stock Exchange (IDX) from 2018 to 2023. Using a quantitative methodology, it relies on secondary data extracted from annual financial reports. Through purposive sampling, 73 companies were selected and analyzed over a six-year period. The data were examined using multiple linear regression analysis (Ghozali, 2021). All financial data were obtained from the official websites of the respective companies and the IDX (www.idx.com) based on the following criteria:

Table 1. Sampling Criteria

No	Sampling Criteria	Amount
1	Non-cyclicals consumer sector companies for the period 2018-2023	125
2	Companies with non-compliant financial reporting practices from 2018 through 2023	(50)
3	Corporations that prepared financial statements in foreign currencies rather than Indonesian rupiah between 2018 and 2023	(3)
4	Consumer non-cyclicals companies that have not suffered losses for 3 consecutive years	(59)
	Number of companies that fit the sample criteria	13
	Observation (28 x 6)	78
	Outlier data	(5)
	Number of company samples used	73

Source: Processed data (2024)

RESULT AND DISCUSSION

Result

Descriptive Statistics

This research analyzes publicly traded firms in the consumer non-cyclicals sector on the Indonesia Stock Exchange (IDX) from 2018 to 2023, The 2018–2023 timeframe was chosen to capture a full economic cycle encompassing pre-pandemic stability, crisis disruption, and post-crisis recovery. This enables a robust comparative framework for analyzing the resilience and adaptive capacity of non-cyclicals sector in the face of systemic shocks, applying purposive sampling to determine eligibility. With a final sample of 73 companies, financial data were examined using STATA for empirical analysis.

Table 2. Descriptive Statistics

Variable	Obs	Mean	Std.Dev	Min	Max
Financial Distress (Y)	73	1.462	1.733	-.1.396	5.45
Capital Structure (X1)	73	1.991	3.935	.004	25.88
Firm Age (X2)	73	36.411	23.993	4	102
Gender Diversity (X3)	73	.181	.206	0	.67

Source: Processed data (2024)

As shown in Table 2, the descriptive statistics for the financial distress variable reveal a mean of 1,462. The values range widely from a minimum of -1,396 to a maximum of 5,45. A standard deviation of 1,733, which exceeds the mean, signifies substantial dispersion in the financial distress levels among the sampled firms.

The capital structure variable has a mean value of 1.991, ranging from a minimum of 0.004 to a maximum of 25.88. The standard deviation of 3,935 exceeds the mean value (3,935 > 1,991), indicating substantial variation in capital structure levels across the sampled companies.

The mean firm age studied was 36,44 years, with values ranging from a minimum of 4 years to a maximum of 102 years. The standard deviation of 23,99 was lower than the mean value, indicating relatively low variability in firm age across the sample.

The mean gender diversity score was 0,206, with values ranging from 0 to 0,67. The standard deviation of 0,206 exceeded the mean value of 0,181, indicating substantial variation in gender diversity levels across the sampled companies.

Table 3. Panel Data Testing Result

Chow Test	Prob. 0.0000 < 0,05	Fixed Effect Model
Hausman Test	Prob. 0.8668 > 0,05	Random Effect Model
Lagrange Multiplier Test	Prob. 0.0000 < 0,05	Random Effect Model

Source: Processed data (2024)

Determining the Best Model

Based on the results of three diagnostic tests presented in Table 3, the random effects model (REM) was selected as the most appropriate for this study. The Chow test indicated that a fixed effects model was suitable, while the Hausman test further supported the use of a random effects model. The Lagrange multiplier test also confirmed that a random effects approach was applicable. Considering the collective outcomes of these tests, the random effects model was determined to be the best fit for the data analysis.

Multicollinearity Test

The random effect model uses the generalized least squared (GLS) approach, which is one of the regression healing techniques so that it can ignore the problem of violating classical assumptions (Ramadhan, 2023). The GLS method can overcome heteroscedasticity and autocorrelation, and does not require normality assumptions. So that in this study only tests for multicollinearity contained in the research data.

Table 4. Multicollinearity Test

Variabel	VIF	Tolerance (I/VIF)
Capital Structure (X1)	1,42	0,703009
Firm Age (X2)	1,41	0,709142
Gender Diversity (X3)	1,09	0,921137

Source: Processed data (2024)

Based on the results in Table 4, all independent variables demonstrate tolerance values above 0.1 and variance inflation factor (VIF) values below 10. These findings confirm the absence of multicollinearity among the predictors in the regression model.

Multiple Linear Regression Analysis

A multiple linear regression was conducted to evaluate the relationship between the independent and dependent variables. The results, including the final regression equation, are presented below.

$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$

$Y = 2{,}547 - 0{,}07\ X_1 - 0{,}023X_2 + 0{,}54X_3 + e$

Description:

Y	: Financial Distress
α	: Constant
β_1,β_2,β_3	: Regression Coefficient
X_1	: Capital Structure
X_2	: Firm Age
X_3	: Gender Diversity
e	: Error

The output of the random effects model regression, including coefficient estimates and significance levels, is displayed in Table 5:

Table 5. Multiple Linear Regression Analysis

Financial Distress	Coef.	Std. Err.	z	P>z
Capital Structure (X1)	-.070	.032	-2.20	.028
Firm Age (X2)	-.023	.019	-1.25	.210
Gender Diversity (X3)	.054	.742	0.07	.943
_cons	2.547	.787	3.24	.001

Source: Processed data (2024)

Based on the linear equation results in Table 5. the constant term of 2,547 indicates that the baseline value of financial distress is 2,547 when all independent variables (capital structure, company age, and gender diversity) are zero. Companies with scores within this range are in a condition that requires close monitoring. Specific business decisions or events such as a slight decline in profitability or an increase in additional debt can quickly push the company into the distress zone. Therefore, these results suggest that even though they are not yet categorized as being in distress, these companies have high financial vulnerability. The coefficient for capital structure is -0,070, meaning that a one-unit increase in capital structure is associated with a decrease of 0,070 units in financial distress, holding all other variables constant.The coefficient for firm age is -0,023, implying that a one-unit increase in company age corresponds to a reduction of 0,023 units in financial distress, ceteris paribus. Lastly, the coefficient for gender diversity is 0,054, suggesting that a one-unit increase in gender diversity is associated with a 0,054-unit increase in financial distress, assuming all other factors remain unchanged.

Table 6. Test T

Financial Distress	z	P>z
Capital Structure (X1)	-2.20	.028
Firm Age (X2)	-1.25	.210
Gender Diversity (X3)	0.07	.943
_cons	3.24	.001

Source: Processed data (2024)

Hypothesis Test

Partial Test (T)

The outcome of P>z capital structure, which indicates smaller than the α value of 0,05, is 0,028, as indicated by the t test above. The analysis reveals an observable relationship between capital structure and financial distress, though firm age appears irrelevant to financial distress because its P>z of 0,210 indicates that it is bigger than the α value of 0,05. The gender diversity variable is bigger than the α value of 0,05, as indicated by its P>z value of 0,943. Thus, it may be said that there is no relationship between financial distress and the gender diversity variable.

Table 8. Test R^2

Keterangan	Nilai
Number of obs	73
Numbers of groups	13
Prob>Chi2	0.0494
Overall r-squared	0.0420

Source: Processed data (2024)

Coefficient of Determination Analysis (R^2)

Table 8 leads to the conclusion that the ri-squared value is 0,0420, or 4,2%, indicating that the financial distress variable can be explained by the independent variables of capital structure, firm age, and gender diversity to the extent of 4,2%; the remaining 95,8 percent is determined by other factors not covered in this study.

Discussion

Effect of Capital Structure on Financial Distress

Statistical analysis supports the first hypothesis (H1), with the p-value for the capital structure variable showing a result of 0,028, which is lower than 0,05. Partially, capital structure has an effect on financial distress, as indicated by the overall r-square value of 4,2 percent. This suggests that corporate funding decisions reflected in capital structure, such as the debt-to-equity ratio, play a role in predicting the potential for financial distress. Financial distress in this study is measured using the Altman Z-Score, where the smaller the Altman Z-Score value, the greater the likelihood that the company is experiencing financial distress. The negative value of the regression coefficient indicates that capital structure has a negative effect on the Altman Z-Score, or that capital structure is associated with financial distress, thus, capital structure has an effect on financial distress. This confirms that an increase in the proportion of debt within the capital structure significantly contributes to a higher level of financial distress. This finding is consistent with agency theory and the cost-benefit balance explained in trade-off theory. Agency theory states that the use of debt in the capital structure can reduce agency problems, as the obligatory nature of debt payments imposes financial discipline on managers. Meanwhile, trade-off theory states that although debt can be beneficial, excessive leverage increases the risk of bankruptcy. Thus, the results of this study align with the core principles of both theoretical perspectives.

The analysis proves that excessive debt makes companies more prone to bankruptcy, particularly in the non-cyclicals sector. Loans create installments and interest that must be paid fixedly each period. The higher the debt relative to equity, the greater the risk of default because these obligations continue regardless of poor company performance. Consequently, highly indebted companies are burdened by large installments that can push them toward bankruptcy more quickly (Zuliansyah et al., 2023).

The findings of this study align with the empirical work of García & Herrero, (2021) and Wardhana et al., (2022), reinforcing the role of capital structure as a significant predictor of financial distress. However, these results stand in contrast to those reported by Sari et al., (2023) who found no statistically significant relationship between capital structure and financial distress.

Firm Age and Financial Distress Correlation

Statistical analysis shows that firm age is not a significant predictor of financial distress, as indicated by a p-value of 0,210, well above the conventional significance level of 0,05. Thus, the second hypothesis (H2), which proposed a relationship between firm age and financial distress, is not supported by the data. Furthermore, the coefficient of determination (R^2) in this study is 4,2 percent, indicating that the ability of the independent variables to explain financial distress remains very limited. This low R^2 value can be partially explained

by the finding that firm age has no significant effect on financial distress. As one of the predictor variables, the inability of firm age to predict financial distress results in its contribution to the model being minimal. In other words, although capital structure is proven to have a significant effect, the presence of non-significant variables such as firm age simultaneously reduces the model's explanatory power.

These findings indicate that firm age does not always guarantee that every company has a healthy financial condition. Both long established and newly operating companies have equal potential to experience financial distress, depending on each company's specific financial condition. These empirical findings are inconsistent with expectations derived from agency theory. According to the theory, firm age should correlate with increased experience and, consequently, more transparent financial reporting, thereby reducing information asymmetry. However, these findings demonstrate that merely advancing in age does not inherently reduce agency problems, foster convergence of owner-manager interests, or lead to improvements in corporate performance and firm value.

The findings demonstrate that organizational longevity does not inherently ensure a sound financial position. Whether a company is long-standing or newly operational, its vulnerability to financial distress is contingent upon its underlying financial status. The results of this study confirm Murni (2018)) conclusion, which shows that the age of a company is not a determining factor in financial distress. Conversely, this study differs from the findings of Kücher et al., (2020), who reported a statistically significant relationship between these variables. Older company age does not guarantee sound governance and financial strategy. The risk of financial distress remains high if the capital structure is suboptimal or the response to market changes is slow. External factors such as regulatory shifts and industry competition also have a greater impact than firm age.

Gender Diversity and Its Influence on Financial Distress Probability

The research results do not support the third hypothesis (H3), which stated that gender diversity influences financial distress. This conclusion is based on the p-value for the gender diversity variable of 0,943, which far exceeds the 0,05 significance threshold. Thus, the analysis confirms that gender diversity has no statistically significant impact on financial distress, leading to the rejection of H3. The research findings show an R^2 value of 4,2 percent, indicating that only a small portion of the variation in financial distress can be explained by the independent variables used. One of the factors contributing to the low explanatory power of this model is the insignificant effect of gender diversity on financial distress. This finding confirms that the presence of women on corporate boards, quantitatively, is not yet sufficient to drive improved financial stability. Consequently, the contribution of the gender diversity variable in the regression model is minimal, so that even though capital structure has a significant effect, the predictive capability of the model simultaneously remains limited.

Although gender diversity in management can enhance decision making, it does not directly reduce the risk of financial distress, particularly for companies grappling with deep seated structural issues or adverse external conditions. For instance, firms in the non-cyclical consumer sector are largely unaffected by gender diversity, their financial health is more vulnerable to shifts in consumer behavior and intense price competition. This demonstrates that the contribution of gender diversity is complementary to corporate governance, yet it does not function as a direct protective mechanism against financial risk. Therefore, the effectiveness of gender diversity policies depends on their integration with the strengthening of financial and operational fundamentals to build holistic organizational resilience.

The findings contradict feminist ethical theory, which explains that women's psychology embodies a leadership style characterized by caution and communication in every decision-making process. The results align with Nathania, (2022) in finding that gender diversity has no significant effect on financial distress. This suggests that decision-making quality is not gender-dependent, as both men and women are equally capable of enhancing firm performance. Conversely, these findings contradict research by García & Herrero (2021) and Samudra (2021), who reported a significant negative effect of gender diversity on financial distress.

CONCLUSION

The research results show that capital structure has a negative and significant effect on financial distress, while firm age and gender diversity have

no significant effect. This is reflected in the coefficient of determination (R^2) value of 4.2%, which means that only 4.2% of the variation in financial distress can be explained by the three independent variables, while the remaining 95.8% is explained by other factors outside the model. These findings indicate that corporate funding policy plays an important role in determining financial health, but firm age and gender diversity do not contribute significantly to predicting financial distress. Thus, there are still other variables beyond this research model that need to be further explored.

Recommendations

This study still has limitations, so improvements are needed for future research. The limitations of this study are the researcher only observed companies in the consumer non-cyclicals sector on the Indonesia Stock Exchange from the period 2018 to 2023. This resulted in limited information and incomplete data; the coefficient of determination in this study was only 4.2 percent, meaning that most of the variance is explained by other variables outside the regression model. Future researchers are recommended to add other independent variables such as sales growth and good corporate governance (GCG) that affect financial distress.

The research shows that capital structure has an effect on financial distress therefore, management is advised to reevaluate its funding policy by implementing a more conservative target debt ratio, particularly during uncertain economic conditions.

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