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The Role Of Institutional Ownership In Preventing Financial Distress In Technology Companies

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ABSTRACT

This study aims to examine the effect of profitability ratios and market ratios on financial distress and identify the role of institutional ownership in this relationship in technology companies in Indonesia. This study applies a quantitative method with a sample of 39 technology companies officially recognized on the IDX during the period 2022–2024. The results show that Return on Assets (ROA) has a significant effect on financial distress, while Earnings Per Share (EPS) has a significant negative effect. In addition, institutional ownership was found to moderate the relationship between ROA and EPS on financial distress. These findings emphasize the importance of operational efficiency and institutional oversight in reducing financial risk amid the dynamics of the technology industry. This study presents findings that are relevant to decision makers and market participants in supporting risk management strategies and strengthening corporate financial structures.

INTRODUCTION

During the post-COVID-19 pandemic period, the technology sector experienced a significant impact due to the Fed's interest rate hike, which caused operational costs to increase and put pressure on company profitability. Fundamental analysts state that the increase in interest rates by the US central bank has impacted Indonesia's technology sector through an increase in domestic interest rates (Suryahadi & Dewi, 2022). This has worsened companies' financial conditions, reduced investment attractiveness, and triggered a decline in technology stock prices (Sandria, 2023). As a result, technology companies face greater financial challenges, including the risk of financial distress.

Data from the Indonesia Stock Exchange shows that the technology sector experienced a 42.61% decline in its index in 2022, with the negative trend continuing until 2024. To mitigate the impact of losses, many technology companies, both startups and public companies, have resorted to mass layoffs to reduce operating costs. Several large technology companies such as GOTO, BUKA, EMTK, MTDL, and DCII experienced a significant decline in performance in the first

quarter of 2023 (Kristianto, 2023). With a 30.06% decline in the index Year to Date, the risk of bankruptcy in this sector is increasing.

Technology companies are expected to implement comprehensive financial ratio analysis as a mitigation strategy against financial distress risks, in order to maintain operational sustainability and prevent potential bankruptcy (Chandio & Anwar, 2020; Usmany & Loupatty, 2021). Key indicators such as the 1995 Altman Z-Score are needed to measure the potential for bankruptcy in non-manufacturing companies with an accuracy rate of 95% (Paulina & Ida, 2022). In this study, financial statement analysis for three years was conducted using four financial ratios (Khotimah et al., 2020). Therefore, an in-depth analysis of the company's financial condition is crucial.

Profitability is a key factor in assessing how companies can manage assets and capital efficiently to generate profits. This study uses ROA to measure the effectiveness of asset management in generating profits (Maximillian & Septina, 2022). Companies with suboptimal financial management are at risk of financial distress, as experienced by GOTO despite implementing cost efficiency measures. Therefore, monitoring profitability ratios is very important for business continuity in the technology sector.

In addition to profitability, market ratios also play a role in reflecting a company's financial performance, one of which is through Earnings per Share. EPS reflects how a company can generate profits for shareholders, which is a key measure of investment attractiveness (Mujianto & Hariyanto, 2024). A low EPS indicates weak company prospects, which can accelerate the risk of financial distress. Thus, market ratio analysis can play a role in determining the potential financial risks faced by technology companies.

In addition to market ratios that reflect a company's financial performance, corporate governance also plays an important role in determining resilience to financial distress. Poor management often worsens financial conditions, hinders operational efficiency, and increases the risk of bankruptcy. Strong corporate governance can strengthen internal oversight and increase investor confidence in the technology sector. Thus, institutional ownership plays an important role in monitoring and controlling the financial stability of companies (Jaya et al., 2023).

Previous studies indicate that the technology sector experienced a “Tech Winter” phenomenon in 2022, which led to a decline in investor interest in technology stocks (Nofita & Darmansyah, 2024). Consequently, companies faced difficulties in securing operational funding, thereby increasing the risk of financial distress. However, these studies were limited in terms of variable selection. Therefore, the present study incorporates a moderating variable to examine the possibility of a more significant effect. The findings demonstrate that market ratios do not have a significant effect on financial distress. Accordingly, this study introduces corporate governance as a moderating variable. Prior research similarly found that market ratios have no significant impact on financial distress (Maghfiroh et al., 2023). In contrast, other studies report that earnings per share (EPS) have a significant effect on financial distress, indicating inconsistencies in the empirical findings that warrant further investigation (Mujianto & Hariyanto, 2024). Thus, this study is expected to contribute novel findings by integrating previously unexplored variations in the existing literature.

This study focuses on changes in the financial conditions of the technology sector during the 2022–2024 period to provide empirical evidence on the impact of macroeconomic factors on corporate sustainability. The objective of this study is to examine two financial indicators, namely return on assets (ROA) and earnings per share (EPS), that may influence financial distress in the technology sector in the post–COVID-19 period, particularly in response to the increase in the Federal Reserve’s interest rates. Furthermore, this study investigates the role of corporate governance as a moderating factor that may strengthen or weaken the relationship between financial ratios and financial distress. Accordingly, this study offers a more comprehensive understanding of the determinants of corporate financial stability. The findings are expected to

provide practical recommendations for companies in managing financial risks amid global economic uncertainty.

LITERATURE REVIEW

Agency Theory

Agency theory describes a formal contractual relationship between the principal, as the owner, and the agent, as management, in which the principal delegates authority to the agent to perform services on their behalf (Gunawan & Putra, 2021; Jensen & Meckling, 1976). In this context, although principals expect wealth maximization, agents may prioritize personal interests, potentially resulting in adverse outcomes for principals (Abdullah et al., 2023). This phenomenon is reinforced by Abdullah and Awaluddin (2016), who argue that agency theory, as a branch of game theory, examines contract design mechanisms intended to motivate agents' rational behavior in alignment with principals' interests. Failures in contract design may trigger conflicts of interest manifested in financial statement manipulation, excessive expenditures, and disproportionate compensation, which ultimately harm the firm (Chamidah & Asandimitra, 2017; Gunawan & Putra, 2021; Panda & Leepsa, 2017). These issues may lead to declining profitability and an increased risk of financial distress, which is also reflected in deteriorating market ratios, such as earnings per share (EPS), as indicators of market perceptions regarding weak managerial effectiveness. This is consistent with Richardson (2006), who finds that agency problems in the form of overinvestment driven by excess free cash flow can reduce firm value and serve as an early indicator of financial distress.

Financial Distress

Financial distress reflects a condition of corporate financial instability closely associated with bankruptcy, wherein excessive debt accumulation, ineffective asset management, and insufficient operating cash flows exacerbate financial vulnerability (Rodoni & Ali, 2014; Sutra & Mais, 2019). From the perspective of agency theory, inadequate transparency and weak corporate governance may accelerate financial distress due to managerial actions that are misaligned with principals' interests (Oktaviani & Lisiantara, 2022). Financial distress can be predicted using the Altman Z-Score model, which integrates multiple financial ratios to assess a firm's internal and external financial conditions (Aditya et al., 2022). In the technology sector, corporate bankruptcy is influenced by economic conditions, government policies, market dynamics, and managerial weaknesses that undermine financial stability and competitiveness.

Profitability Ratios

Profitability ratios assess a firm's efficiency in generating profits from its assets and sales, thereby reflecting managerial capability (Isayas, 2021; Kasmir, 2008). Based on agency theory, conflicts of interest and information asymmetry may lead to a decline in return on assets (ROA) when management fails to optimize asset utilization. Conversely, effective corporate governance can enhance asset efficiency and overall financial performance. Asset efficiency contributes to lower operating costs, improved financial stability and profitability, enhanced competitiveness, and reduced financial distress risk (Hendrayanti et al., 2022). Accordingly, higher profitability, as measured by ROA, significantly reduces the probability of financial distress (Chairunesia, 2021; Isayas, 2021; Maghfiroh et al., 2023). Based on prior empirical findings, the first hypothesis is formulated as follows:

Market Ratios

Market value ratios are financial metrics that evaluate stock prices or firm market value, reflecting a firm's capacity to generate value for investors and attract potential investors, while also indicating possible stock overvaluation or undervaluation (Curry & Banjarnahor, 2018;

Nofita & Darmansyah, 2024). Agency conflicts between principals and agents inherently give rise to agency costs due to misaligned objectives between managers and shareholders. When managerial share ownership is relatively low, incentives to maximize personal benefits through non-productive consumption tend to increase. This condition leads to reduced operational efficiency, declining net income, and weaker market performance, as reflected in indicators such as EPS (Jensen & Meckling, 1976). Consistent with the findings of Sakulpolphaisan and Hensawang (2022), which reveal a negative relationship between market ratios measured by EPS and the probability of financial distress, the second hypothesis is proposed as follows:
H2: EPS has a negative effect on financial distress

Corporate Governance

Corporate governance refers to a regulatory framework and system that governs relationships and safeguards stakeholders' rights—particularly investors—over managerial performance and returns, encompassing interactions among internal and external stakeholders in accordance with their respective rights and responsibilities (FCGI, 2001; Shleifer & Vishny, 1997). Grounded in agency theory, corporate governance emphasizes the relationship between management and shareholders, where management, as the agent, bears a moral obligation to maximize principals' wealth in return for performance aligned with contractual agreements (Wardoyo et al., 2022). Effective corporate governance can enhance firm efficiency and growth by minimizing manipulative behavior and inefficient resource allocation (Hajjat et al., 2023). Setyobudi et al. (2017) find that institutional ownership plays a crucial role in improving firm performance by strengthening managerial monitoring mechanisms, as reflected in financial ratios. Based on this theoretical foundation, the following hypotheses are proposed:
H3a: Institutional ownership strengthens the relationship between ROA and financial distress.
H3b: Institutional ownership strengthens the relationship between EPS and financial distress.
H1: ROA has a negative effect on financial distress.

Control Variables

This study incorporates control variables including the current ratio, leverage, firm age, and firm size. Consistent with Sulistyani and Ismanto (2020), an increase in total assets is assumed to be inversely related to corporate debt levels, thereby reducing the likelihood of financial distress. Furthermore, Zimon et al. (2021) argue that financial leverage primarily serves to optimize returns on equity under favorable economic conditions, assuming stable borrowing costs that are lower than net asset profitability. Their study also highlights that accumulated operational experience, as firms mature, is positively associated with improved production efficiency. In addition, Alarussi and Alhaderi (2018) suggest that larger firms tend to exhibit stronger economic growth than their competitors due to more comprehensive informational resources and greater asset volumes.

METHODS

Sampling

This study employs a quantitative research approach using secondary data obtained from the website www.stockbit.com to collect information related to the calculation of financial distress and financial ratios, as well as companies' annual reports to obtain data on institutional ownership. The research population consists of 47 publicly listed technology firms identified through data from the Indonesia Stock Exchange (IDX) during the 2022–2024 period.

The sample selection process applies purposive sampling, with criteria requiring firms to provide complete data for all research variables, publish annual financial statements throughout the observation period, use the Indonesian Rupiah as the reporting currency, and be classified as technology firms with substantial asset ownership rather than merely investment application

platforms. Of the 47 publicly listed technology companies on the IDX, 8 firms did not meet these criteria. Consequently, the final sample eligible for analysis comprises 39 companies.

Variables and Measurements

This study employs financial distress as the dependent variable, which is measured using the Altman Z-Score (1995) model. This revised Altman model is designed to assess bankruptcy risk in non-manufacturing firms and in emerging market contexts (Paulina & Ida, 2022). The model incorporates several financial ratios that contribute to the computation of the Z-Score. According to Altman et al. (1995), the Altman Z-Score (1995) model is expressed as follows:

$$Z=6,56X⟧\_1+3,26X\_2+6,72X\_3+1,05X\_4$$

Description:
X1 = Working Capital / Total Assets
X2 = Retained Earnings / Total Assets
X3 = Earnings Before Interest and Taxes / Total Assets
X4 = Book Value of Equity / Total Liabilities
Z = Overall Index or Score

Table 1. Altman Z-Score (1995) Discriminant Zones

Z-Score	Discriminant Zone
Z > 2,6	Safe / Healthy Zone
1,1 < Z < 2,6	Grey Zone
Z < 1,1	Potential Bankruptcy Zone

Source: Data processing results, 2025

This study also incorporates several control variables, namely the current ratio, leverage, firm age, and firm size. In addition, two independent variables are employed: profitability ratios and market ratios, measured respectively by return on assets (ROA) and earnings per share (EPS).

ROA reflects a firm's ability to convert total assets into net income (Brigham & Houston, 2019). This measure is particularly relevant in the technology sector, which typically relies on a substantial asset base. The purpose of using ROA is to evaluate the efficiency of asset utilization in generating higher profitability.

EPS is a profitability indicator that measures net income attributable to each outstanding share held by investors (Fahmi, 2020). This metric is also highly relevant in the technology sector, where positive values and upward trends indicate a firm's capacity to generate earnings for each investor, thereby facilitating the evaluation of profitability growth. The formulas for ROA and EPS are presented as follows:

$$ROA = Net\ Income / Total\ Assets$$

$$EPS = Net\ Income / Total\ Shares\ Outstanding$$

Furthermore, institutional ownership is employed as a moderating variable in this study. Institutional ownership is defined as the proportion of a company's shares held by financial institutions, corporations, or organizations, and its magnitude is measured as a percentage of total outstanding shares (Manzaneque et al., 2016; Md-Rus et al., 2013). The institutional ownership ratio is calculated as follows:

$$\text{Institutional Ownership} = \frac{\text{Institutional Shares}}{\text{Total Outstanding}} \times 100\%$$

Data Analysis Method

The data analysis method is applied to examine the potential influence of independent variables with mixed measurement scales on a ratio-scaled dependent variable. In this study, multiple linear regression analysis is employed to test the significance of the effects of profitability ratios and market ratios on financial distress. In addition, moderated regression analysis is conducted to examine whether the moderating variable influences the direction and/or strength of the relationship between the independent and dependent variables.

In correlational analysis, a moderator is defined as a third variable that affects the magnitude of the zero-order correlation between two other variables (Baron & Kenny, 1986). The results of the moderated regression analysis are examined using Stata output, which presents the regression coefficients and regression equations as follows.

1 FD= α+β_1 ROA+β_2 CR+β_3 FS+β_4 FA+β_5 LV+β_6 KI+β_7 〖KI〗^* ROA
2. FD= α+β_1 EPS+β_2 CR+β_3 FS+β_4 FA+β_5 LV+β_6 KI+β_7 〖KI〗^* EPS

Where:
FD = Financial distress
ROA = Return on assets
EPS = Earnings per share
CR = Current ratio
FS = Firm size
FA = Firm age
LV = Leverage
KI = Institutional ownership
KI × ROA / KI × EPS = Interaction terms (moderating effects)

In addition to the regression analyses, descriptive statistics are employed to present an overview of the distribution of the observed variables. Statistical hypothesis testing includes the t-test to assess the individual significance of regression coefficients and the F-test to evaluate the overall significance of the regression models. Through the application of these data analysis methods, this study seeks to provide an in-depth understanding of the relationship between profitability ratios and market ratios and financial distress in the Indonesian technology sector, as well as to identify which ratio exerts the most significant influence on financial distress conditions.

RESULTS

Descriptive Statistical Analysis

The researchers initially collected 117 observational data points. However, following outlier identification for the first model, 8 observations were excluded. Similarly, outlier detection was conducted for the second model, resulting in the elimination of 12 observations. Consequently, the analyses in this study are based on 109 and 97 observations, respectively, as presented in Table 2.

In the first model, the financial distress variable exhibits a wide range of values, from −114.1 to 49.26. Values approaching the upper bound indicate a very strong financial condition and a low likelihood of bankruptcy. With a mean of 5.82 and a standard deviation of 16.28, the results reveal substantial disparities in financial stability across firms. Overall, most technology sector firms in the sample appear to be in relatively sound financial condition. However, this is not reflected in their profitability performance, as the average ROA is negative at −3.89%. This suggests that firms have not been able to convert their assets into profits effectively. The high

standard deviation of ROA (29.9%) further indicates significant heterogeneity in asset management efficiency across firms.

Meanwhile, institutional ownership, with an average of 52.12%, suggests that the majority of shares are held by institutional investors, which theoretically should strengthen monitoring mechanisms. On the other hand, the current ratio is exceptionally high, with an average of 5.40 and a maximum value of 50.27, indicating strong short-term liquidity. However, this condition also raises concerns regarding the presence of idle current assets that are not productively utilized, which may partially explain the low average ROA. Although the mean leverage ratio of 1.62 indicates a relatively moderate capital structure, the high standard deviation (9.15) and extreme minimum value (−84.55) suggest that several firms exhibit highly unhealthy capital structures, including negative equity positions resulting from total liabilities exceeding total assets.

In the second model, EPS has an average value of IDR 21.30 per share, reflecting the expected earnings obtained by investors for each share held. Nevertheless, the very high standard deviation of 152.46 indicates substantial disparity between highly profitable firms and those experiencing significant losses. Institutional ownership in the second model averages 53.42%, indicating that a large proportion of corporate shares are owned by institutions, which is generally associated with stronger managerial oversight.

Table 2 Descriptive Statistics Test Results

Variables	N	Mean	Std. Dev.	Min	Max
Model 1					
Financial Distress	109	5.832844	16.28205	-114.1	49.26
ROA	109	-0.0388991	0.2990706	-2.13	0.3
Current Ratio	109	5.404037	8.48147	0.2	50.27
Leverage	109	1.62055	9.159861	-84.55	26.43
Firm Size	109	27.18138	2.100347	22.34	31.89
Firm Age	109	16.41284	11.1074	3	49
Institusional Ownership	109	52.12257	31.28175	0	100

Source: Data processing results, 2025

Model 2					
Financial Distress	97	6.815361	7.774661	-5.29	49.26
EPS	97	21.30247	152.4589	-912.65	626.41
Current Ratio	97	4.408866	7.408639	0.84	50.27
Leverage	97	1.596701	9.374098	-84.55	26.43
Firm Size	97	27.29103	1.96302	23.31	32.57
Firm Age	97	16.92784	11.60123	1	49
Institusional Ownership	97	53.41763	31.29797	0	100

Source: Data processing results, 2025

Data Quality and Test Results

Based on the results of classical assumption tests, including normality, heteroskedasticity, and multicollinearity, the observational data in this study satisfy the required assumptions and are therefore suitable for subsequent stages of data analysis. A total of 109 and 97 observations were analyzed using multiple linear regression and moderated regression analyses, respectively. The hypothesis testing results indicate that the data quality is adequate, as summarized in Table 3.

Table 3 Classical Assumption Test

Classical Assumptions	Methods	Results	
		Model 1	Model 2
Normality	Skewness – Kurtosis (Prob > chi2)	0.4920	0.4204
Multicollinearity	VIF	1.74	6.90
Heteroscedasticity	Breusch – Pagan (Prob > chi2)	0.1228	0.8941

Source: Data processing results, 2025

Model Feasibility Test Results, Hypotheses and Coefficient Of Determination

The F-test results indicate that all three research models are statistically feasible, as the Prob > F values are equal to 0.0000. Hypothesis testing using the t-test reveals that return on assets (ROA) has a significant effect on financial distress. Accordingly, the first hypothesis is accepted, as the findings demonstrate that higher ROA values are associated with higher Z-Score levels, implying greater financial stability.

Earnings per share (EPS) exhibits a significant negative effect on financial distress. Therefore, the second hypothesis is accepted, as the results confirm that higher EPS values correspond to higher Z-Scores, indicating a reduced risk of financial distress. Institutional ownership is empirically proven to strengthen the relationship between ROA and financial distress risk, leading to the acceptance of Hypothesis 3a. This finding implies that a greater proportion of institutional ownership enhances the impact of ROA in mitigating the likelihood of financial distress. This effect can be attributed to stricter managerial monitoring, which promotes improvements in the quality of corporate financial performance.

A similar result is observed in the relationship between EPS and financial distress, where institutional ownership also reinforces the effect of EPS in reducing financial distress risk. Consequently, Hypothesis 3b is also accepted. The explanatory power of the independent variables in this study is notably high, with coefficients of determination of 95% and 91%, respectively, while the remaining variation is explained by factors outside the proposed models. Additionally, several control variables—namely the current ratio, firm size, firm age, and leverage—are found to have significant effects on financial distress.

Table 4 F Test Results And Coefficient Of Determination

	Model 1	Model 2
	0.0000	0.0000
R-Squared	0.9495	0.9120

Source: Data processing results, 2025

Table 5 T-test Results

Model 1				
Variables	**Coef.**	**t**	**P>|t|**	**Results**
ROA	61.79225	29.77	0.000	The first hypothesis is accepted.
Current Ratio	1.096561	24.76	0.000	
Firm Size	-0.4847753	-2.07	0.041	
Firm Age	0.0090362	0.22	0.828	
Leverage	0.0044209	0.11	0.912	
Institutional Ownership	0.0105875	0.89	0.375	
ROA*IO	-0.7157247	-14.86	0.000	The second hypothesis is accepted.
Model 2				
Variables	**Coef.**	**t**	**P>|t|**	**Results**
EPS	0.0231301	3.16	0.002	Hypothesis 3a is accepted
Current Ratio	0.9866586	28.73	0.000	
Firm Size	-0.5415059	-3.41	0.001	
Firm Age	0.0511808	1.83	0.071	
Leverage	0.015803	0.60	0.547	
Institutional Ownership	-0.0136492	-1.57	0.121	
EPS*IO	-0.0002528	-2.71	0.008	Hypothesis 3b is accepted.

Source: Data processing results, 2025

DISCUSSION

The analysis indicates that ROA has a significant negative effect on financial distress; therefore, the first hypothesis is accepted. This finding is consistent with prior studies by Chairunesia (2021), Isayas (2021), and Maghfiroh et al. (2023), which suggest that higher profitability is associated with a lower risk of financial distress. Firms with high ROA reflect efficient asset utilization, enabling them to generate sufficient profits to meet obligations and maintain reserve funds for operational activities.

Indonesian technology firms officially listed on the Indonesia Stock Exchange tend to possess substantial asset bases, as reflected in the relatively large firm sizes observed in the descriptive statistics. However, these firms appear to face challenges in effectively managing their assets, as evidenced by the average ROA of −0.03. High asset levels accompanied by low profitability may indicate opportunistic managerial behavior. Nevertheless, this condition does not immediately lead to financial distress, as the average current ratio and institutional ownership levels are relatively high. These factors serve as monitoring mechanisms that help mitigate agency conflicts, given that institutional investors generally possess greater capacity to closely monitor managerial performance.

Accordingly, agency theory underscores the importance of strengthening corporate governance to ensure greater managerial accountability in optimizing asset utilization and preventing financial distress. This interpretation aligns with the empirical finding that institutional ownership strengthens the relationship between ROA and financial distress, leading to the acceptance of Hypothesis 3a. This result is consistent with Setyobudi et al. (2017), who highlight the influential role of institutional investors in strategic decision-making, such as asset restructuring, operational efficiency improvements, and debt management. When ROA is high, institutional investors are more likely to encourage management to sustain or enhance

performance and allocate profits toward reinforcing the firm's financial position, thereby reducing the risk of financial distress.

Subsequent analysis demonstrates that EPS has a significant negative effect on financial distress; thus, the second hypothesis is accepted. This finding supports the study by Sakulpolphaisan and Hensawang (2022), which reports that higher market ratios are associated with a lower probability of financial distress. High EPS reflects a firm's capacity to generate substantial earnings for each outstanding share, signaling potential returns for investors. Moreover, EPS serves as an indicator of managerial effectiveness in reducing information asymmetry between agents and principals. In the context of the technology sector, which is characterized by high capital requirements and growth-oriented business models, strong EPS performance suggests that firms have entered a more stable operational and financial phase. This stability enhances market and investor confidence, improves access to external financing, and ultimately lowers financial distress risk. From an agency theory perspective, high EPS functions as a governance mechanism that aligns managerial actions with shareholders' interests, strengthens internal discipline, and supports overall financial health.

Finally, the analysis confirms that institutional ownership strengthens the relationship between EPS and financial distress, which can be explained through the lens of agency theory; therefore, the final hypothesis is also accepted. Within this framework, institutional ownership acts as an effective external monitoring mechanism over managerial behavior. Institutional shareholders typically possess greater expertise, resources, and incentives to monitor management more intensively than individual investors. When EPS is high, reflecting financial performance stability, the presence of institutional ownership reinforces confidence that such outcomes are not merely the result of accounting manipulation but rather reflect sound and efficient corporate management. Consequently, institutional oversight enhances the positive relationship between EPS and the reduction of financial distress risk. By promoting managerial accountability, transparency, and a long-term value-creation focus, institutional ownership contributes to strengthening corporate financial stability.

CONCLUSION

Overall, the findings of this study indicate that profitability ratios, as measured by ROA, and market ratios, as measured by EPS, have significant negative effects on financial distress among technology firms in Indonesia. These results reinforce the assumption that the technology sector is highly dynamic and particularly vulnerable to financial pressure, largely due to its reliance on strong financial conditions amid challenges such as rapid technological change, intense market competition, rising interest rates, and substantial investment requirements in research and development.

In this context, ROA reflects the efficiency of asset utilization, while EPS captures positive market perceptions of firm performance, making both indicators critical measures of corporate financial resilience. Furthermore, this study finds that institutional ownership serves as a moderating variable that amplifies the effects of ROA and EPS on financial distress, consistent with agency theory, which emphasizes the importance of effective corporate governance. The presence of institutional investors is shown to enhance managerial monitoring, reduce information asymmetry, and ensure that corporate policies are aligned with shareholders' interests. Therefore, institutional ownership functions not only as a control mechanism but also plays a strategic role in maintaining the stability and sustainability of technology firms amid the growing complexity and uncertainty of the industry.

LIMITATIONS

The limitations of this study lie in the scope of the research objects and the variables employed. This study focuses exclusively on technology sector firms officially listed on the

Indonesia Stock Exchange (IDX) during the 2022–2024 period; therefore, the findings cannot be readily generalized to other industrial sectors with different financial and operational characteristics. In addition, the independent variables analyzed are limited to profitability ratios (ROA) and market ratios (EPS), along with a single moderating variable, institutional ownership. Meanwhile, financial distress may also be influenced by other factors, such as leverage, liquidity, macroeconomic conditions, and internal firm-specific characteristics that are not incorporated into the variable framework of this study.

Furthermore, the analytical methods applied have limitations in fully capturing the dynamic nature of corporate financial conditions. Accordingly, future research is encouraged to extend the scope by examining different industry sectors, employing longer observation periods, and incorporating additional explanatory variables, including those mentioned above, to achieve a more comprehensive understanding of the determinants of financial distress.

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