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Determinants of Financial Distress of Property and Real Estate Companies

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Abstract

This study was conducted with the aim of determining the influence of interest rates, inflation, exchange rates, profitability, liquidity, activity, leverage, and company size on the financial distress of property and real estate companies. The population in this study is 35 property and real estate companies listed on the Indonesia Stock Exchange. The sampling method in this study used full sampling, the period of 2019-2023, and a total of 135 observations. The data analysis technique uses the panel data regression method processed using Eviews 13. The results of the study are as follows: (1) Interest rates have a positive effect on financial distress, (2) Inflation has no effect on financial distress, (3) Exchange rate has a negative effect on financial distress, (4) Profitability has a positive effect on financial distress, (5) Liquidity has a positive effect on financial distress, (6) Activity has no effect on financial distress, (7) Leverage has no effect on financial distress, (8) The size of the company has no effect on financial distress.

Keywords: Financial distress; Altman Z-Score; Macroeconomic factors; Financial ratios; Property and real estate; Panel data regression.

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1. Introduction

Property and real estate sector companies, namely Indonesia, have an important impact on the economic growth of a country, in the context of this research. Companies in this sector provide a high multiplier effect, both forward-linkage and backward-linkage, as well as direct and indirect impacts. Companies in this sector can drive other sectors such as logistics, materials, services, transportation, and even finance through the KPR (Public Housing Credit) program, as well as other sectors and sub-sectors (Faujianto & Atmaji, 2020).

Seeing this significant role, the government extended a policy containing the provision of government-borne value-added tax incentives (PPN DTP) until the end of 2024 for residents who will buy landed houses and apartment units with a maximum selling price of IDR 5,000,000,000 in the hope of providing a maximum multiplier and more impact on GDP growth. This policy can only be utilized once by Indonesian citizens (WNI) and foreign citizens (WNA). Furthermore, this policy is more detailed in the Minister of Finance Regulation Number 7 Year 2024.

Based on the results of the survey of residential property prices (SHPR) issued by Bank Indonesia (BI), residential property sales in the primary market in the fourth quarter of 2023 experienced an annual increase compared to the third quarter of 2023. It was recorded that residential property sales in the fourth quarter of 2023 increased significantly by 3.37% compared to the third quarter of 2023, which contracted by 6.59%. This increase in residential property sales occurred in all types of houses, both small-type houses, medium-type houses, and large-type houses. There was an increase for small-type houses by 1.60%, although still in the contraction zone and better than the previous quarter, medium-type houses increased by 6.29%, and large-type houses increased by 19.93%. The details can be seen in the following graph:

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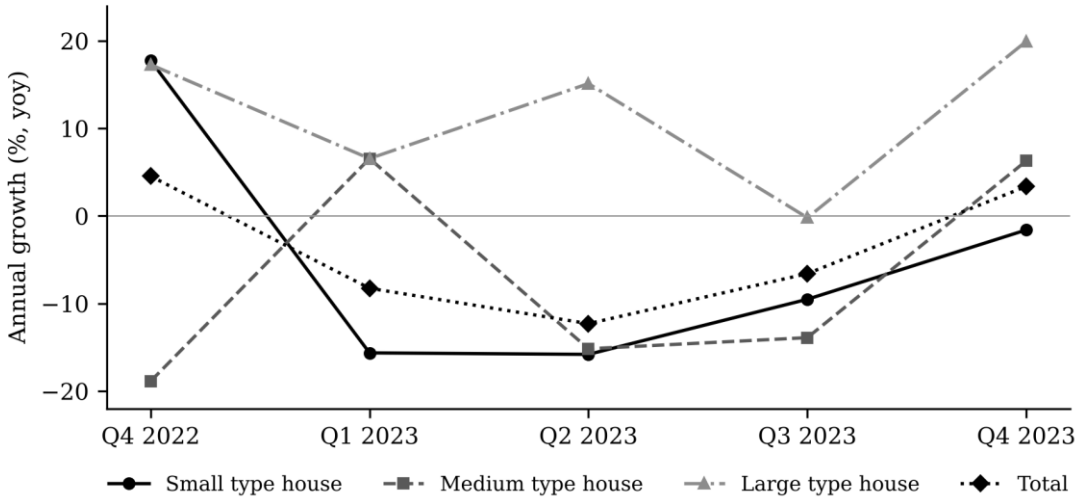

Figure 1. Annual growth of home sales (%, yoy)
Source: Bank Indonesia

Based on the data released by BI, an increase in property and real estate sales should be good news for the company because the increase in property sales will be directly proportional to the company's income level. Conversely, decreased property and real estate sales will be bad news for the company. However, rising property and real estate sales is contrary to the company's condition. Based on company data on the IDX, are 92 companies in the property and real estate sector. From this data, 10 companies have not reported their 2023 financial statements, and 82 companies reported their 2023 financial statements when this research was written. Then, the author made observations of 82 companies that had reported financial reports and found that 31 companies were detected to be in the distress zone, 21 companies were detected to be in the caution zone, and 30 other companies were in the safe zone using Altman Z-Score analysis. As a whole percentage, 11% of companies have not reported financials in 2023, 34% are indicated to be in the distress zone, 23% are in the caution zone, and 33% of other companies are in the safe zone.

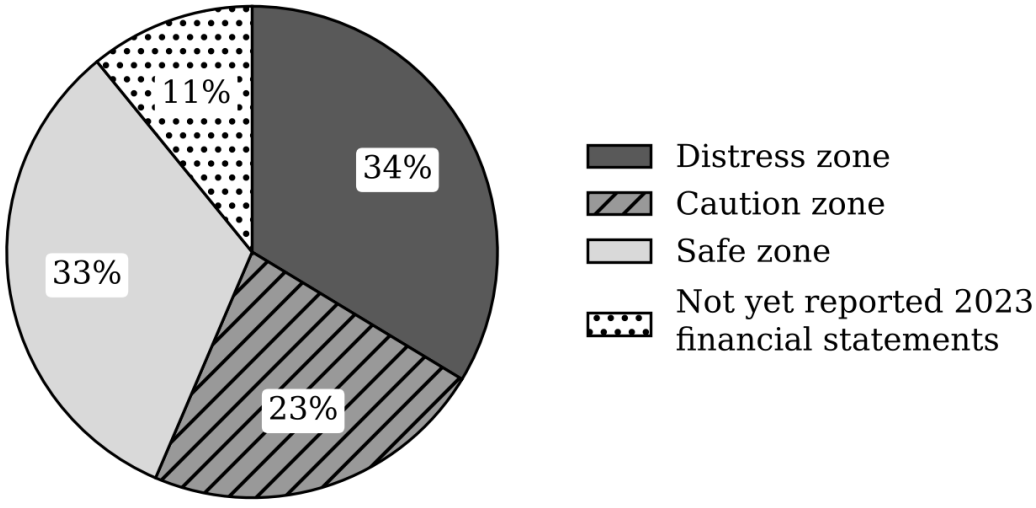

Figure 2. Percentage of companies experiencing financial distress
Source: data processed

Financial distress is the condition of a company experiencing financial difficulties because it cannot fulfill its obligations (Dewi & Efendi, 2023). This condition also describes the condition of a company experiencing a liquidity bottleneck. Financial distress can also be seen as the company's inability to fulfill its obligations. This condition can

be seen as the company's current assets are not sufficient to meet due short-term obligations, or all assets owned are not sufficient to meet all obligations (Hendrawan et al., 2022).

By looking at this phenomenon, this research will focus on factors that can affect the financial distress of property and real estate companies, both in the macroeconomic review and the company's financial performance. This research discussion will test whether interest rates, inflation, exchange rates, profitability, liquidity, activity, leverage and company size affect the financial distress of property and real estate companies. These variables are used because there are still many gaps in many studies.

2. Literature Review

According to (Natasa et al., 2023), the interest rate is the interest rate that must be paid by the debtor to the creditor as a loan fee, expressed as a percentage of the money borrowed and within a certain period. According to (Wijaya et al., 2023), the interest rate used is the price used to determine an investment's value. The interest rate in question is decided by the central bank in monetary policy. When interest rates increase, investment value will tend to increase, especially investment in the money market as a form of return. Changes in interest rates impact changes in the demand for money for credit. An increase in interest rates will result in a decrease in aggregate credit demand. Conversely, a decrease in interest rates will increase aggregate credit demand (Tofan et al., 2022). There is a research gap among many studies on the effect of BI interest rates on financial distress. Research conducted by (Santosa et al., 2020; Wijaya et al., 2023) states that interest rates affect financial distress. Meanwhile, other studies conducted by (Al Amin & Hidayah, 2023; Hendrawan et al., 2022; Natasa et al., 2023) state that interest rates do not affect financial distress.

Inflation is the condition of a country's economy in which there is a continuous and evenly distributed increase in the prices of goods and services. Inflation can also be seen as a measure of changes in the prices of goods and services that occur evenly and have a mutual effect between the price of one item and another (Al Amin & Hidayah, 2023). Inflation that occurs in a country and experiences a high increase will have an impact on many things, such as a decrease in people's purchasing power, disruption the company's cash flow, liquidity problems, depreciation, a decrease in the company's financial performance (Apriliasari et al., 2024). In looking at the effect of inflation on financial distress, there is a research gap among many studies. According to Research by (Oktarina, 2018; Ulaya & Nurfauziah, 2022), inflation affects financial distress. Meanwhile, other studies conducted by (Al Amin & Hidayah, 2023; Apriliasari et al., 2024; Heliani & Elisah, 2022; Hendrawan et al., 2022; Myllariza, 2021; Natasa et al., 2023; Nilasari & Ismunawan, 2021; Nisak, 2021; Wijaya et al., 2023) state the opposite that inflation has no effect on financial distress.

The exchange rate is the price that must be spent in exchanging two different currencies because there will be a comparison of the value of the two currencies (Natasa et al., 2023). According to (Wijaya et al., 2023), the exchange rate is the cost of exchanging a currency for another foreign currency. Changes in exchange rates will always fluctuate. If the exchange rate of a currency increases compared to foreign currencies, it indicates that the currency is appreciating. Conversely, if the exchange rate of a currency decreases against a foreign currency, the currency depreciates (Wijaya et al., 2023). Fluctuating currency exchange rate movements will significantly affect company profits, especially for companies that carry out export and import activities. When the currency value depreciates, the company whose import value is more dominant will experience a decrease in profit. In contrast, the company whose export value is more dominant will experience an increase in profit due to the difference in exchange rates (Yanuar, 2018). In looking at the effect of exchange rates on financial distress, there is a research gap among many studies. Research showing that exchange rate profitability affects financial distress was conducted by (Hendrawan et al., 2022; Oktarina, 2018; Ulaya & Nurfauziah, 2022). Meanwhile, research showing that the exchange rate has no effect on financial distress was conducted by (Apriliasari et al., 2024; Myllariza, 2021; Natasa et al., 2023; Nilasari & Ismunawan, 2021; Wijaya et al., 2023).

Profitability is a calculation ratio that can be used to measure the company's ability to make a profit. Profitability also indicates how well the company is performing (Al Amin & Hidayah, 2023). Profitability ratios can also be used to assess and evaluate the level of effectiveness of company management in obtaining profits, which are indicated by sales results and investment income (Kasmir, 2019). Suppose the company manages to make a profit and its profitability ratio continues to increase. In that case, it is proof that the company has a good ability to meet its operational needs (Natasa et al., 2023). In looking at the effect of profitability on financial distress, there is a research gap among many studies. Research showing that profitability affects financial distress was conducted by(Al Amin & Hidayah, 2023; Asfali, 2019; Damajanti et al., 2021; Heliani & Elisah, 2022; Hendrawan et al., 2022; Nafisah et al.,

2023; Natasa et al., 2023; Santosa et al., 2020; Sudaryanti & Dinar, 2019; Theodorus & Artini, 2018; Yulitasari & Yulistina, 2019). Meanwhile, research showing that profitability has no effect on financial distress was conducted by (Myllariza, 2021; Nisak, 2021).

Liquidity is a ratio that can be used to see the company's ability to fulfil its short-term liabilities (Asfali, 2019). According to (Septiani & Dana, 2019) the liquidity ratio shows the company's ability to fund operational activities and meet the company's short-term liabilities. In looking at the effect of liquidity on financial distress, there is a research gap among many studies. Research showing that liquidity affects financial distress was conducted by (Asfali, 2019; Damajanti et al., 2021; Hendrawan et al., 2022; Larassati et al., 2022; Natasa et al., 2023; Santosa et al., 2020; Septiani & Dana, 2019; Yulitasari & Yulistina, 2019). Meanwhile, research showing that liquidity has no effect on financial distress was conducted by (Apriliasari et al., 2024; Sudaryanti & Dinar, 2019).

Activity is a ratio that can be used to assess the company's effectiveness in maximizing its resources (Hendrawan et al., 2022). The activity ratio can also be understood as a ratio that can see the effectiveness in using assets owned to support company activities. The use of company assets in carrying out sales activities but at a low level, then it means showing the greater the excess funds available in these assets, so that the company can be said to be ineffective in managing its assets (Asfali, 2019). In looking at the effect of activity on financial distress, there is a research gap among many studies. Research showing that activity affects financial distress was conducted by (Asfali, 2019; Hendrawan et al., 2022; Larassati et al., 2022; Natasa et al., 2023; Yulitasari & Yulistina, 2019). Meanwhile, research showing that activity has no effect on financial distress was conducted by (Damajanti et al., 2021; Ulaya & Nurfauziah, 2022).

Leverage is a ratio that can be used to assess how much financing of the company's business activities is funded by debt or own capital (Asfali, 2019). According to (Hendrawan et al., 2022) leverage can also be used to see the company's ability to fulfil all its obligations, both short-term and long-term obligations, especially if the company is liquidated. The leverage ratio illustrates how much financial risk the company faces (Natasa et al., 2023). In looking at the effect of leverage on financial distress, there is a research gap among many studies. Research showing that leverage affects financial distress was conducted by(Al Amin & Hidayah, 2023; Apriliasari et al., 2024; Asfali, 2019; Damajanti et al., 2021; Larassati et al., 2022; Natasa et al., 2023; Santosa et al., 2020; Septiani & Dana, 2019; Yulitasari & Yulistina, 2019). Meanwhile, research showing that leverage has no effect on financial distress was conducted by (Hendrawan et al., 2022; Myllariza, 2021; Sudaryanti & Dinar, 2019).

Company size is a description of the size or size of a company (Nafisah et al., 2023). To determine the size of the company, various measurements are needed, such as the amount of equity, total assets, and sales value (Heliani & Elisah, 2022). Company size can also be measured by the total assets owned by the company and used for its operational activities (Theodorus & Artini, 2018). In looking at the effect of company size on financial distress, there is a research gap between many studies. Research showing that company size affects financial distress was conducted by (Nilasari & Ismunawan, 2021; Theodorus & Artini, 2018). Meanwhile, research showing that company size has no effect on financial distress was conducted by (Al Amin & Hidayah, 2023; Heliani & Elisah, 2022; Nafisah et al., 2023; Nisak, 2021).

3. Research Method and Materials

This study will test independent variables that can affect the dependent variable, namely financial distress of property and real estate sector companies listed on the Indonesia Stock Exchange (IDX) for the 2019-2023 period. There are also variables that will be tested consisting of interest rates which will be proxied by the BI interest rate (SBI), inflation which will be proxied by year-end inflation rate data, exchange rates which will be proxied by the middle exchange rate, profitability which will be proxied by return on assets (ROA), liquidity which will be proxied by the current ratio, activity which will be proxied by total assets turnover, leverage which will be proxied by the interest coverage ratio, and company size which will be proxied by Ln total assets. The dependent variable to be measured is financial distress which will be proxied by the Altman Z-Score model. To better explain the phenomenon studied in this study, it will be presented in the following framework picture:

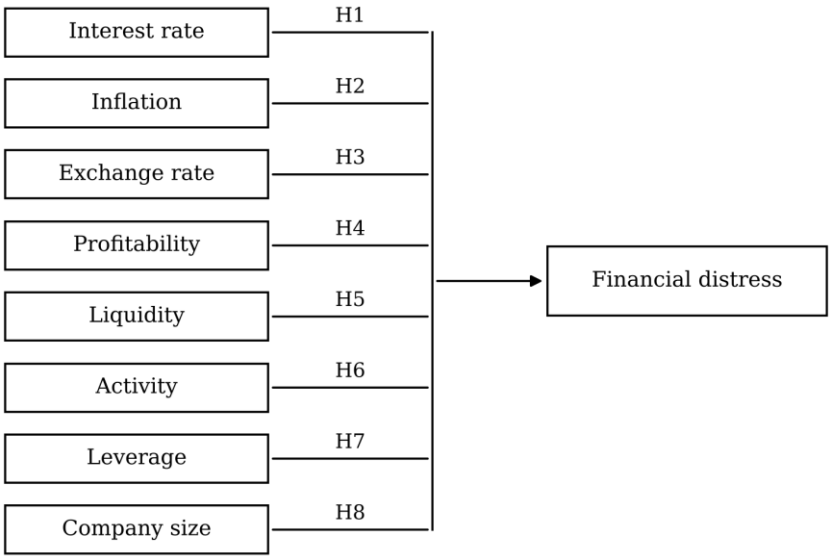

Figure 3. Research framework

The operational variables used in this study will be described in the following table:

Table 1. Operational matrix of research variables

Operational variables	Variables	Scale	Formula
Dependent variable (Y)	Financial distress	Altman Z-Score	$Z\text{-}Score = (1.2X_1) + (1.4X_2) + (3.3X_3) + (0.6X_4) + (1.0X_5)$
Independent variables (X)	Interest rate	BI Rate	BI 7-day Reverse Repo Rate
	Inflation	Rate of inflation	$I_t = \frac{IHK_t - IHK_{t-1}}{IHK_{t-1}}$
	Exchange rate	Middle exchange rate	$\text{Middle exchange rate} = \frac{KJ + KB}{2}$
	Profitability	Return on assets	$ROA = \left(\frac{\text{Net profit}}{\text{Total assets}}\right) \times 100\%$
	Liquidity	Current ratio	$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$
	Activity	Total assets turnover	$\text{Total assets turnover} = \frac{\text{Sales}}{\text{Total assets}}$
	Leverage	Interest coverage ratio	$\text{Interest coverage ratio} = \frac{\text{Earnings before interest and tax}}{\text{Interest expense}}$
	Company size	Size	$\text{Company size} = \ln(\text{Total assets})$

The population studied was property and real estate sector companies detected to be in the distress and cautious zones using the Altman Z-Score method in 2023. However, based on the author's observation, only 35 companies listed on the IDX throughout the 2019-2023 period have the complete data needed in the company's financial statements. Due to the relatively small number of samples used, the authors will use the full sampling technique and the E-Views application tool.

4. Results and Discussion

Table 2. Panel data regression analysis results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.006713	2.684412	0.747543	0.4558
SBI	9.971054	4.581357	2.176441	0.0309
IF	-2.650582	2.492296	-1.063510	0.2891
ER	-0.000316	9.38E-05	-3.363983	0.0010
ROA	3.550838	0.582736	6.093390	0.0000
CR	0.317213	0.029224	10.85473	0.0000
ICR	8.11E-05	0.000677	0.119840	0.9048
TATO	0.467902	0.578613	0.808662	0.4199
SIZE	0.100051	0.083581	1.197063	0.2330

Note: Dependent variable: FD. Method: panel EGLS (cross-section random effects); sample 2019–2023; 35 cross-sections; 175 observations.

4.1. The Effect of Interest Rates on Financial Distress

Based on the data processing results in the table above, the interest rate variable has a coefficient value of 9.971054 with a probability value of 0.0309. The results show that interest rates positively affect financial distress scores. That indicates an interest rate increase reduces the company's chances of experiencing financial distress. Therefore, the proposed hypothesis is accepted. This indicates that an interest rate increase reduces the chances of property and real estate companies entering the distress zone.

This condition actually raises an anomaly. Rising interest rates are usually considered as a factor that can increase a company's chances of experiencing financial distress. However, in the context that occurred in this study, the opposite is true. In this case, the author sees that several things cause this condition. First, all companies were sampled, and during the period studied, a hedging strategy was implemented. With this strategy, interest rate risk can be minimized. Second, refer to research data, which is about the company's leverage proxied by the interest coverage ratio from 2020 to 2019 continues to increase. The interest coverage ratio remains high despite the increase in interest rates, indicating that the company can manage its debt burden well. Third, government policies on government-borne value-added tax (PPN DTP) make property prices more affordable for consumers, thus impacting increasing transactions in the property market (Aji & Haptari, 2022).

4.2. The Effect of Inflation on Financial Distress

Based on the data processing results in the table above, the inflation variable has a coefficient value of -2.650582 with a probability value of 0.2891. The results show that inflation does not affect financial distress. Therefore, the proposed hypothesis is rejected. This indicates that an increase in inflation does not affect increasing the chances of property and real estate companies experiencing financial distress. That means the increase or decrease in inflation does not impact the company's chances of entering the distress zone.

The results of this study are in line with research conducted by (Al Amin & Hidayah, 2023; Apriliasari et al., 2024; Heliani & Elisah, 2022; Hendrawan et al., 2022; Natasa et al., 2023), which reveals that the level of inflation rate cannot be used as a measure in assessing the company's chances of experiencing financial distress. Even though the inflation rate has increased or decreased, the company can anticipate it with a more stable financial condition to avoid financial distress. When viewed from the level of the inflation rate in Indonesia in 2019-2023 below 10%, it can be categorized into mild inflation (Sukirno, 2017). In addition, many companies can survive even when the inflation rate has increased relatively high. This can happen because the impact of the increase or rate of inflation on each company will be different. Therefore, it can be understood that inflation has no effect on the financial distress of property and real estate companies for the 2019-2023 period.

4.3. The Effect of Exchange Rate on Financial Distress

Based on the data processing results in the table above, the exchange rate variable has a coefficient of -0.000316 with a probability value of 0.0010. The data shows that the exchange rate has a negative effect on financial distress. Therefore, the proposed hypothesis is accepted. This indicates that the exchange rate has a negative effect on increasing the chances of property and real estate companies experiencing financial distress. That means the depreciating exchange rate will impact the decline in the financial distress score.

A depreciating exchange rate will affect the debt management of property and real estate companies. Exchange rate depreciation will cause the debt burden in the form of foreign currency to increase, which in turn will put pressure on the company's liquidity. At the same time, property and real estate companies are also faced with rising prices of imported buildings due to exchange rate depreciation and the risk of weakening consumer purchasing power for property assets. This study's results align with previous research conducted by (Hendrawan et al., 2022), which reveals that the exchange rate affects the company's chances of entering the distress zone.

4.4. The Effect of Profitability on Financial Distress

Based on the data processing results in the table above, the profitability variable has a coefficient value of 3.550838 with a probability value of 0.0000. The results of the data processing show that profitability has a positive effect on financial distress. Increasing the profitability score will increase the financial distress score, reducing the company's chances of experiencing financial distress. Therefore, the proposed hypothesis is accepted. This indicates that an increase in profitability affects the financial distress score, reducing the chances of property and real estate companies experiencing financial distress. That means an increase in profitability score affects the company's reduced chances of entering the distress zone.

The results of this study are in line with research conducted by (Asfali, 2019; Heliani & Elisah, 2022; Hendrawan et al., 2022; Kebede et al., 2024), which revealed that there is an effect of ROA on financial distress. The higher the ROA score, the better the company's financial condition, which in turn will minimize the company's chances of experiencing financial distress. The acquisition of a high ROA score indicates that the company is more efficient in generating net income by maximising its total assets. When viewed using signalling theory, this is a signal that the company's management can streamline its total assets to generate net profit. The acquisition of a high ROA score signals that the company is in good financial condition.

4.5. The Effect of Liquidity on Financial Distress

Based on the data processing results in the table above, the liquidity variable has a coefficient value of 0.317213 with a probability value of 0.0000. The results show that liquidity has a positive effect on financial distress. Increasing the liquidity score will increase the financial distress score, reducing the company's chances of experiencing financial distress. Therefore, the proposed hypothesis is accepted. This indicates that an increase in liquidity affects the financial distress score, reducing the chances of property and real estate companies experiencing financial distress. That means the increase in liquidity score affects the company's reduced chances of entering the distress zone.

Liquidity is an important factor in all industries. In the context of this study, liquidity issue in the property and real estate industry is one of the risks faced. All of the sample used in this study stated that liquidity is one of the risks faced by all companies. This means liquidity is a central issue in the property and real estate industry. All companies closely monitor their liquidity, ensuring that they have sufficient funds for debt repayment and cash flow for day-to-day operations.

The results of this study are in line with research conducted by (Asfali, 2019; Hendrawan et al., 2022; Kebede et al., 2024; Natasa et al., 2023; Santosa et al., 2020; Septiani & Dana, 2019) which revealed that there is an effect of CR on financial distress. The higher the CR score, the more funds the company has that can be used to increase its wealth. The amount of current assets that are more than current liabilities needs to be maintained and maintained, because it is to maintain the company's financial stability. When acquiring a small CR score, means that the smaller the amount of the company's current assets that can be used to fulfil current liabilities. If seen using signaling theory, then this becomes a signal that the acquisition of a high CR score indicates the company's ability to pay current liabilities with current assets. The maintained CR score and the amount is maintained shows the company's financial stability.

4.6. The Effect of Activity on Financial Distress

Based on the data processing results in the table above, the activity variable has a coefficient value of 0.467902 with a probability value of 0.4199. The results show that activity does not affect financial distress. Therefore, the proposed hypothesis is rejected. This indicates that activity does not affect increasing the chances of property and real estate companies experiencing financial distress. That means the size of the acquisition of the activity score has no impact on the company's chances of getting into the distress zone.

TATO does not affect the chances of financial distress of property and real estate companies due to the characteristics of illiquid assets, such as land and buildings. Illiquid assets cause the company to be ineffective in using them to generate sales. If we look at the ratio of non-current assets to total assets, it is known that 25 companies have a ratio of non-current assets to total assets above 50%. This indicates that most companies have a more significant amount of non-current assets than current assets, so it can be understood that the assets owned by the company are predominantly illiquid.

The results of this study are in line with research conducted by (Damajanti et al., 2021; Ulaya & Nurfauziah, 2022), which reveals that TATO cannot be used as a measure in assessing the company's chances of experiencing financial distress. This is because financial distress is not only caused by the level of sales but also influenced by various other factors, such as the lack of capital owned, the level of liquidity, and the amount of debt burden borne by the company. From this explanation, it can be understood that TATO does not affect the company's chances of entering the distress zone.

4.7. The Effect of Leverage on Financial Distress

Based on the data processing results in the table above, the leverage variable has a coefficient value of 0.0000811487452670372 with a leverage of 0.9048. The results of the data processing it shows that leverage does not affect financial distress. Therefore, the proposed hypothesis is rejected. This indicates that leverage does not affect increasing the chances of property and real estate companies experiencing financial distress. That means an increase or decrease in leverage score does not impact the company's chances of entering the distress zone.

Although many companies were found to have recorded a minus ICR score, which means that the earnings before interest and tax (EBIT) earned are insufficient to meet the interest expense, the company can still pay the interest expense by using its cash reserves. This is a short-term solution that companies can use to fulfill their interest payment obligations without the need to seek external funding sources. The results of this study are not in line with previous research conducted by (Setiany & Meryana, 2021; Suranta et al., 2023). The interest coverage ratio is one of the ratios that can be used to assess whether a company has sound finances or is experiencing financial difficulties. Companies that are unable to pay interest expenses on their debts, then the company gets an ICR score below one or even minus. This situation will bring the company into the financial distress zone.

4.8. The Effect of Company Size on Financial Distress

Based on the data processing results in the table above, the company size variable has a coefficient value of 0.100051 with a probability value of 0.2330. The data processing results show that company size has no effect on financial distress. Therefore, the proposed hypothesis is rejected. This indicates that company size does not affect increasing the chances of property and real estate companies experiencing financial distress. That means the company's size has no impact on the company's chances of getting into the distress zone.

The results of this study are in line with previous research conducted by (Al Amin & Hidayah, 2023; Heliani & Elisah, 2022; Nafisah et al., 2023; Nisak, 2021), which reveals that company size cannot be used as a measure in assessing the company's chances of experiencing financial distress. Because the size of a company still has the same chance of experiencing financial distress. It all depends on the company's management, whether it can manage the company properly or not. In the context of signaling theory, the more significant the total assets owned by the company, the greater the operational costs required and the greater the tendency to use external funds. This turn will impact the company's chances of experiencing financial distress. However, the results of this study are not in line with this theory. Therefore, it can be understood that company size cannot be used as a signal to investors to invest in the company.

5. Conclusion

This study aimed to determine whether the variables of interest rates, inflation, exchange rates, profitability, liquidity, activity, leverage, and company size affect the financial distress of property and real estate companies listed on the Indonesia Stock Exchange for the 2019-2023 period. Based on the results of this study, which have been described in the previous chapter, it can be concluded on the following points: 1) The interest rate variable has a positive effect on the financial distress of property and real estate companies listed on the Indonesia Stock Exchange for the 2019-2023 period. 2) The inflation variable has no effect on the financial distress of property and real estate companies listed on the Indonesia Stock Exchange for the 2019-2023 period. 3) The exchange rate variable has a negative effect on the financial distress of property and real estate companies listed on the Indonesia Stock Exchange for the 2019-2023 period. 4) The profitability variable has a positive effect on the financial distress of property and real estate companies listed on the Indonesia Stock Exchange for the 2019-2023 period. 5) The liquidity variable has a positive effect on the financial distress of property and real estate companies listed on the Indonesia Stock Exchange for the 2019-2023 period. 6) The activity variable has no effect on the financial distress of property and real estate companies listed on the Indonesia Stock Exchange for the 2019-2023 period, so the hypothesis proposed in this study is rejected. 7) The leverage variable has no effect on the financial distress of property and real estate companies listed on the Indonesia Stock Exchange for the 2019-2023 period. 8) The company size variable has no effect on the financial distress of property and real estate companies listed on the Indonesia Stock Exchange for the 2019-2023 period.

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