“Guarding against financial distress: The power of institutional ownership in Indonesia’s insurance firms”

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GUARDING AGAINST FINANCIAL DISTRESS: THE POWER OF INSTITUTIONAL OWNERSHIP IN INDONESIA'S INSURANCE FIRMS

Abstract

This study aims to analyze the influence of financial performance, consisting of solvency, profitability, and liquidity, on financial distress moderated by good corporate governance (institutional ownership). The study was conducted at Indonesian joint venture insurance companies. This study used a quantitative method. The population in the study is joint venture insurance companies in Indonesia registered with the Financial Services Authority. The sample in this study amounted to five (5) joint venture insurance companies selected using purposive sampling. The data used are secondary data from the company's annual financial statements for the period 2019 to 2023. The data were processed using the EViews 13 application to illustrate the relationship between independent, dependent, and moderating variables. The results of the study show that solvency and profitability have a significant negative effect on the financial distress of joint venture insurance companies in Indonesia Liquidity does not affect the financial distress of joint venture insurance companies in Indonesia. Institutional ownership as a moderating variable can strengthen the influence of solvency on financial distress, but it weakens the influence of profitability and liquidity on financial distress. This study offers original value by examining the moderating role of institutional ownership as a proxy for good corporate governance in the relationship between financial performance and financial distress.

Keywords solvency, profitability, liquidity, financial distress, good corporate governance

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INTRODUCTION

In recent years, Indonesia's insurance sector has faced serious challenges, particularly related to the inability of a number of life insurance companies to meet their obligations to pay insurance claims to customers (Natalia & Riwayati, 2022). This inability is rooted in a company's weak internal financial condition, which causes disruption in claims payment flows and even pushes some companies into financial distress. Data from the Financial Services Authority (OJK) show several cases of payment default, such as those experienced by PT Asuransi Jiwa Bumi Asih Jaya, Jiwasraya, and Asuransi Jiwa Bersama Bumiputera, each of which has problems related to solvency ratios, poor management, and low premium yields (Baihaqi et al., 2025; Munandar & Triyana, 2024; Oktavian & Handoyo, 2023).

This default phenomenon not only harms policyholders but also affects the decline in public trust in the insurance industry as a whole. Evidently, in the last five years, the growth of insurance premium income has tended to be stagnant and even decreased, as reflected in the 2023 OJK report (Pasaribu & Christine, 2025). Furthermore, disruptions in profitability due to external shocks such as the COVID-19 pan-

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demic have also exacerbated financial challenges faced by life insurance companies globally (Rebecca & Maggie, 2017; Carannante et al., 2022; Mihelle & Lukman, 2024). To maintain business sustainability, insurance companies are required to maintain financial stability, including the ability to fulfill all obligations to customers, especially in terms of claim payments.

OJK, as a supervisory authority, implements a thorough evaluation of the performance of insurance companies through a risk-based assessment of financial health levels. The evaluation aims to identify potential vulnerabilities of companies early on, so that preventive strategies can be developed immediately. One of the common approaches to assessing financial health is the analysis of financial statements, focusing on solvency, liquidity, and profitability ratios (Mulligan & Stone, 2000; Setiabudhi et al., 2024).

In addition to financial indicators, the aspect of good corporate governance (GCG) is also a determining factor in maintaining financial stability (Puspita et al., 2022; Martí et al., 2023). OJK requires the implementation of GCG as a systematic effort to minimize the risk of failure and increase company transparency. In this context, GCG is represented through institutional ownership. Studies have demonstrated that good corporate governance significantly influences financial distress conditions, sometimes moderated by factors such as capital structure or profitability (Hanifa et al., 2024; Hafidz & Lestari, 2025; Liu et al., 2025; Kurniasari & Lestari, 2025). Some studies (Savitri & Purwohandoko, 2023; Herwiyanti et al., 2023; Dewi et al., 2023) highlight that weak governance mechanisms in Indonesian firms often worsen the distress spiral when financial ratios deteriorate. Wahyuni (2021) and Yulistiyani et al. (2024) also argue that institutional ownership structures may moderate (strengthen or weaken) how governance affects distress. Additionally, Setiabudhi et al. (2024) support combining governance metrics with financial ratio models to better predict distress. Given the urgency of the problem and the difference in the results of previous studies, this study aims to further analyze the influence of solvency ratios, liquidity, profitability, and GCG moderation on financial distress conditions in life insurance companies in Indonesia. This study is expected to make a theoretical and practical contribution to strengthening the financial system and supervising the national insurance industry.

1. LITERATURE REVIEW AND HYPOTHESES

Agency Theory describes the relationship between the business owner (principal) and the business manager (agent), where the appointed manager has the authority to make decisions on behalf of the owner. This concept is rooted in the separation of roles and responsibilities between the two parties involved in the company's operations. In this view, the manager acts as a representative of the shareholders and has an obligation to manage the company in accordance with the interests of the capital owners.

Agency relationships are seen as an employment contract between the principal and the agent, in which part of the decision-making rights are delegated to the agent (Jensen & Meckling, 1976). However, because both sides tend to maximize their own interests, conflicts often arise, known as agency conflicts. To reduce the potential for such irregularities, the principal usually provides incentives and applies monitoring fees to the agent. Agents can also take preventive measures in the form of bond fees to ensure that their actions do not harm the principal or to ensure compensation in the event of irregularities. However, in practice, there is no absolute guarantee that the agent will always make decisions that are in line with the principal's interests, given the enormous costs involved in ensuring this.

Any manager who has less ownership of the entire company is considered an agent acting for the other owners. Therefore, the arrangement of the relationship through a contract is important to keep the agent's interests in line with the owner's interests. If the agent's goals are not in sync with the owner's goals, there is a risk of failure in achieving the company's target optimally. This issue of agency is a major highlight in modern financial management (Gitman & Zutter, 2015), when managers are more concerned with their personal goals

than shareholder profits. This incurs agency costs, including supervision costs, collateral costs, and losses due to suboptimal decisions.

The existence of agency theory is particularly relevant in the context of corporate financial health, especially in relation to the effectiveness of supervision and the implementation of incentive systems. When agency conflicts are successfully minimized through good corporate governance, the company's financial stability can be maintained, and the risk of bankruptcy can be avoided.

Financial distress is a condition in which a company's finances are in an unhealthy state or crisis. Financial distress occurs before bankruptcy. The financial distress model needs to be developed, because by knowing the condition of the company's financial distress from an early age, it is hoped that actions can be taken to anticipate those that lead to bankruptcy. The prediction of corporate financial distress is a concern for many parties (Altman et al., 2019).

Solvency is the main benchmark in assessing a company's ability to pay its claim debts. Based on POJK Number 71 of 2016, companies are required to maintain a minimum solvency ratio of 120 percent of the Minimum Risk-Based Capital (MMBR). Magfiroh et al. (2023) show that low solvency actually reduces the risk of default, due to the lower debt burden. Solvency in this study is measured using the Risk-based capital (RBC) indicator, which is the minimum standard of capital adequacy that insurance companies must have to cover all risks that may arise from their operational activities. RBC reflects a company's ability to meet its long-term obligations, as well as being a key indicator in assessing the company's financial health. In the context of this study, RBC is used to analyze the extent to which the company has capital resilience to the risks it faces, so that it can carry out operations in a sustainable manner and maintain the trust of stakeholders (Kebede et al., 2024; Setiabudhi et al., 2024; Wisnu & Astuti, 2023).

Profitability is an important indicator in assessing the financial performance of a company, because it shows the extent to which the company is able to generate profits from its operational activities. The level of profitability reflects the efficiency and effectiveness of management in managing the resources it has to make a profit (Saputri & Santoso, 2023). In the business world, profitability is the main benchmark for investors, creditors, and management in evaluating the company's prospects and stability. Therefore, analysis of profitability is very relevant to determine the level of financial health and competitiveness of a business entity.

Profitability in this study is measured using Return on Assets (ROA), which reflects the company's ability to generate profits from all assets owned. ROA is used as an indicator of management efficiency in utilizing company resources to obtain profits. The higher the ROA value, the more effective the company is in managing its assets to generate profits. In the context of this study, the ROA analysis provides an overview of the company's financial performance, especially in terms of achieving net profit compared to the total assets used during a certain period. Studies have shown that profitability can also moderate the impact of institutional ownership on financial distress conditions, suggesting its critical role in financial health (Betari & Hanif, 2023; Soesetio, 2023; Kristorio et al., 2025). Moreover, research by Setiabudhi et al. (2024) and Sari et al. (2024) has emphasized the importance of profitability not just as a direct predictor, but also as a moderator in governance-distress relationships.

On the other hand, company liquidity measured through the current ratio is considered to have no significant relationship with the potential for bankruptcy. This is emphasized by (Megasanti & Riwayati, 2023); Khansa et al. (2023) stated that because liquidity ratios only describe short-term capabilities, they are not strong enough to represent long-term *financial distress* conditions. Companies that are able to consistently earn profits will find it easier to get additional capital from investors or third-party loans, so that potential financial difficulties can be suppressed. The effect of liquidity, profitability, and solvency on financial distress has also been confirmed in studies of real estate companies listed in Indonesia, indicating the broad relevance of these financial ratios across industries (Wisnu & Astuti, 2023; Fauzan et al., 2024; Masruroh et al., 2025).

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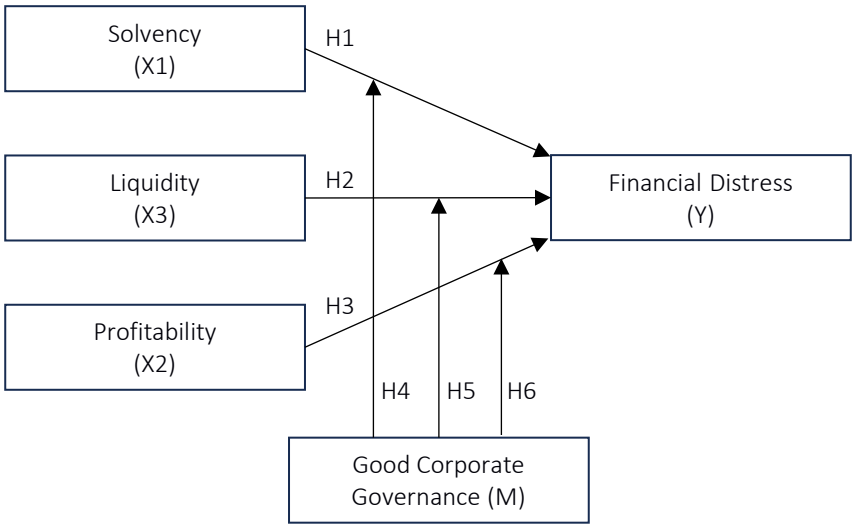

Figure 1. Research framework

Risk-based capital is one of the methods used to monitor the company's solvency. According to the Financial Services Authority number POJK 71/POJK.05/2016 (OJK, 2016) concerning the Financial Health of Insurance Companies and Reinsurance Companies, chapter II, article 3, regarding the level of solvency, it is submitted that the minimum standard of Risk- based capital (RBC) that must be achieved by insurance companies is 120 percent. A company with an *RBC* value of 120 percent or more can be interpreted as the company is able to pay its obligations. Liquidity refers to a company's ability to meet its short-term obligations. Indicators such as the quick ratio and the current ratio are used to assess the position of cash and current assets against current liabilities. According to Gitman and Zutter (2015), low liquidity can be an early signal of financial difficulties and potential bankruptcy, so the management of cash and assets is essential. The profitability ratio describes how effective a company is in generating profits from its operations. Some commonly used indicators include Return on Assets (ROA), Return on Capital (ROC), and Gross Profit Ratio. These ratios provide insight into the efficiency of using capital and assets in creating profits. In the GCG framework adopted by the Financial Services Authority, there are four main principles, namely fairness, responsibility, transparency, and accountability (Satriyakusuma & Ariani, 2023). These principles are designed so that companies can operate transparently and take into account the interests of all stakeholders.

The implementation of GCG in the insurance industry aims to increase company value, management efficiency, regulatory compliance, and build a trustworthy and competitive company (POJK Number 2/POJK.05/2014) (OJK, 2014). The implementation of GCG in insurance companies includes various aspects, ranging from the General Meeting of Shareholders (GMS), the role of the Board of Directors, to supervision by the Board of Commissioners and other internal committees. All of these elements work synergistically in ensuring that the company's policies and decisions are aligned with the long-term interests of shareholders and other stakeholders.

Overall, agency theory, financial ratio analysis, and the implementation of good corporate governance are complementary theoretical frameworks. All three contribute to a deeper understanding of managerial dynamics, financial decision-making, and value creation in modern organizations, particularly in the insurance sector.

This study aims to analyze the influence of financial performance, consisting of solvency, profitability, and liquidity, on financial distress moderated by good corporate governance (institutional ownership).

Regarding the background and results of previous research, the hypotheses that will be tested in this study are as follows (Figure 1):

H1: Solvency has a significant negative effect on financial distress.

H2: Profitability has a significant negative effect on financial distress.

H3: Liquidity has a significant negative effect on financial distress.

H4: Good corporate governance can strengthen the influence of solvency on financial distress.

H5: Good corporate governance can strengthen the influence of profitability on financial distress.

H6: Good corporate governance can strengthen the influence of liquidity on financial distress.

2. METHODS

This study uses a quantitative design with a correlation approach to measure the relationship between several variables. This design was chosen because it can describe and measure the relationship between variables using correlation statistics, according to the opinion (Creswell, 2014). In this study, there are three independent variables, namely risk-based capital used to measure solvency, ROA used to measure profitability, and liquidity ratio measured by the current ratio. The bound variable is the Altman Z-Score to measure the potential for financial distress in the company, while the moderation variable is good corporate governance as measured by institutional ownership. The population in this study consists of 20 joint venture life insurance companies registered with the OJK from 2019 to 2023. The sample was selected based on the criteria of companies that were already operating during the period, that continued to publish audited financial statements, and had information about the company's ownership that could be found in their annual reports.

To test the hypothesis that has been formulated, this study uses secondary data. The data collected will be analyzed to determine the relationship between these variables and their effect on the company's financial distress. The variables measured include aspects of solvency, profitability, and liquidity that can affect the company's financial stability, as well as good corporate governance, which can act as a moderating variable.

This study used secondary data obtained from the company's annual financial reports for the period 2019 to 2023. The collected data were then processed and analyzed using EViews 13. The analysis stage began with descriptive statistical analysis to describe the data characteristics, followed by testing the panel data regression model. To examine the role of moderating variables, a Moderated Regression Analysis (MRA) approach was used. Furthermore, hypothesis testing was conducted using t-tests, F-tests, and coefficient of determination tests to determine the level of significance and the model's ability to explain the dependent variable.

The final stage of the research was the interpretation and discussion of the analysis results, linking the empirical findings to theory and previous

Table 1. Variable operationalization

Variable	Definition	Formula
Solvency	The company's ability to pay its obligations, especially the liability of claims to the insured	$RBC\ Ratio = \frac{Total\ Adjusted\ Capital}{Risk\ Based\ Captical}$
Profitability	A ratio that describes a company's performance in creating net profit on the total assets owned by the company	$Return\ on\ Assets = \frac{Net\ Income}{Total\ Assets}$
Liquidity	Ratios to determine the financial ability of an insurance company to meet its short-term obligations and financial payment commitments	$Current\ Ratio = \frac{Current\ assets}{Current\ liabilities}$
Financial distress	A condition where the company's finances are in an unhealthy state or crisis. Financial distress occurs before bankruptcy	$Z = 0.012X_1 + 0.014X_2 + 0.033X_3 + 0.999X_5$
Good Corporate Governance	Ratios to measure how much large portion of institutional ownership is within the company	$Institutional\ Ownership = \frac{Shares\ Held\ by\ Institutional\ Investors}{Total\ Shares\ Outstanding}$

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research. Based on these results, conclusions were drawn regarding the effect of financial performance on financial distress and the role of institutional ownership as a moderating variable. This study then concludes with a presentation of practical and academic implications and recommendations for further research.

3. RESULTS

Table 2 shows the data fluctuations and standard deviation of the data used in this study. Descriptive statistical analysis was carried out. Descriptive statistical analysis can provide an overview of the variables used in this study, namely RBC, ROA, and current ratio as independent variables, Altman Z-score as dependent variables, and institutional ownership as moderation variables.

The solvency proxied by the risk-based capital variable has an average value of 1,248 percent, with the minimum value owned by BRI Life Insurance, which is 264 percent in 2019. The highest RBC value is owned by Hanwa with an RBC value of 6,636 percent in 2021. The average value of RBC is 1,248 percent, which can be interpreted as the assets owned by the insurance company are 12.48 times higher than the claims debt. The return on assets that proxy the profitability variable has an average value of 0.69 percent, with the minimum value owned by China Life Insurance of –13 percent in 2023. The highest ROA value is owned by Sequislife with a ROA value of 7.3 in 2020. The average value of ROA of 0.69 percent can be interpreted as the insurance company generating a profit of 0.69 percent from assets. The average value of liquidity, proxied by a current ratio of 36.9 percent, with the minimum value owned by AIA insurance, is 8 percent in 2023. The highest current ratio value is owned by China Life with a current ratio value of 16.72 percent in 2023. The average current ratio value of 36.9 can be interpreted as the company's short-term assets are 3 times higher than the value of debt maturing less than 12 months.

Financial distress is a bound variable in the study, proxied by the Altman Z-Score variable. The average Altman Z-Score value of the sample companies is 5. The minimum value is 3.28 owned by Tokio Marine Life in 2023, and the maximum value is 9.13 owned by Hanwa in 2023. Good corporate governance is a moderating variable in the study, proxied by the variable of institutional ownership (IO). The average IO value in the sample companies is 99 percent. This shows that most of the insurance company's shares are owned by institutions.

To identify whether there is a high linear correlation between independent variables in a regression model, which could potentially distort the estimation results, a multicollinearity test is conducted. This test is essential to ensure that the regression model is free from multicollinearity issues, thereby producing more valid, accurate, and reliable analysis results for both prediction and decision-making purposes. Based on the test results, the correlation values among all variables are below 0.8, indicating that there are no signs of multicollinearity among the independent variables used in this study.

After all the data was declared BLUES and the panel data selection test had been carried out, the model selected in this study was the random effect model. Using the E-views software, the results of the regression model were obtained in Table 4.

Table 2. Descriptive statistic results

Criteria	RBC	ROA	CR	Z-*Score*	IO
Mean	12.48047	0.006940	3.686235	5.006928	0.986118
Median	6.830000	0.015520	2.610000	4.625037	1.000000
Maximum	66.36000	0.073850	16.72000	9.137216	1.000000
Minimum	2.640000	–0.13304	0.880000	3.281405	0.910000
Std. Dev.	13.13759	0.040044	3.369860	1.333331	0.025870
Jarque-Bera	235.4219	27.65592	144.2512	37.32474	89.85841
Probability	0.000000	0.000001	0.000000	0.000000	0.000000
Sum	1,060.840	0.589890	313.3300	425.5889	83.82000
Sum Sq. Dev.	14,498.10	0.134699	953.9004	149.3329	0.056219
Observations	85	85	85	85	85

Table 3. Multicollinearity test results

Variable	Z_score	RBC	ROA	CR	IO
Z_Score	1.000000				
RBC	0.566046	1.000000			
ROA	–0.190656	0.122333	1.000000		
CR	0.744854	0.560153	0.085748	1.000000	
IO	0.022839	0.222519	0.096951	–0.124392	1.000000

Table 4. Regression results

Variable	Model 1		Model 2	
	Coefficient	P-value	Coefficient	P-value
RBC	–0.021808	0.0300**	–0.022113	0.0262**
ROA	–0.385979	0.0022***	–0.386980	0.0019***
CR	0.214841	0.0000***	0.215470	0.0000***
IO	0.418726	0.8755	–5.117994	0.0841*
RBC_IO			1.980339	0.0008***
ROA_IO			–0.191904	0.0491**
CR_IO			0.054242	0.0039***

Note: ***, **, and * represent statistical significance at 1%, 5%, and 10%, respectively.

The effect of RBC on the financial distress of joint venture life insurance companies in Indonesia showed a p-value of 0.0262 (< 0.050) with a coefficient of –0.022113. These results indicate that RBC has a significant negative effect on the Altman Z-score, thus supporting Hypothesis 1 (*H1*). This suggests that a higher RBC value reflects a better financial condition, thereby reducing the likelihood of financial distress. The p-value for the effect of ROA on financial distress was 0.0019 (< 0.050), with a coefficient of –0.386980. This supports Hypothesis 2 (*H2*), indicating that a higher ROA leads to a lower Altman Z-score. The test results for Hypothesis 3 (*H3*) showed a p-value of 0.0000 (< 0.050), revealing a significant positive effect of the Current Ratio (CR) on financial distress. Therefore, H3 is accepted, implying that a higher current ratio is associated with a higher Altman Z-score.

The moderating role of Institutional Ownership (IO) on the relationship between RBC and financial distress yielded a p-value of 0.0008 (< 0.050), indicating that IO significantly strengthens the effect of RBC on financial distress. Accordingly, Hypothesis 4 (*H4*) is accepted. However, IO was found to slightly weaken the influence of ROA and CR on financial distress, with p-values of 0.0491 and 0.0039, respectively. Based on these findings, Hypotheses 5 (*H5*) and 6 (*H6*) are rejected.

4. DISCUSSION

The study findings showed that the risk of biased capital with a positive result was the Altman Z-score. This means that the higher the RBC score is, the higher the Z-Score. A high Z- score indicates financial distress. The results of this study show that solvency has a negative influence on financial distress. This means that the higher the level of solvency of a company, the less likely it is to face financial difficulties. These findings are supported by research (Amoa-Gyarteng, 2023; Wisnu & Astuti, 2023; Kebede et al., 2024; Setiabdi et al., 2024), stating that increased solvency can be a positive indicator of a company's financial health. In particular, the use of RBC as a solvency measure in insurance is consistent with prior studies (Mihelle & Lukman, 2024; Carannante et al., 2022). However, these results are in contrast to research (Megasanti & Riwayati, 2023), which found that the debt-to-equity ratio has a positive effect on financial distress. This difference is suspected to be due to differences in the solvency indicators used. In the context of insurance companies, the risk-based capital (RBC) indicator is used to measure the ability of a company's capital to bear all existing risks. RBC is an important measurement tool to determine whether a company has sufficient capital to carry out operational activities and meet its long-term obligations. When the solvency value is high, the trust of regulators, investors, and

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customers increases, because the company is considered to have the ability to bear the risk of claims and maintain financial stability. This explains why companies with high solvency are less likely to experience financial distress. Similar theoretical support is found in governance and solvency studies in the insurance sector (Kurniasari & Lestari, 2025; Liu et al., 2025).

This study found that the return on assets had a positive impact on the Altman Z-score. If the ROA has a positive effect on the Altman Z-score, it means that profitability has a negative effect on financial distress. This result is in line with the theory of value Altman Z-score, which states that the higher the company's Z-score, the more likely the company is to avoid financial distress. In other words, the higher the profits that the insurance company makes, the lower the likelihood of financial difficulties. Companies that are able to consistently generate profits will attract customer interest and investor trust, which ultimately supports operational continuity and financial stability. These results corroborate the findings from Megasanti and Riwayati (2023), Betari and Hanif (2023), Fauzan et al. (2024), and Kristorio et al. (2025), which show that profitability plays an important role in suppressing the potential for financial distress in construction sector companies. With high profits, the company also has easier access to external financing, such as loans, which also support business continuity amid economic pressures.

The higher current ratio has a positive effect on the Altman Z-score. The higher the value of the current ratio, the higher the value of the Altman Z-score. The higher the z-score value, the more likely it is that the financial condition will be distressed. This means that liquidity has a negative influence on financial distress, which means that the higher the current ratio of an insurance company, the less likely the company is to experience financial difficulties. Good liquidity reflects a company's ability to manage cash effectively, which is crucial in the financial services industry, such as insurance, as claims can arise at any time. These findings are in line with research (Amoa-Gyarteng, 2023; Kebede et al., 2024; Sari et al., 2024). However, this result is different from a study by Megasanti and Riwayati (2023), which states that liquidity does not affect financial distress in companies in the construction subsector, because, despite having high liquidity, most current assets are in the form of properties that have not been sold or are still under construction, making it difficult to convert them into cash in a short time, which actually increases the risk of financial distress.

The application of the principles of Good corporate governance (GCG) has been proven to strengthen the relationship between solvency and financial distress. In this study, GCG is measured through institutional ownership, which plays a role in supervising and controlling managerial decisions, especially in terms of funding structure and debt collection. Strong institutional ownership can protect companies from high-risk financial decisions. These findings are in line with research (Magfiroh et al., 2023; Dewi et al., 2023; Mihelle & Lukman, 2024; Setiabudhi et al., 2024) and support the agency theory that supervision from external parties, such as institutional shareholders, can reduce potential conflicts of interest between managers and capital owners, as well as maintain a healthy level of solvency (Wahyuni, 2021; Kebede et al., 2024).

The application of Good corporate governance (GCG) principles can weaken the relationship between profitability and financial distress in life insurance companies. This happens because the ownership of shares by large institutions can trigger conflicts of interest and strategic alignment, which actually has a negative impact on the company's performance (Riesta & Septriana, 2023). Conflict arises when managers are more concerned with the desire of institutional investors as the main shareholder, rather than with the interests of the company as a whole. On the other hand, according to the strategy alignment hypothesis, the ownership of shares by large institutions can indicate cooperation between related parties, but this cooperation can actually reduce the benefits obtained by the company. These findings are consistent with the results of the studies by Megasanti and Riwayati (2023), Hafidz and Lestari (2025), Hanifa et al. (2024), and Yulistiyani et al. (2024). The moderating effect of institutional ownership over the profitability-distress link also aligns with studies in different sectors (Savitri & Purwohandoko, 2023; Setiabudhi et al., 2024).

The implementation of Good Corporate Governance moderates by weakening the influence of liquidity on financial distress in the life insurance industry. The company implements good corporate governance to control the company in accordance with the goals it wants to achieve. The implementation of good corporate governance will help companies in fulfilling their short-term obligations to avoid financial difficulties. In the context of agency theory, good corporate governance will encourage agents to understand the risks associated with liquidity. With this, the agent can meet the principal's expectations to avoid financial difficulties. Life insurance sector companies have institutional ownership of more than 90 percent, which causes managers to have limitations in making decisions related to the company's liquidity. This causes the implementation of GCG to weaken the relationship between liquidity and financial distress. The results of this study are in line with the research conducted by Khansa et al. (2023), Oktavian and Handoyo (2023), and Munandar and Triyana (2024).

Future research is recommended to expand the sample size and observation period to achieve more representative results, and to include other variables that could potentially influence financial distress, such as company size, premium growth, leverage, and macroeconomic factors. Furthermore, the use of other proxies to measure good corporate governance, such as independent commissioners, the board of directors, or the audit committee, as well as the application of different analytical methods or cross-industry comparisons, could be used to obtain more comprehensive and in-depth results.

CONCLUSION

This study aims to analyze the role of institutional ownership as a proxy for good corporate governance in moderating the influence of solvency, profitability, and liquidity on financial distress among insurance companies in Indonesia. Based on the analysis, it can be concluded that solvency, profitability, and liquidity have a significant negative impact on the potential for financial distress. The better the company's performance in these three aspects, the less likely it is to experience financial difficulties. This shows that these three financial factors play a role as indicators in assessing the company's financial health and helping to reduce the risk of financial distress.

This study also found that the implementation of good corporate governance (GCG) plays an important role in strengthening the relationship between solvency, profitability, liquidity, and financial distress. Good GCG can enhance the positive impact of these three financial factors by ensuring that company policies and practices are implemented with high transparency and accountability. This shows that effective GCG can be an effective strategy to reduce the risk of financial distress. Overall, the results of this study confirm that financial factors such as solvency, profitability, and liquidity can help companies avoid financial distress. In addition, a good GCG application can play a role as a reinforcement in the influence of solvency on financial distress.

The study was only conducted on joint venture insurance companies in Indonesia for the 2019–2023 period, so the results cannot be generalized to other insurance companies. The variables used are limited to the company's financial performance or internal factors. The results of this research can be used as a material for company evaluation regarding a company's financial performance and can increase investors' interest in investing in joint venture insurance companies.

This study provides practical insights for joint venture insurance companies in Indonesia by identifying key financial performance indicators, such as solvency and profitability, that significantly influence financial distress. It also demonstrates the moderating role of institutional ownership in corporate governance, which can either strengthen or weaken these relationships. These findings can assist company management in developing early warning systems and implementing more effective financial and governance strategies to prevent financial crises. By improving the early detection of financial distress in

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insurance companies, this research contributes to broader financial system stability and public trust in the insurance industry. Strengthening governance practices such as institutional ownership can promote transparency and accountability, which are essential for protecting policyholders and ensuring long-term sustainability in the financial services sector.

AUTHOR CONTRIBUTIONS

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