The Influence of Gender Diversity, Firm Life Cycle, and ESG Disclosure on Financial Distress in Energy Companies on the IDX

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Abstract

The existence of a business is crucial for a country's economy, making the bankruptcy of such businesses a matter of concern for all stakeholders. Therefore, this study aims to determine the factors that contribute to financial distress in energy companies in Indonesia. The independent variables in this study are gender diversity, firm life cycle, and ESG disclosure. The sample used in this study consists of energy companies listed on the Indonesia Stock Exchange (IDX) from 2021 to 2023. The research employs a quantitative method, utilizing descriptive statistical analysis, panel data regression analysis, classical assumption tests, and hypothesis testing for analysis. The analysis tool used is E-Views 12. The results of this study are as follows commissioner gender diversity and director gender diversity do not affect financial distress, while Audit Committee Gender Diversity hurts financial distress. Firm life cycle introduction, firm life cycle growth, and firm life cycle decline do not affect financial distress, while firm life cycle maturity hurts financial distress. ESG disclosure does not affect financial distress. This study aims to provide information and references for stakeholders, academics, and practitioners interested in analyzing financial distress to support decision-making and further research.

Keywords: Gender Diversity, Firm Life Cycle, ESG Disclosure, Financial Distress

To Cite this Article
This will be filled by the editor.

INTRODUCTION

In Indonesia, financial difficulties remain a major for many companies. The impact of the COVID-19 pandemic continues to be felt, causing a significant decline in their financial performance. The pandemic led to reduced revenues, disrupted supply chains, and increased operating costs, all contributing to the difficult financial situation (Abbas & Frihatni, 2023). In addition to the pandemic, a high-interest-rate era is underway, further exacerbating the situation. Tight global monetary policies have led to recessions in many countries, including Indonesia.

High interest rates burden companies with increased borrowing costs and reduced consumer purchasing power, negatively impacting corporate revenues. One of the main indicators of this economic issue is the weakening of the Jakarta Composite Index (JCI) (Adams & Ferreira, 2009). The decline in the JCI is influenced by the high prices of food and commodity raw materials, which are a result of the quantitative easing (QE) policies implemented by many countries during the COVID-19 pandemic. These QE policies led to increased liquidity in the global market but also resulted in rising commodity prices due to increased demand and disruptions to global supply chains. A report published by CNBC Indonesia in 2023 highlights that a fact sheet released by the IDX (Indonesia Stock Exchange) revealed that the energy sector had the worst performance, plunging 25% from January to May or YTD (Year-to-date). This drastic decline reflects the broad impact of global economic conditions and the specific challenges faced by the energy sector, including fluctuations in oil and gas prices, as well as changes in energy policies in various countries (Aisyah & Mulyani, 2024).

In this situation, strategic steps and appropriate policies from the government and businesses are needed to overcome these financial challenges. These steps include controlling inflation, encouraging investment, and strengthening potential growth sectors of the economy. Inflation control can be done through tight monetary policy and strict supervision of prices of goods and services. Encouraging investment can be done by creating a conducive investment climate, including tax incentives and regulations that make it easier for businesses to operate. In addition, the government and the private sector need to work together to strengthen potential growth sectors of the economy, such as information technology, health, and education, which have the potential to become drivers of economic growth in the future. In addition to traditional economic factors, several other aspects need to be examined, namely gender diversity, firm life cycle, and ESG (Environmental, Social, and Governance) disclosure (Akbar, et.al., 2024). Gender diversity has become an increasingly important topic in business and economic discussions, with much research showing that gender diversity in the workplace can improve company performance and innovation. The firm life cycle refers to the concept that companies go through several predictable stages of development, from inception to maturity, and possibly eventually decline or bankruptcy. ESG disclosure covers how companies manage their environmental, social, and governance impacts, which are increasingly considered important by investors and other stakeholders (Antunes, et.al., 2022).

A report released by the International Finance Corporation in 2019 highlights that the presence of women in business leadership positions has the potential to improve company performance. The importance of gender diversity in the business sector is increasingly emphasized, and companies that involve female directors tend to record financial performance with higher Return on Assets (ROA) and Return on Equity (ROE) compared to companies that do not involve female directors. Research shows that companies with more diverse leadership tend to have a broader perspective in decision-making, which can lead to more innovative and effective solutions. In addition, the presence of women in leadership positions can also

improve the company's reputation and attract more customers and investors who support diversity (Aydoğmuş, et.al., 2022).

Research by Abbas and Frihatni, (2023) also found that the presence of women in leadership positions can contribute to increasing the market value of companies. However, research also shows a negative impact on the sustainability performance of companies due to gender diversity. This challenge reflects the complexity of managing gender diversity, where companies need to ensure that the policies and practices implemented truly support inclusion and empowerment, not just tokenism. These findings confirm that although the presence of women in leadership positions can bring benefits, the challenges and complexities associated with gender diversity also need to be taken seriously. The firm life cycle refers to the concept that companies go through several predictable stages of development, from inception to maturity, and possibly eventually decline or bankruptcy. Previous research has highlighted the importance of understanding the relationship between a company's life cycle and financial difficulties. The stages of a company's life cycle typically include startup, growth, maturity, and decline. Each stage has its characteristics and challenges, which affect how companies manage their finances and risks (Cao, 2022).

Research by Sari and Ismah, (2022) suggests that companies in the decline phase tend to experience financial distress compared to companies in the mature and growth phases. This can be caused by various factors, including declining market demand, increased competition, and the inability to innovate or adapt to changes in the business environment. In the decline stage, companies often face challenges in maintaining healthy cash flow and meeting their financial obligations, which can lead to bankruptcy if not managed properly. ESG (Environmental, Social, and Governance Disclosure) is a crucial factor to consider in investment decision-making. Based on existing literature on ESGD and its impact on default risk, various studies have shown that the implementation of ESGD can effectively reduce financial risk. ESG disclosure encompasses how companies manage their environmental impacts, such as carbon emissions and resource use, as well as social impact, including labor practices and contributions to society. Governance includes board structure, anti-corruption policies, and financial transparency (Charles, et.al., 2018).

Further research is needed to understand how ESG disclosures evolve as companies progress through their life cycles and the impact this has on their financial risks. Companies that proactively manage and disclose their ESG initiatives tend to be valued more highly by investors and have better access to capital. This is because investors are increasingly recognizing the importance of ESG factors in evaluating long-term risks and potential returns. Researchers are motivated to continue similar research and expand this study. This research is a development of the study conducted by Suprabha et al. (2023) with the main difference being the use of energy company samples listed on the Indonesia Stock Exchange during the 2021-2023 period, and the addition of Gender Diversity and Firm Life Cycle as independent variables. This research aims to provide information and references for stakeholders, academics, and practitioners interested in analyzing financial distress to support decision-making and further research. This study is expected to provide deeper insights into how factors such as gender diversity, company life cycle, and

ESG disclosure can affect the financial condition of companies, especially in the energy sector, which plays a crucial role in the Indonesian economy. Furthermore, this research is also expected to assist companies in identifying and managing their financial risks more effectively, as well as encouraging the implementation of more sustainable and inclusive business practices (Corbey, et.al., 2019).

Overall, this research highlights the importance of understanding the various factors that influence corporate financial distress, as well as the need for a comprehensive and integrated approach to managing financial risks. By considering both traditional and non-traditional economic factors, such as gender diversity, company life cycle, and ESG disclosure, companies can develop more effective and sustainable strategies to face future financial challenges. Additionally, this research also emphasizes the importance of collaboration between the government, private sector, and academics in creating a conducive business environment that supports inclusive economic growth (Dedunu & Anuradha, 2019). According to research conducted by Jensen and Meckling (1976), agency theory serves as the foundation for the development of theories on corporate ownership structure. This theory illustrates that the relationship between shareholders as principals and managers as agents often face agency problems due to information asymmetry between them. This information gap can lead managers to make policy choices that harm principals and pose the risk of undesirable moral hazard behavior (Dickinson, 2011).

Although managers have a responsibility to act in the best interests of shareholders to maximize their wealth, their interests sometimes create tension with that goal, leading to agency problems. For example, while managers receive compensation in the form of salaries and benefits, their gains are far less than the potential gains that shareholders can enjoy. Research by Destriana, (2015) highlights that this difference in compensation levels between managers and shareholders indicates an imbalance in value distribution between the two. This suggests that agency problems can be a significant challenge in corporate management, requiring a careful balance between managerial interests and the long-term interests of shareholders to achieve optimal well-being for all parties involved (Faisal, 2018).

The reason researchers use agency theory is that it offers a comprehensive framework for understanding the dynamics of the relationship between company owners (Principals) and management (Agents). Gender diversity can reduce agency conflicts by bringing different perspectives and strengthening oversight of management decisions. This diversity improves decision-making quality and reduces opportunistic behavior that can harm the company. ESG (Environmental, Social, and Governance) disclosure enhances corporate transparency and accountability to stakeholders, including investors, which can increase trust and reduce the cost of capital. Agency theory emphasizes the importance of transparency and accountability to mitigate agency problems. In the company life cycle, agency theory must be adapted to the stages of the company life cycle to minimize financial risk. For example, companies in the growth stage may require stricter monitoring strategies to ensure efficient use of capital (Ghozali, 2018).

According to Ross, Westerfield, and Jordan, (2010), this theory highlights the existence of an information gap, referred to as Information Asymmetry, between company managers and potential investors. Raza, (2020) and WP Sari, (2020) add

that decisions made by the company send signals to investors. For example, if a company takes on debt, this sends a positive signal to the market that managers have confidence in profitable investments and will be able to generate sufficient cash flow to repay the debt. As a result, the company is perceived to have financial stability (Guyizani, 2023). Conversely, a decision not to take on or reduce debt will send a negative signal to the market that the company may not be able to meet future payment obligations and thus is considered to be under financial pressure (Romadhina et al., 2022).

RESEARCH METHODOLOGY

The theoretical foundation supporting the problem-solving approach is the conceptual framework, which provides a concise outline of the research flow and illustrates the research process. Gender Diversity, Firm Life Cycle, and ESG Disclosure are the independent variables in the conceptual framework model, with Financial Distress as the dependent variable. The structure of thinking in this research is interpreted as follows.
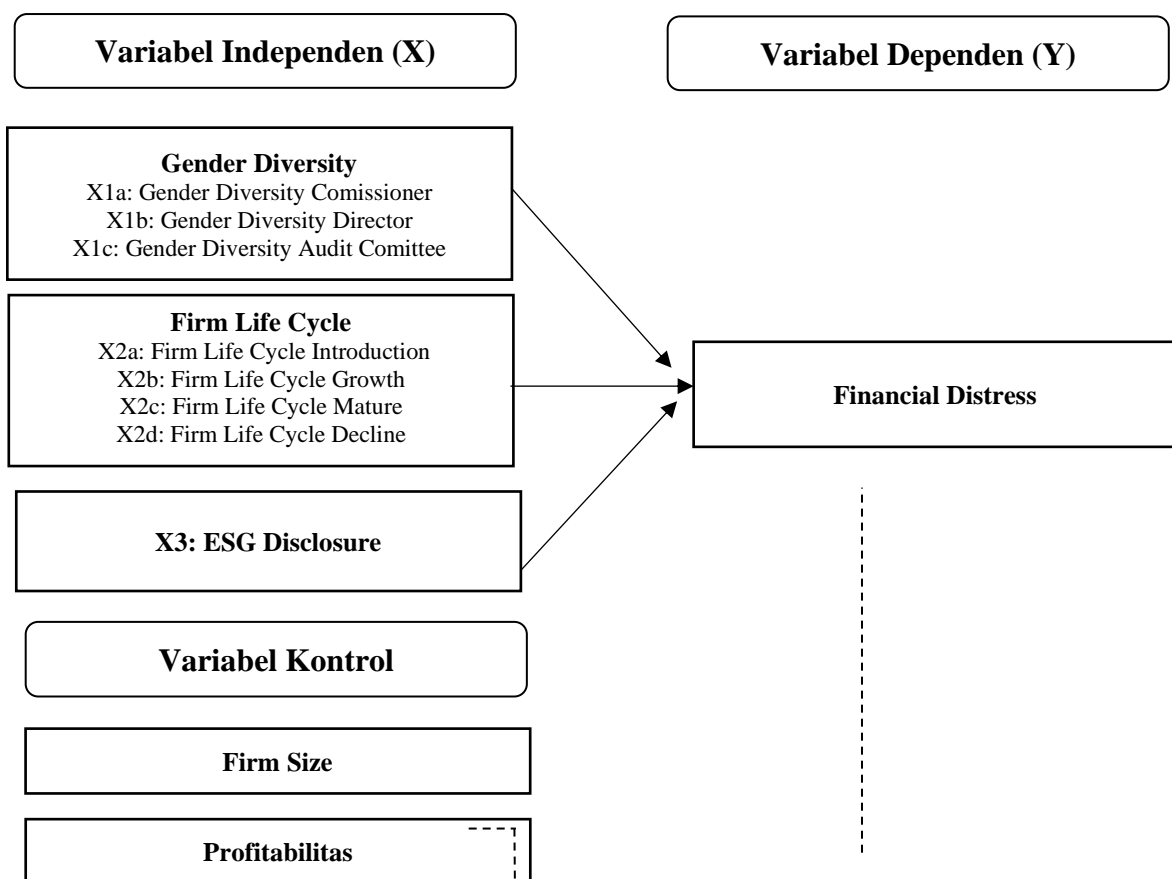

Figure 1. Research Framework

This research employs a quantitative method to understand and examine the influence of independent variables on the dependent variable. The quantitative method is chosen because it allows researchers to measure data numerically and analyze relationships between variables objectively and measurably (Hassan & Marimuthu, 2016). Additionally, the quantitative method provides a strong basis for

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drawing conclusions and making broader generalizations. Information regarding the variables used in this study was obtained from the archives of the Indonesia Stock Exchange (IDX) and the Financial Services Authority (OJK). The data used includes annual reports and financial statements of energy sector companies listed on the IDX from 2021 to 2023. The use of secondary data from these official sources ensures that the data used is accurate and reliable (Kristina & Wiratjama, 2018).

This research employs multiple linear regression analysis as the primary analysis method. Multiple linear regression analysis is chosen because it allows researchers to simultaneously measure the influence of multiple independent variables on the dependent variable. This technique also helps in identifying and quantifying the relationship between these variables. To analyze the collected data, this research utilizes the EViews 12 statistical software (Kusufiyah & Anggraini, 2019). EViews 12 is a powerful tool for econometric and statistical analysis that enables researchers to conduct various types of data analysis, including multiple linear regression. The use of EViews 12 allows researchers to process data efficiently and produce accurate and reliable results. Therefore, this research is expected to provide in-depth insights into the influence of Gender Diversity, Firm Life Cycle, and ESG Disclosure on Financial Distress in energy sector companies listed on the Indonesia Stock Exchange during the 2021-2023 period. The findings of this research are expected to make a significant contribution to academic literature and business practices, as well as assist stakeholders in making better decisions regarding financial risk management and mitigation (Murni, 2018).

RESULT AND DISCUSSION

Regression Model Selection Test

This is a test to determine whether the fixed effect or common effect model is most appropriate for estimating panel data. If the calculated F value is greater than the critical F value, then the null hypothesis is rejected, meaning the appropriate model for panel data regression is the fixed effect model, with the following hypotheses.

Table 1. Chow Test Result

Chow Test	Prob.	Decision
Chi-Square Cross Section	0,0000	Fixed Effect Model

Data sources were processed with EViews 12.0

In table 1, which presents the results of the Chow test, the Prob. The cross-sectional chi-square value is less than the significance level (0.0000 < 0.05), thus Ho is rejected and Ha is accepted. Therefore, it can be concluded that the chosen model is the fixed effect model. Since the Chow test concluded that the fixed effect model is selected, the next test, the Hausman test, needs to be conducted to choose between the fixed effect model and the random effect model. This is a statistical test to determine the most appropriate model to use, either fixed effect or random effect. The decision-making basis in the Hausman test is based on the probability value of the random cross-section. If the random cross-section probability value is greater

than 0.05, then the chosen model is the random effect model, and if the random cross-section probability value is less than 0.05, then the chosen model is the fixed effect model (Widarjono, 2009).

Table 2. Hausman Test

Hausman Test	Prob.	Decision
Random Cross Section	0,3555	Random Effect Model

Data sources were processed with EViews 12.0

Based on the Hausman test results table above, the random cross-section probability value is greater than the significance value (0.3555 > 0.05), therefore H0 is accepted and Ha is rejected, so it can be concluded that the chosen model is the random effects model. This test is conducted to determine the most appropriate model, random effect or common effect, for estimating panel data. To perform the LM test, the data is also regressed using the random effect or common effect model, and then a fixed or random effect test is conducted using the extended random effect-Lagrange multiplier exclusion.

Table 3. Lagrange Multiplier Test

Lagrange Multiplier Test	Prob.	Decission
Cross Section Breusch Pagan	0,8924	Common Effect Model

Data sources were processed with EViews 12.0

Based on the Lagrange multiplier test results table above, the Breusch-Pagan cross-section probability value is greater than the significance level (0.8924 > 0.05), so Ho is accepted and Ha is rejected. Therefore, it can be concluded that the chosen model is the common effect model. According to Ghozali (2016:154), if the Jarque-Bera probability value is less than the significance value (0.05), then H0 is rejected and Ha is accepted, meaning the data is not normally distributed. Whereas if the Jarque-Bera probability value is greater than the significance value (0.05), then H0 is accepted and Ha is rejected, meaning the data is normally distributed. In the initial test, the data was not normally distributed, to overcome this, a (Log) transformation was performed, resulting in the following.

Table 4. Normality Test Results

Normality	Ob.	Prob.	Decision
Jarque-Bera	156	0,082377	Biasanya Didistribusikan

Data sources were processed with EViews 12.0

Based on the normality test histogram above, it can be seen that the Jarque-Bera probability value is greater than the significance level (0.082377 > 0.05). This means the data in this study is normally distributed and can proceed to the next test. Good data is data with variables that do not have a correlation or relationship with each

other. To test this, a multicollinearity test is performed using the Variance Inflation Factor (VIF) value.

Table 5. Multicollinearity Test

Variable	Centralized VIF	Decision
G Commissioner	1.176332	There is no multicollinearity
G Director	1.086218	There is no multicollinearity
G Auditor	1.184622	There is no multicollinearity
Introduction to FLC	2.311077	There is no multicollinearity
FLC growth	5.285602	There is no multicollinearity
FLC Adult	8.332594	There is no multicollinearity
Decrease in FLC	4.713080	There is no multicollinearity
ESG Disclosure	1.244423	There is no multicollinearity
Company Size	1.389505	There is no multicollinearity
Return on Assets	1.239198	There is no multicollinearity

Data sources were processed with EViews 12.0

The table above shows that all variables have a Centered VIF value of <10, so it can be concluded that there is no multicollinearity The autocorrelation test aims to examine whether there is a correlation between residual errors in period t (time) and errors in period t-1 (previous) in a linear regression model. According to Widarjono (2018), determining the presence or absence of autocorrelation problems can also be seen from the Chi-square probability value. If the probability value is > 0.05, it means there is no autocorrelation. Conversely, if the probability value is < 0.05, it means there is an autocorrelation problem.

Table 6. Autocorrelation Test

Autocorrelation	Prob	Decision
Serial Correlation LM Test	1.1654	There is no autocorrelation

Data sources were processed with EViews 12.0

The heteroscedasticity test aims to determine whether there is a difference in residual variance between observations in a regression model (Ghozali, 2021). A good regression model shows no heteroscedasticity, or in other words, a good regression shows homoscedasticity. This heteroscedasticity test can be done using the Glejser test by regressing the absolute residual value with the independent variable. If the significance probability is above the 5 percent confidence level, then it

can be stated that the regression model is not hampered by heteroscedasticity. The results of the heteroscedasticity test are as follows: The heteroscedasticity test results above show that all variables have a significance value greater than 0.05. Therefore, it can be concluded that the regression model is not hampered by heteroscedasticity.

Table 7. Heteroscedasticity Test

Variable	Problem.	Decision
G Commissioner	0.7424	There are no symptoms of heteroscedasticity
G Director	0.4953	There are no symptoms of heteroscedasticity
G Auditor	0.3685	There are no symptoms of heteroscedasticity
Introduction to FLC	0.1050	There are no symptoms of heteroscedasticity
FLC growth	0.2601	There are no symptoms of heteroscedasticity
FLC Adult	0.4493	There are no symptoms of heteroscedasticity
Decrease in FLC	0.6220	There are no symptoms of heteroscedasticity
ESG Disclosure	0.8531	There are no symptoms of heteroscedasticity
Company Size	0.3850	There are no symptoms of heteroscedasticity
Return on Assets	0.1918	There are no symptoms of heteroscedasticity

Data sources were processed with EViews 12.0

Hypothesis Testing

Based on the multiple linear regression results using the common effect model, the coefficient of determination, F-test results, t-test results, and the regression equation were obtained.

Coefficient of Determination Test (R2)

The Coefficient of Determination test is conducted to assess the model's fit or the extent to which independent variables can explain the dependent variable. The following are the calculated R and R2 values in this study.

Table 8. Values of the coefficient of determination

Model	R square	Adjusted R Square
Multiple Linear Regression	0.494714	0.449600

Data sources were processed with EViews 12.

Table 8 shows an Adjusted R Square value of 0.449. This means that the variation in independent variables and control variables (Gender Diversity, Firm Life Cycle, ESG Disclosure, Firm Size, and ROA) can explain 44.96% of the variation in the dependent variable (financial distress), while the remaining 55.04% is explained by other factors. The F-statistic test is used to examine the simultaneous effect of independent variables (predictors) on the dependent variable (outcome).

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The simultaneous test is conducted by comparing the significance level of F obtained from the test results with the significance value used in this study.

Table 9. F Test Statistics

Model	F Statistics	Problem. (F. Statistics
Multiple Linear Regression	10.96568	0.0000000

Data sources were processed with EViews 12.0

Table 9 shows the F significance value of 0.000000, which is less than 0.05 (α=0.05), and the calculated F value of 10.9656 is greater than the F table value of 1.94. Therefore, it can be concluded with a 95% confidence level that all variables together have a significant effect on financial distress. The data collection method used in this study is a multiple regression model with a significance level of 5% (α=0.05). The t-test is conducted to see the partial effect of independent variables on the dependent variable.

Table 10. Multiple Linear Regression Results

Variable	Direction Prediction	Coefficient	Coefficient (-1)	Prob Two Tails	Prob One Tail	Decision
C		1.649304	- 1.649304	0.0000	0.0000	
X1_GDC	(-)	0.018775	- 0.018775	0.5216	0.26305	H1a is rejected
X2_GDD	(-)	-0.058940	0.058940	0.0393	0.0 1965	H1b is rejected
X3_GDA	(-)	0.065393	- 0.065393	0.0268	0.0 134	H1c accepted
X4_FLCI	(+)	0.243782	- 0.243782	0.0195	0.0 0975	H2a is rejected
X5_FLCG	(-)	0.110590	- 0.110590	0.1867	0.09335	H2b is rejected
X6_FLCM	(-)	0.240346	- 0.240346	0.0033	0.00 165	H2c accepted
X7_FLCD	(+)	0.212898	- 0.212898	0.0151	0.0 00755	H2d is rejected
X8_ESGD	(-)	0.044687	- 0.044687	0.5472	0.2736	H3 is rejected
K1_SIZE		-0.037870	0.037870	0.0001	0,000 05	
K2_ROA		0.545253	- 0.545253	0.0000	0.0000	
Goodness of Match Test						
Customized R 2			0.449600			
F profitability			0.0000000			

Data sources were processed with EViews 12.

Based on the table above, the results of the regression test can be formulated into the following equation:

$$FD = -1,649 - 0,018\ GDC + 0,058\ GDd - 0,065\ GDA - 0,243\ FLCI - 0,110\ FLCG - 0,240\ FLCM - 0,212\ FLCD - 0,044\ ESGD + 0,037\ UKURAN - 0,545\ ROA$$

Discussion

Gender Diversity of Board Commissioners Does Not Affect Financial Distress

Based on the regression model test findings, the significance value of gender diversity of board commissioners on financial distress is 0.5216, which is greater than 0.05 (0.5216 > 0.05) with a coefficient value of -0.018. This leads to the rejection of H1a, indicating that the gender diversity of board commissioners does not have a significant effect on financial distress. The research results show that gender diversity within the board of commissioners does not influence financial distress. This is because the board of commissioners is primarily responsible for overseeing company management and providing strategic guidance. Their role is more strategic than operational, thus gender diversity may not directly impact the factors that lead to financial distress. While gender diversity in the board of commissioners can be seen as a commitment to good governance and inclusivity, if the market does not perceive a direct link between this diversity and the company's financial performance, the signal may not be strong enough to influence perceptions of financial distress risk (Muthia, et.al., 2024).

Gender Diversity of Board Directors Has a Positive Effect on Financial Distress

Based on the regression model test findings, the significance value of gender diversity of board directors on financial distress is 0.0393, which is less than 0.05 (0.0393 < 0.05) with a coefficient value of 0.058. This leads to the rejection of H1b, indicating that gender diversity of board directors has a positive effect on financial distress. Gender diversity in management (board of directors) positively affects financial distress due to the following reasons: First Inefficient Decision-Making: In some cases, gender diversity can lead to more debate and discussion, which can slow down the decision-making process. If not managed well, this can hinder the company's response to market changes or pressing issues. Second Conflict and Lack of Coordination: Gender diversity can lead to more significant differences in views and priorities, which can trigger internal conflicts. These conflicts, if not managed well, can reduce the board's effectiveness in providing consistent strategic direction (Nafisah, et.al., 2023).

Gender Diversity of Auditors Hurts Financial Distress

Based on the regression model test findings, the significance value of gender diversity of auditors on financial distress is 0.0268, which is less than 0.05 (0.0268 < 0.05) with a coefficient value of -0.065. This leads to the acceptance of H1c, indicating that gender diversity of auditors harms financial distress. Gender diversity in the audit committee negatively affects financial distress because gender diversity can enhance innovation and problem-solving within the audit team. Differences in thinking between male and female auditors can lead to new ideas and more effective

creative solutions in addressing financial problems. This is important in a dynamic and complex business environment where financial problems often require unconventional approaches to improve financial distress.

Introduction Stage of Company Life Cycle Hurts Financial Distress

Based on the regression model test findings, the significance value of the introduction stage of the company life cycle on financial distress is 0.0195, which is less than 0.05 (0.0195 < 0.05) with a coefficient value of -0.243. This leads to the rejection of H2a, indicating that the introduction stage of the company life cycle hurts financial distress. The research results show that the introduction phase in the company life cycle hurts financial distress. This research is consistent with the research conducted by Puspita, and Iffah (2022) which states that companies in the birth phase tend to give a positive response to feedback arising from their performance. Therefore, if there is poor company performance, companies in the birth phase can quickly address it, so companies experiencing financial difficulties will decrease.

The Growth Stage of the Company Life Cycle Does Not Affect Financial Distress

Based on the regression model test findings, the significance value of the growth stage of the company life cycle on financial distress is 0.1867, which is greater than 0.05 (0.1867 > 0.05) with a coefficient value of -0.110. This leads to the rejection of H2b, indicating that the growth stage of the company life cycle does not have a significant effect on financial distress. This could be because, during the growth stage, companies often experience rapid growth in terms of revenue and size. This can result in larger cash flows, which can be used to support the company's operations and investments without requiring additional borrowing or experiencing financial difficulties.

The Mature Stage of Company Life Cycle Hurts Financial Distress

Based on the regression model test findings, the significance value of the mature stage of the company life cycle on financial distress is 0.0033, which is less than 0.05 (0.0033 < 0.05) with a coefficient value of -0.240. This leads to the acceptance of H2c, indicating that the mature stage of the company's life cycle hurts financial distress. Companies in the mature stage of their life cycle tend to be more resilient to financial distress for several key reasons. First, in the mature stage, companies typically have more stable and predictable revenue streams. Their products or services are well-established in the market, resulting in consistent sales and cash flows. Second, mature companies usually have a significant market share and high customer loyalty. They have established themselves as major players in their industry, making them more able to withstand competition. Third, mature companies are often led by experienced management who have overcome various challenges over the years. This gives them the ability to make more informed and strategic decisions.

Decline Stage of Company Life Cycle Hurts Financial Distress

Based on the regression model test findings, the significance value of the decline stage of the company life cycle on financial distress is 0.0151, which is less than 0.05 (0.0151 < 0.05) with a coefficient value of -0.212. This leads to the rejection of H2c, indicating that the decline stage of the company life cycle hurts financial distress. Companies in the decline stage of their life cycle typically face numerous challenges, including declining revenues and market relevance. However, there are several reasons why some companies in this stage may not experience severe financial distress. Established companies often have significant financial reserves from previous successful periods. These reserves can be used to cover cash shortfalls or reinvest in restructuring strategies. Additionally, companies may have meticulous risk analysis and accurate forecasts regarding future cash flows.

ESG Disclosure Does Not Affect Financial Distress

Based on the regression model test findings, the significance value of ESG disclosure on financial distress is 0.5472, which is greater than 0.05 (0.5472 > 0.05) with a coefficient value of -0.044. This leads to the rejection of H3, indicating that ESG disclosure does not have a significant effect on financial distress. There are several possible explanations for this finding: First Indirect Impact on Oversight: ESG disclosure may not directly influence the quality of oversight exercised by the board of commissioners or shareholders over management. ESG disclosure tends to be more related to transparency in environmental, social, and governance aspects, which may not have a direct impact on oversight of financial aspects related to financial distress. Second Focus on Sustainability vs (Suprabha, et.al., 2023). Financial Performance: While ESG disclosure can reflect management's commitment to sustainable practices, day-to-day managerial decisions that affect financial performance and risk may not be sufficiently influenced by ESG factors. Third Potential Conflict of Interest: ESG disclosure can be seen as an effort to enhance the company's reputation and meet stakeholder expectations regarding sustainability. However, if management focuses too much on ESG aspects without paying attention to underlying financial performance, this can create a conflict of interest between long-term sustainability goals and short-term financial performance (Naomi, et.al., 2022).

CONCLUSIONS

Based on the analysis conducted, several conclusions can be drawn from this study, including: (1) Gender Diversity of Board Commissioners and Board Directors have no effect. Gender Diversity of Auditors hurts financial distress, indicating that gender diversity within the audit team can lead to better decisions and more innovative solutions to address financial problems. (2) The results of the study show that the Firm Life Cycle has varying effects on financial distress. The introduction, growth, and decline phases do not affect financial distress. The Mature phase hurts financial distress due to stable and predictable revenue sources. ESG Disclosure does not affect financial distress. ESG disclosure does not influence managerial oversight and decision-making that are directly related to the risk of financial distress. The

signal sent through ESG disclosure may not be strong or relevant enough to change investors' perceptions of financial distress risk. This study has some limitations that could be addressed in future research. One limitation is that many companies did not publish sustainability reports or disclose ESG information in their annual reports or sustainability reports for the 2021-2023 period consecutively, which was used in this study. This is because ESG data in Indonesia is still voluntary disclosure, leading to a reduced sample size in this study.

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