ABSTRACT

The construction industry in Indonesia experienced a significant profit decline during the 2019-2023 period, with several major companies, such as PT Waskita Karya (Persero), recording consecutive losses from 2019 to the first half of 2023. The Covid-19 pandemic worsened this condition by causing a further drop in profits. This study aims to analyze the impact of profitability and managerial ownership on the financial distress of construction companies and to examine capital structure as a moderator of the influence of profitability and managerial ownership on financial distress. The research method used is a quantitative approach with secondary data obtained from the financial statements of construction companies listed on the Indonesia Stock Exchange (IDX) during the 2019-2023 period. Data analysis was carried out using moderated regression techniques to test the relationship between independent variables (profitability and managerial ownership) with the dependent variable (*financial distress*), as well as the role of the moderating variable capital structure. The analysis results indicate that profitability has a significant effect on financial distress in construction companies, the higher the profitability, the lower the risk of financial failure. Conversely, managerial ownership does not have a direct impact, but when combined with profitability, it can reduce the chance of financial distress. Capital structure does not strengthen the relationship between profitability and financial distress, but it does reinforce the influence of managerial ownership. High managerial share ownership, supported by a balanced capital structure between debt and equity, helps companies avoid financial distress. This study recommends that financial management in construction companies focus on enhancing profitability and managing capital structure to prevent financial distress.

Key Word : capital structure, financial distress, managerial ownership, profitability