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The Effect of Financial Performance and Sales Growth on Financial Distress

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Abstract

Purpose – *This study aims to obtain empirical evidence regarding the effect of profitability, leverage, firm size, and sales growth on financial distress.*

Design/methodology/approach *– This research employs a quantitative approach. The sample consists of 13 property and real estate companies listed on the Indonesia Stock Exchange (IDX) during the period 2014–2024. The analytical technique used to test the hypotheses is multiple regression analysis with the assistance of Eviews 9 software.*

Findings *– The results show that profitability has a significant effect on financial distress, meaning that the higher the profit earned, the lower the likelihood of the company experiencing financial difficulties. Leverage has a significant effect on financial distress, indicating that the higher the proportion of debt, the greater the risk of financial distress borne by the company. Firm size also has a significant effect on financial distress, suggesting that larger companies tend to have greater capacity to withstand financial pressure. Conversely, sales growth does not have a significant effect on financial distress. This can be explained by agency theory, in which managers often focus on increasing sales to demonstrate good performance to investors, but such an increase does not necessarily improve profit or cash flow. Thus, even when sales increase, the company's financial condition does not automatically improve, and the risk of financial distress may still remain.*

Research limitations/implications *– This study discusses financial distress and other factors such as profitability, leverage, firm size, and sales growth with a focus on the property and real estate sector. It applies the Altman Z-Score (1968) as a measure of financial distress.*

INTRODUCTION

The property and real estate sector is one of the investment sectors that is in demand in Indonesia because the increasing demand for housing, favorable investment value, and modern lifestyles encourage interest in housing such as apartments and integrated housing, Therefore, the demand for property as an investment instrument will also be high. Chairman of DPP Real Estate Indonesia (REI) Soeleman Soemawinata stated that the property sector is considered to have an important role in contributing to national economic growth and this sector will be able to become a benchmark for Indonesia's economic growth (S. A. Siregar, 2024; 120)

The Indonesia Stock Exchange (IDX) groups listed companies into three listing boards,

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TRI BHAKTI

namely the Main Board, the Development Board, and the Acceleration Board. The Main Board is intended for large-scale companies that have been in operation for at least three years, have net profits, as well as public assets and ownership that meet high standards. Meanwhile, the Development Board includes companies that have not met all the criteria of the Main Board, but are considered to have promising business prospects. The Acceleration Board is intended for small and medium enterprises or startups with limited assets and an operational age of at least one year. This classification reflects the level of financial maturity and stability of a company, so issuers listed on the Main Board are generally associated as well-established and financially sound companies.

However, since the outbreak of the COVID-19 pandemic in 2020, it has brought changes in the sector, resulting in financial difficulties and increasing risks of a phenomenon that is quite alarming in the property and real estate sectors. In addition to many companies that suffered losses, several issuers on the Main Board also suffered significant losses, which reflects serious financial pressure. And in 2024, financial conditions are not evenly stable, so there are still many companies that have suffered losses, such as PT Modernland Realty Tbk (MDLN), for example, which recorded a net loss of IDR 611.51 billion, reversing from a profit position of IDR 92.8 billion in the same period the previous year. PT Agung Podomoro Land Tbk (APLN) also posted a net loss of IDR 27.77 billion, although it was smaller than the loss in the previous year This source of information was obtained from www.Kompas.com article entitled "This is a Property Issuer with Losses until the First Semester of 2024", published on September 21, 2024.This phenomenon shows that there is a threat of financial distress experienced by companies in the Property and Real Estate sectors. Here is a graph of Property and Real Estate companies that suffered losses from 2014-2024.

Figure 1. Graph of property and real estate companies that suffered losses for the period 2014-2024
Source: company's financial statements

Financial Distress is a condition where a company has difficulty in finance. Financial Distress is defined as a stage of financial decline that occurs before a company goes bankrupt or goes into liquidation. Financial difficulties begin with the company's inability to meet its obligations, both short-term and long-term obligations. Financial Distress can occur at any time in every company (Hasrina et al., 2025).

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LITERATURE REVIEW

Signaling Theory

Signaling Theory is a concept derived from the information economy that describes how one party (the sender of the signal) can provide information to the other party (the receiver of the signal) in an asymmetrical situation, where one party has more information than the other party. This theory is often used in the context of corporate finance, especially in relation to how the company communicates to the capital markets and investors about its quality and future prospects (Widnyana & Purbawangsa, 2024; 157).

Agency Theory

Agency Theory is the theory that explains the relationship between the principal and the agent. The principal authorizes the agent to make decisions and manage the company's assets. However, there is a risk of conflict of interest (*agency conflict*) because agents tend to act in self-interest (*self-interest)* which may differ from the principal's interests (Harnovin et al., 2023; 16).

Financial Distress

Financial Distress is a condition where the company's finances are in an unhealthy state or crisis. *Financial Distress* It is usually interpreted as a situation or situation in which the company fails or is no longer able to fulfill the debtor's obligations because the company has a shortage and insufficient funds to run or continue its business so that the economic goals that the company wants to achieve can be achieved, namely profit, because with the profits obtained by the company can be used to repay loans, can finance the company's operations and obligations that must be fulfilled can be covered by profits or assets owned (Ihsan et al., 2019; 222).

Profitability

Profitability is the ability of a company to earn profits in relation to sales, total assets and its own capital, this ratio also provides a measure of the level of effectiveness of a company's management. This is shown by the profit generated from loans and investment income, the point is that the use of this ratio shows the efficiency of the company's company (Siregar, 2021; 27).

Leverage

Leverage is a ratio that describes the relationship between a company's debt and capital, where this ratio can see the extent to which the company is financed by debts or external parties. With the company's ability described by capital, the use of assets and sources of funds by companies that have fixed costs (*fixed cost)* This means that the source of funds comes from loans because it has interest as a fixed cost with the intention of increasing the potential profit of shareholders (Jirwanto et al., 2024; 30).

Firm Size

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Firm Size describes the size of a company that can be expressed by total assets. The larger the total assets, the larger the size of a company. The larger the assets, the greater the capital invested, while the more sales, the more money turnover in the company. Thus, Firm Size is the size or size of assets owned by the company (Sujarweni, 2015; 211).

Sales Growth

Sales Growth is an important indicator of market acceptance of the company's products and/or services, where the revenue generated from sales will be able to be used to measure the level of sales growth, Sales Growth defines sales trend analysis according to segments useful in assessing profitability. Sales growth is often the result of one or more factors including price fluctuations, volume changes, acquisitions/divestitures, and exchange rate changes. The analysis and discussion section of company management usually offers insight into the causes of sales growth (Yeni et al., 2024; 47).

Profitability terhadap Financial Distress

Profitability is a ratio used to assess a company's ability to generate profits by utilizing its assets. Return on Asset (ROA) is a measure that is often used because it shows the efficiency of management in managing resources. A high level of profitability gives a positive signal about the company's performance, because the greater the profit earned, the less likely the company is to face financial distress. This is in accordance with the results of research by Yuliani & Anggaradana (2021) which found that profitability has a significant effect on financial distress.

H_1: Profitability affects Financial Distress.

Leverage against Financial Distress

Leverage describes the extent to which a company finances its assets using funds from outside parties. The size of leverage can be seen through the Debt to Asset Ratio (DAR). Companies with high leverage are considered to have a great dependence on debt, increasing the risk of default and potentially experiencing financial distress. Investors and creditors consider this condition as a negative signal to the company's prospects. Research by Antoniawati & Purwohandoko (2022) also states that a sustained increase in leverage has an impact on the increased risk of financial difficulties.

H_2: Leverage affects Financial Distress.

Firm Size terhadap Financial Distress

The size of a company is measured by the total assets it owns. Large companies generally have better resources, access to funding, and a better reputation so that they are considered better able to withstand financial pressure. However, high operational costs in large companies can also be a burden that has the potential to cause financial difficulties if not managed properly. Research by Baghaskara & Retnani (2023) shows that Firm Size affects financial distress, both in reducing and increasing risk depending on the effectiveness of management.

H_3: Firm Size has an effect on Financial Distress.

Sales Growth terhadap Financial Distress

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Sales growth reflects the company's ability to increase revenue and expand the market. High and consistent growth is a positive signal that the company has good business prospects and is able to increase profits in the future. On the other hand, declining sales growth indicates weak marketing strategies and operational performance, increasing the potential for financial distress. Research by Kusuma et al. (2022) confirms that sales growth has a significant influence on financial distress.

H_4: Sales Growth has an effect on Financial Distress.

RESEARCH METHOD

This study uses a quantitative research design with the aim of testing the influence of Profitability, Leverage, Firm Size, and Sales Growth on Financial Distress in companies in the property and real estate sectors. The research paradigm used is positivism with a deductive theory approach, which departs from theories and hypotheses which are then tested with empirical data. The methodology used is quantitative with a research strategy using secondary data sourced from the company's financial statements listed on the Indonesia Stock Exchange (IDX). The unit of analysis in this study is an organization/company, with minimal researcher involvement because it only uses available data, and the research background is noncontrived because there is no manipulation or intervention of researchers. In terms of time, this study uses a cross-sectional design, where data is collected in a certain period (2014–2024) to be analyzed to determine the relationship between variables.

Table 1. Variable measuring instruments and sources of measurement

No	Variable	Measurement	Source
1	*Financial Distress*	*Z-Score* $\boldsymbol{Z = 1,2\ X_1 + 1,4\ X_2 + 3,3\ X_3 + 0,6\ X_4 + 1X_5}$ Information: X_1 = Working Capital / Total Assets X_2 = Retained Earnings / Total Assets Sa_3 = ABat / Tatal Asset X_4 = Total Equity / Total Debt X_5 = Sales / Total Assets Z = Overall Index	Altman, (1968)
2	Profitability	*Return On Asset Ratio* $\boldsymbol{ROA = \frac{\text{Net Income}}{\text{Total Assets}}}$	Prihadi, (2019)
3	Leverage	*Debt To Asset Ratio* $\boldsymbol{DAR = \frac{\text{Total Debt}}{\text{Total Assets}}}$	Anita et al., (2023)
4	Firm Size	$\boldsymbol{\text{Firm Size} = \text{Ln}\ (\text{Total Assets})}$	Elvira & Hotang, (2025)

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No	Variable	Measurement	Source
5	Sales Growth	$\frac{Net\ Sales_t - Net\ Sales_{t-1}}{Net\ Sales_{t-1}}$	Yeni et al., (2024)

The population in this study is companies in the *Property* and *Real Estate* sector listed on the Indonesia Stock Exchange. The population in this study is 94 companies from companies in *the Property and Real Estate sector,* Some of the criteria set by the author in determining the sample are as follows:

1. Companies in the *property* and *real estate sector* listed on the Indonesia Stock Exchange (IDX) for the period 2014-2024.
2. Companies in the *property* and *real estate sector* that publish annual financial statements for the period 2014-2024.
3. Companies in the *property* and *real estate sectors* that did not experience losses for the 2014-2024 period.

Based on the criteria above, the companies that meet the requirements in this study are 13 companies in the property and real estate sector. The research was conducted using secondary data from *property* and *real estate* companies for 11 years, resulting in a total of 143 samples. The data contained in this study is secondary data from data sources obtained from property and *real estate* sector companies listed on the Indonesia Stock Exchange. The data used was obtained from the www.idx.co.id website , https://www.idnfinancials.com/ and website of each company.

In this study, the data collection technique used is the *Library Research* method, which is by collecting data and information from various written sources that are relevant to the research topic, the researcher obtains data related to the problem being researched through research journals, previous research theses through scientific journals, research reports, academic articles, books and internet research related to the theme research.

RESULTS

Table 2. Descriptive Test Results

	FD	P	LV	UK	PP
Mean	3.266162	0.060185	0.341455	29.55989	0.099722
Median	2.601700	0.040800	0.335600	29.65940	0.048000
Maximum	9.468300	0.375200	0.635400	31.48170	4.369400
Minimum	0.747900	0.001700	0.068700	26.85330	-0.912300
Std. Dev.	2.155164	0.061414	0.169381	1.103330	0.451847
Skewness	1.369522	2.443369	-0.020557	-0.343731	5.955441
Kurtosis	3.968182	11.10978	1.793864	2.366833	57.21814
Jarque-Bera	50.28678	534.1571	8.678047	5.204623	18360.46
Probability	0.000000	0.000000	0.013049	0.074102	0.000000
Sum	467.0611	8.606400	48.82810	4227.064	14.26030
Sum Sq. Dev.	659.5518	0.535582	4.073984	172.8618	28.99157
Observations	143	143	143	143	143

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https://ejurnal.stietribhakti.ac.id/index.php/JAATB
TRI BHAKTI

Selection of the Best Panel Data Model Chow Test

Chow Test

Decision-making criteria and based on the value of F calculated:

- If the probability (Prob) on the cross section F<0.05 and if F calculates > F table then a better model is Fixed Effect.
- If the probability (Prob) on the Cross Section F is >0.05 and If F is calculated < F table then a better model is Common Effect.

Table 3. Chow Test

Effects Test	Statistic	d.f.	Prob.
Cross-section F	15.306215	(12,126)	0.0000
Cross-section Chi-square	128.591334	12	0.0000

Source: Processed data (2025)

Based on the results of the Chow Test using Eviews9, it is stated that *the probability value of Cross Section* F is 0.00 which is less than the significance level value (α= 0.05). This means that the best model used is the *Fixed Effect Model* (FEM). Therefore, a Hausman Test is needed in order to choose the best model between *the Fixed Effect Model* and *the Random Effect Model*.

Hausman Test

Decision-making criteria and based on the value of F calculated:

- If the probability on the Cross Section Random > 0.05, then the better model is the Random Effect Model (REM).
- If the probability on Cross Section Random < 0.05, then the better model is the Fixed Effect Model (FEM).

Table 4. Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	3.175863	4	0.5288

Source: Processed data (2025)

Based on the results of the Hausman test, the probability value is 0.52 where this result is greater than the significant level value (α= 0.05). In this case, it means that the best model used is *the Random Effect Model* (REM). Therefore, a *Lagrange Multiplier test* is needed in order to choose the best model between *the Common Effect Model* and *the Random Effect Model.*

Lagrange Multiplier Test

Decision-making criteria and based on LM values:

- If the significance on Both < 0.05 and if the value of LM > Chi square then the better model is Random Effect.
- If it is significant on Both > 0.05 and if the value of LM < Chi square table then the better mode 1 is Common Effect.

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Table 5. Lagrange Multiplier Test

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	190.9057	1.357739	192.2635
	(0.0000)	(0.2439)	(0.0000)
Honda	13.81686	-1.165221	8.946063
	(0.0000)	--	(0.0000)
King-Wu	13.81686	-1.165221	8.454755
	(0.0000)	--	(0.0000)
Standardized Honda	16.20748	-0.988779	6.618175
	(0.0000)	--	(0.0000)
Standardized King-Wu	16.20748	-0.988779	6.044083
	(0.0000)	--	(0.0000)
Gourierioux, et al.*	--	--	190.9057
			(< 0.01)

Source: Processed data (2025)

Based on the results of *the Langrange Multiplier* test, the significant value for Both is 0.00 where this result is smaller than the significant level value (α= 0.05). In this case, it means that the best model used is *the Random Effect Model* (REM). In this case, based on the chow test, thirst test, and *langrange test, the dominant model* is *the Random Effect Model* (REM), so the best model used is *the Random Effect Model* (REM).

Multiple Regression Analysis

Table 6. Panel Data Regression Analysis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-3.364970	5.115411	-0.657810	0.5118
PF	4.347084	1.228972	3.537172	0.0006
LV	-11.13376	0.804080	-13.84658	0.0000
UK	0.343773	0.172902	1.988254	0.0488
PP	0.093187	0.144809	0.643514	0.5210

PF = Profitability, LV = *Leverage*, UK = Firm Size, PP = Company Growth
Source: Processed data (2025)

The best regression model after estimation and selection of the model in this study is *the Random Effect Model* (REM). The following are the results of the panel data regression estimation, from these results the following model equations are obtained:

$$FD = -3.36 + 4.35*PF - 11.13*LV + 0.34*UK + 0.09*PP + \varepsilon$$

Coefficient of Determination Test

Table 7. Determination Coefficient Test

R-squared	0.602914	Mean dependent var	0.756692
Adjusted R-squared	0.591404	S.D. dependent var	1.056761
S.E. of regression	0.675498	Sum squared resid	62.96901
F-statistic	52.38288	Durbin-Watson stat	0.952505

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https://ejurnal.stietribhakti.ac.id/index.php/JAATB
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Prob(F-statistic)	0.000000

Source: Processed data (2025)

Based on the results of data processing using Eviews 9, it shows that the value of *the Adjusted R-square* in this research model is 0.5914. This means that 59.14% of the variables Profitability, *Leverage*, Firm Size and Salse Growth can explain the influence on Financial Distress and 40.86% are explained by other variables that are not used in this study.

Partial Test

Table 10. T test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-3.364970	5.115411	-0.657810	0.5118
PF	4.347084	1.228972	3.537172	0.0006
LV	-11.13376	0.804080	-13.84658	0.0000
UK	0.343773	0.172902	1.988254	0.0488
PP	0.093187	0.144809	0.643514	0.5210

PF = Profitability, LV = *Leverage*, UK =, PP = Company Growth
Source: Processed data (2025)

Based on the partial test value table, it is used to determine the significant influence of independent variables on dependent variables. The results of the test using *the Random Effect Model* (REM) can be concluded as follows:

a) The independent variable Profitability with a probability value shows a significance value of 0.00 which is less than 0.05. These results show that H_1 is accepted, namely Profitability affects *Financial Distress.*
b) The independent variable *Leverage* with a probability value shows a significance value of 0.00 which is less than 0.05. These results show that H_2 received, namely *Leverage* has an effect on *Financial Distress.*
c) The independent variable Firm Size with a probability value shows a significance value of 0.04 which is less than 0.05. These results show that H_3 received, namely Firm Size, has a positive effect on *Financial Distress.*
d) The independent variable Sales Growth with a probability value shows a significance value of 0.52 which is greater than 0.05. The results show that H_4 is rejected, namely it is found that Firm Size has no effect on *Financial Distress.*

DISCUSSIONS

The Effect of Profitability on *Financial Distress*

From the results of hypothesis testing, the results were obtained that Profitability has a significant effect on *Financial Distress*. The probability shows a significance value of 0.00 where it is less than 0.05, thus the Profitability affects the *Financial Distress*. Profitability has an influence on the prediction of conditions *Financial Distress*. It can be stated that a company's

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TRI BHAKTI

ability to manage its assets into profits can affect predictions *Financial Distress* (Indriyanto & Izzati, 2022). Based on the results of the study, profitability affects *Financial Distress*. Associated with theory *signalling* This theory explains that financial information, including the level of profitability is used as a positive signal by management to show the maximum financial condition of the company to external parties such as investors, creditors, and shareholders. High profitability reflects good financial performance and the company's ability to generate profits consistently, thus providing information that the company is in a healthy condition and far from risk *Financial Distress* (Astuti & Dewi, 2024). These findings are in line with research conducted by (Yuliani & Anggaradana, 2021) on the company *agriculture* on the IDX 2017-2019, found that Profitability has an effect on *Financial Distress,* That is, the more the company can avoid financial distress, the company is said to be able to generate profits from the use of all the resources or assets it has. Research carried out by (Indriyanto & Izzati, 2022) On the Company *Property* and *Real Estate* 2013-2018, found that Profitability had an effect on *Financial Distress*, it can be stated that a company's ability to manage its assets into profit can affect the prediction *Financial Distress*. Research (Sitorus et al., 2022) conducted a study on Consumer Goods companies listed on the IDX in 2016-2020, found that Profitability has an effect on *Financial Distress,* Profitability is able to analyze financial conditions through profits obtained in financing various types of debt and other operational activities of entities so that *financial distress* that is not expected to be overcome.

The Effect of Leverage on Financial Distress

From the results of hypothesis testing, the results were obtained that *Leverage* has a significant effect on *Financial Distress*. probability value indicates a significance value of 0.00 where is less than 0.05, thus *Leverage* affects *Financial Distress*. If *Leverage* This indicates that the majority of the company's capital is obtained through debt financing. This situation has the potential to encourage the risk of financial distress in the company, the payment of obligations and interest expenses that must be borne by the company will also increase significantly as the cause (Trenadhi & Sembiring, 2024). The results of the study show that *Leverage* affect the occurrence of *Financial Distress.* Associated with theory *signalling* This theory explains that a company conveys clear information through the financial information it has to external parties, such as investors and creditors, *Leverage* reflects the company's dependence on external sources of funds in the form of debt, which can ultimately increase fixed expenses in the form of interest and debt payment obligations. This condition provides negative information to the market that the company has higher financial risks and is vulnerable to experiencing *Financial Distress* if unable to fulfill these obligations (Antoniawati & Purwohandoko, 2022). These findings are in line with research conducted by (Oktaviana et al., 2023) in manufacturing companies 2017-2021, found that *Leverage* affects *Financial Distress*. Research carried out by (Jannah et al., 2021) in manufacturing companies on the IDX for the period 2014-2018, found that *Leverage* affects *Financial Distress,* High Ratio *Leverage* It provides an overview of management's inability to manage debt as operational financing to reduce operational costs incurred by the company. Then the research (Trenadhi & Sembiring, 2024) in state-owned construction companies listed on the Indonesia Stock Exchange (IDX) for the 2018-2022 period, found that *Leverage* affects *Financial Distress, Leverage* can be used as an indicator to anticipate risks *financial distress* a

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https://ejurnal.stietribhakti.ac.id/index.php/JAATB
TRI BHAKTI

Company.

The Effect of Firm Size on *Financial Distress*

From the results of the hypothesis testing, the results were obtained that the Firm Size had a significant effect on *Financial Distress.* probability value indicates a significance value of 0.04 where it is smaller than 0.05, The results of this study show that the size of the company has an effect on the *Financial Ditress.* The results of this study show that Size affects the likelihood of occurrence *Financial Distress.* Theory *signaling* states that the company conveys information to external parties to show the condition and prospects of its business. Companies that have a large size are considered more stable because they have more resources, wider access to external funding, and better ability to manage business risks. This shows that large companies have better ability to deal with financial pressure, so they are less likely to experience *Financial Distress* (Stepani & Nugroho, 2023). These findings are in line with research conducted by (Baghaskara & Retnani, 2023) in food and beverage manufacturing companies listed on the Indonesia Stock Exchange in 2018-2020, found that Firm Size had an effect on *Financial Distress,* The costs incurred on operational costs will be greater and can increase potential financial difficulties. Research carried out by (Aji & Anwar, 2022) in PULP & Paper and Plastics & Packaging companies listed on the IDX in 2016-2020, found that Firm Size had an effect on *Financial Distress,* Firm Size is an outline of a state of resources owned by the company.

The Effect of Sales Growth on *Financial Distress*

From the results of the hypothesis test, the results were obtained that Sales Growth had a significant effect on *Financial Distress*. probability value indicates a significance value of 0.52 where it is greater than 0.05, thus sales growth has no effect on *Financial Distress*.. The results of this study can be concluded that the company's Sales Growth rate cannot be used as an assessment *Financial distress*. High Sales Growth of the company if followed by high sales expense, then the increase in sales is not followed by profit growth so that it is not able to avoid *Financial distress* (Miswaty & Novitasari, 2023). The Company conveys information to external parties through financial indicators to reflect its business conditions and prospects. One of the indicators that can be used is Sales Growth. The results of the study showed that sales growth had no effect on *financial distress*. Based on theory *agency*, sales growth has no effect on financial distress because increased sales do not necessarily reflect a company's healthy financial condition. In agency relationships, managers as managers of companies often have different goals than owners. Managers tend to try to show positive performance through increasing sales figures so that they look successful in the eyes of shareholders and investors. However, high sales growth does not automatically contribute to the company's profitability or liquidity. This can happen because sales increase strategies are often accompanied by burdens. In addition, increased sales on credit can also increase the number of receivables so that the company's cash flow does not increase significantly. This condition is in line with agency problems, namely when managers are more concerned with short-term achievements in the form of increased sales, while shareholders prioritize the company's sustainability and long-term financial stability. As a result, even though the company experiences sales growth, the

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risk of financial distress still exists because the profit and cash flow generated are not necessarily enough to cover the company's liabilities. Thus, the agency theory can explain that sales growth does not have a significant effect on financial distress, due to the conflict of interest between managers and shareholders and the fact that increased sales are not always in line with the improvement of the company's financial condition (Oktaviani & Lisiantara, 2022). These findings are in line with research conducted by (Miswaty & Novitasari, 2023) in sector service companies *infrastructure, utilities*and *transportation* listed on the Indonesia Stock Exchange (IDX) in 2018-2020, found that Sales Growth had no effect on the *Financial Distress* A decline in sales growth will affect a decline in profits, but declining profits during the year do not result in the company experiencing *Financial distress.* And research carried out by (Muzharoatiningsih & Hartono, 2022) in the Consumer Goods Industry Sector company on the IDX for the 2017-2020 period, found that Sales Growth had no effect on the *Financial Distress,* The rise and fall of the value of Sales Growth has not been able to be followed by the company's profit, the large company burden is the cause of the profit obtained is not enough to support financial conditions.

CONCLUSIONS

Profitability affects *Financial Distress*. This is seen to have a significant value at probability below 0.05, Based on signaling theory, it is stated that Profitability affects *Financial Distress* in the company. High profitability reflects good financial performance and the company's ability to generate profits consistently, thus providing information that the company is in a healthy condition and far from the risk of *Financial Distress. Leverage* affects *Financial Distress*. This is seen to have a significant value on probability. below 0.05, Based on *signaling theory, Leverage* can affect the occurrence of *Financial Distress* in the company. High *Leverage* reflects the company's dependence on external sources of funds in the form of debt, which can ultimately increase fixed expenses in the form of interest and debt repayment obligations. This condition provides negative information to the market that the company has a higher financial risk and is prone to *experiencing Financial Distress* if it is unable to meet these obligations Firm Size has a significant effect on *Financial Distress*. This is seen to have a significant value on probability. below 0.05, Based on *signaling theory,* Firm Size can have an influence on the occurrence of *Financial Distress.* Companies that have a large size are considered more stable because they have more resources, wider access to external funding, and better ability to manage business risks. Sales growth has no effect on *Financial Distress*. This is seen to have a significant value in probability. Above 0.05. Based on *agency* theory, sales growth has no effect on financial distress because an increase in sales is not always followed by an increase in profit or cash flow. Managers tend to pursue sales targets for the sake of performance image, while this does not necessarily reflect the company's financial health in real terms.

IMPLICATIONS AND LIMITATIONS

This research is expected to be an input for future research by accommodating the following things, Comparing the Property and Real Estate sector with other sectors such as the banking sector, Agriculture, Food and Beverage, Agriculture, and Manufacturing to find out

whether these variables affect Financial Distress among these sectors. It is necessary to develop other variables that affect Financial Distress in future tests can use other measurements to test sensitivity such as managerial ownership, institutional ownership, cash flow, asset turnover, GCG, CSR and others. Researchers can then update or expand the time span of the research so that the results obtained are more relevant and reflect current conditions. Newer data can also improve the validity of research as well as allow researchers to observe long-term patterns that may not be seen in a limited period of time. Researchers are further advised to consider the use of moderation, intervention, or control variables to make the results obtained more in-depth and accurate. Investors are advised to conduct a thorough fundamental analysis by focusing on factors that affect financial distress such as profitability, leverage, and Firm Size in order to minimize the risk of investment losses. Investors should not make sales growth the main consideration in making investment decisions, because it has not been proven to affect financial distress.

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