SIMBA
7th SEMINAR ON BUSINESS MANAGEMENT AND ACCOUNTING INNOVATION

THE EFFECT OF LIQUIDITY, SALES GROWTH, AND COMPANY SIZE ON FINANCIAL DISTRESS

Cantika Yolanda[1)], Liliek Nur Sulistiyowati[2)], Ririh Anggraini Setyahety[3)]
Faculty of Economics and Business, University of PGRI Madiun
email: cantikayola17@gmail.com
Faculty of Economics and Business, University of PGRI Madiun
email : liliek1702@gmail.com
Faculty of Economics and Business, University of PGRI Madiun
email: ririh@unipma.ac.id

Abstract

Penelitian ini bertujuan untuk mengetahui pengaruh Likuiditas, *Sales Growth*, dan Ukuran Perusahaan terhadap *Financial Distress* (Studi Kasus Sub-Sektor *Food and Beverage* yang terdaftar di BEI Tahun 2022-2024). Penelitian ini menggunakan metode kuantitatif. Populasi penelitian ini adalah Perusahaan Sub-Sektor *Food and Beverage* yang terdaftar di Bursa Efek Indonesia (BEI) dan menerbitkan laporan tahunan (*annual report*) dan telah diaudit akuntan secara lengkap selama tahun 2022-2024. Teknik pengampilan sampel menggunakan metode *purposive sampling* dengan 78 perusahaan. Metode analisis data dengan menggunakan alat analisis SPSS versi 25. Analisis data menggunakan regresi linier berganda, uji asumsi klasik, uji hipotesis, dan uji koefisien determinasi. Hasil ini membuktikan bahwa Likuiditas berpengaruh positif dan signifikan terhadap *Financial Distress*. Sedangkan *Sales Growth* tidak berpengaruh signifikan terhadap *Financial Distress*. Selanjutnya, Ukuran Perusahaan berpengaruh positif dan signifikan terhadap *Financial Distress.*
Keywords: *Financial Distress,* Likuiditas, *Sales Growth*, Ukuran Perusahaan.

Abstract

This study aims to determine the effect of Liquidity, Sales Growth, and Company Size on Financial Distress (a case study of the Food and Beverage Sub-Sector listed on the Indonesia Stock Exchange (IDX) for the period 2022-2024). This study uses quantitative methods. The population of this study is Food and Beverage Sub-Sector Companies listed on the Indonesia Stock Exchange (IDX) that published annual reports and have been fully audited by accountants during the period 2022-2024. The sampling technique used a purposive sampling method with 78 companies. The data analysis method used SPSS version 25. Data analysis used multiple linear regression, classical assumption tests, hypothesis tests, and coefficient of determination tests. These results prove that Liquidity has a positive and significant effect on Financial Distress. Meanwhile, Sales Growth does not have a significant effect on Financial Distress. Furthermore, Company Size has a positive and significant effect on Financial Distress.
Keywords: Company Size, Financial Distress, Liquidity, Sales Growth.

A. INTRODUCTION

In the current era of globalization, the global economy continues to grow, encouraging businesses to improve the quality and expansion of their companies in order to compete well in both local and international markets. Increasingly fierce competition to achieve goals and increase profitability and operational costs, which in turn can lower operational efficiency and companies must have healthy and strong funding to capture a larger market share. In addition, competition arises due to the establishment of new companies, requiring the old companies to work harder to maintain their positions. If the company is unable to compete and maintain its reputation, the company is at risk of bankruptcy or bankruptcy. However, before the company was declared bankrupt, there was a condition where the company experienced financial difficulties which is commonly referred to as financial distress (Irawan, C 2024) .

This condition can arise due to the inability of the business entity to meet debt payments when due. Therefore, companies need to evaluate their financial performance to find out the extent of profitability achieved. One of the methods used is the *financial distress* approach, which is defined as the company's inability to pay off financial obligations on time (Stephanie *et al*. 2020).

The level of financial difficulties experienced by a company can be identified through financial statements prepared and published by the company itself. The financial statements are one of the important sources of information that describe the financial situation, business performance, and changes in the company's financial position from time to time, and are very useful in helping to make more informed decisions. Therefore, the development of a predictive model for financial difficulties is important, because by knowing the early symptoms of the company's financial problems, preventive measures can be immediately designed to avoid the risk of bankruptcy (Arifin *et al*. 2021).

In 2020, the COVID-19 pandemic caused major disruptions to global production and demand systems. This initially had negative consequences, but the government implemented debt restructuring measures that allowed many companies to survive (www.cnnindonesia.com, 2023). The emergence of the pandemic also caused the company to experience a decrease in revenue due to government policies in the form of PSBB and PPKM implemented to control the spread of the virus, thereby hampering the company's business activities.

This fact is reflected in the results of a survey conducted by Ayuni *et al*. (2020), where it was found that the Covid-19 pandemic had a significant impact on business operations. Only around 58.95% of companies are still able to carry out their activities normally, while as many as 82.45% of companies have experienced a noticeable decrease in revenue. These findings show the magnitude of the pressure faced by the business sector during the pandemic.

The occurrence of the Corona Virus (COVID-19) pandemic is not only a serious threat to the health sector, but also has a major impact on the overall economic growth rate. This incident triggered instability felt by various sectors, both at the national and global levels. Changes caused by the COVID-19 pandemic can affect business activities and performance. The company will suffer losses if it is unable to process the company's activities or resource performance so that the company cannot compete, which can ultimately cause the company to experience financial difficulties or financial distress (Rezeki *et al*. 2021).

In this case, financial distress is not only an indicator of financial vulnerability, but also serves as an early signal of potential bankruptcy if appropriate corrective actions are not immediately taken by management. Therefore, early identification of the characteristics of financial distress is important in an effort to reduce the impact or possibility of risks that have the potential to harm the company (Mariam & Terawati, 2025)

The first factor that affects financial distress is liquidity as measured using the current ratio. Liquidity is an important measure in evaluating a company's ability to meet its short-term debt obligations. This concept is often used in dealing with (Arya *et al*. 2023) financial distress, where it is important for companies to ensure their ability to fulfill all financial obligations in a timely manner to maintain operational sustainability and trust from external parties. According to good liquidity, management can easily use existing assets to finance planned or unexpected company expenses (Archanskaia *et al*. 2023).

Research conducted by Ariyanti & Sopian (2024) reveals that there is a significant positive influence between liquidity and financial distress conditions. From a signal theory perspective, such significant linkages illustrate how investors capture positive signals when a company is able to maintain a high level of liquidity. This shows that the company is considered to have good capacity in fulfilling its financial obligations. However, these results contradict Septiani (2024) research which concluded that liquidity does not affect financial distress.

The second factor that affects financial distress is sales growth. Sales growth is one of the indicators of the company's operational performance that reflects the company's ability to increase revenue over time. Positive sales growth can reduce the risk of financial distress because increased sales tend to generate greater cash flow from operational activities, which can then be used to cover operational expenses, pay debts, and support business sustainability (Fitriani, 2025).

Based on research conducted by stating that Digdowiseiso & Ningrum (2022) sales growth has an influence on financial distress, in line with that it is also stated that Rochendi & Nuryaman (2022) sales growth has an influence on financial distress. With the increase in company sales, the value of sales growth will also increase. This increase also encourages an increase in the number of financial distress, where the higher the value of financial distress, the more it shows that the company's condition is healthy and not under

the threat of financial distress. However, this study is not in line with research that states that Agatharuna & Suriawinata (2025) sales growth has no effect on financial distress, in line with that it also states that Dila & Ritonga (2024) sales growth has no effect on financial distress.

The next factor that affects financial distress is the size of the Company which is measured using the natural logarithm of total assets. Company size is an indicator that describes the size of a business entity, which can be measured through total assets, total sales, total profit, tax expense, and other indicators. Therefore, the size of the company can be seen from the number of assets, turnover, and profits obtained (Nasution *et al*. 2024) . Although the size of profits can affect the size of a company, a large number of assets is often a key indicator in assessing the scale of a company (Agatharuna & Suriawinata, 2025)

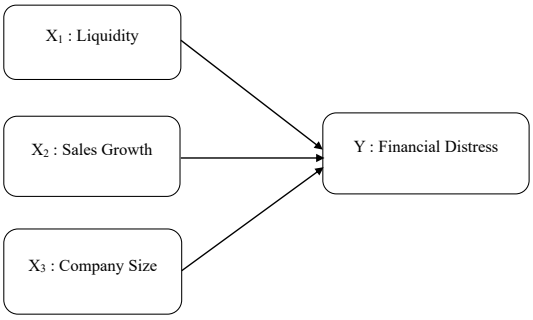
Based on research conducted by stated that Aji & Anwar (2022) firm size has a significant positive effect on financial distress. This is because the total assets owned by the company can reflect the size of the company. The larger the total assets, the more the company is considered a large-scale company. Meanwhile, the results of a study conducted by Septiana & Sari (2021) show that company size does not affect *financial distress conditions*.

Theoretical Studies

Signalling Theory

The Signalling Theory is a theory proposed by Michael Spence in 1973 and updated by Ross in 1977, which contains how the company's management acts to show investors how the leadership can see the potential of the company's future. Signal theory is interpreted as one of the theoretical bases that are relevant in understanding *financial distress* and in analyzing financial ratios (Permata & Aminah, 2023) .

Conceptual Framework and Hypothesis



Picture 1. Conceptual Framework

Based on the conceptual framework above, the hypothesis in this study is:

H1: Liquidity affects financial distress.

H2: Sales growth affects financial distress.

H3 : Company size affects financial distress.

B. METHOD

The method used in this study is a quantitative method. The object of this study is a food and beverage sub-sector company listed on the Indonesia Stock Exchange (IDX). The population in this study is 95 food and beverage sub-sector companies in the annual report on the official website of the Indonesia Stock Exchange (idx.com). The study uses the type of Nonprobability Sampling with the Purposive Sampling technique. The sampling reduction criteria include: 1) Food and Beverage Sub-Sector Companies listed on the Indonesia Stock Exchange (IDX) for the 2022-2024 period as many as 95 companies. 2) Food and Beverage Sub-Sector Companies that have not published annual financial statements for 3 consecutive years, starting from 2022 to 2024 which are listed on the IDX as many as 17 companies. The number of samples used in this study was 234 companies (78 companies x 3 years). The analysis techniques used were descriptive statistical analysis, classical assumption test, multiple linear analysis, hypothesis test, and determination coefficient test with independent variables Liquidity (X_1), Sales Growth (X_2), Company Size (X_3), and dependent variable Financial Distress (Y).

C. RESULTS AND DISCUSSIONS

Descriptive Statistical Analysis

Table 1. Descriptive Statistical Test Results (After Outlier)

Descriptive Statistics

	N	*Min*	*Max*	*Mean*	*Hours of deviation*
Liquidity	191	.20	7.31	1.9356	1.33163
Sales Growth	191	-.41	3.16	.0810	.28981
Company Size	191	24.66	32.94	28.6857	1.75745
Financial Distress	191	-5.77	15.73	3.7175	3.88341
Valid N (*listwise*)	191				

Source : SPSS results, data processed (2025).

Classic Assumption Test

1. Normality Test

Table 2. Normality Test Results

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		191
Normal Parameters[a,b]	*Mean*	.0000000
	Hours of deviation	2.23914513
Most Extreme Differences	*Absolute*	.078
	Positive	.054
	Negative	-.078
Test Statistic		.078
Asymp. Sig. (2-tailed)		.006c
Monte Carlo Sig. (2-tailed)	*Itself.*	.182d
	Lower Bound	.172

	99% Confidence Interval	*Upper Bound*	.191

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. Based on 10000 *sampled tables with starting seed* 334431365.

Source : SPSS results, data processed (2025).

Based on table 2 above, it is known that the results of the normality test with Kolmogorov-Smirnov, using Monte Carlo Sig. (2-tailed) of 0.182 > 0.05, meaning that the data of this study are distributed normally.

2. Multicollinearity Test

Table 3. Multicollinearity Test Results

Coefficientsa

Model		*Collinearity Statistics* Tolerance	BRIGHT
1	Liquidity	.988	1.012
	Sales Growth	.994	1.006
	Company Size	.989	1.011

a. *Dependent Variable: Financial Distress*

Source : SPSS results, data processed (2025).

Based on the test results in table 3, it shows that there are no symptoms of multicollinearity because each independent variable has a tolerance value of > 0.10 and a VIF value of < 10.00.

3. Heteroscedasticity Test

Table 4. Heteroscedasticity Test Results

Coefficientsa

Model		*Unstandardized Coefficients* B	*Std. Error*	*Standardized Coefficients* Beta	t	Itself.
1	(Constant)	.479	.279		1.718	.088
	Liquidity	-.016	.013	-.105	-1.246	.215
	Sales Growth	.090	.100	.075	.908	.365
	Company Size	-.008	.009	-.067	-.794	.428

in. *Dependent Variable*: ABS_RES

Source : SPSS results, data processed (2025).

Based on table 4, it shows that the sig value for the liquidity variable is 0.215, the sales growth variable is 0.365, and the company size variable is 0.428. The significance value of the three independent variables > 0.05, which means that there are no symptoms of heteroscedasticity.

4. Autocorrelation Test

Table 5. Autocorrelation Test Results

Model Summaryb

Model	R	*R Square*	*Adjusted R Square*	*Std. Error of the Estimate*	*Durbin-Watson*
1	.827a	.684	.679	2.24106	2.024

in. *Predictors:* (*Constant*), X3, X2, X1

b. *Dependent Variable*: Y

Source : SPSS results, data processed (2025).

Based on table 5, the autocorrelation test results are 2.024 then compared to the Durbin Waston (DW) table with a significance of 5%. It is known that the number of data n = 191 and the number of variables k = 3, the du value (upper boundary) of 1.7951, the dl value of 1.7314, and the 4-du value of 2.2049 are obtained. The results in the calculation can be proven according to the equation criteria according to Ghozali

(2021), namely du < dw < 4-du with results of 1.7951 < 2.024 < 2.2049. So it can be concluded that there is no autocorrelation occurring.

Analysis of the Regresi Linier Berganda

Table 6. Autocorrelation Test Results

Coefficientsa

Model		*Unstandardized Coefficients*		*Standardized Coefficients*	t	Itself.
		B	*Std. Error*	Beta		
1	(Constant)	-7.396	2.723		-2.716	.007
	Liquidity	2.386	.124	.818	19.288	.000
	Sales Growth	.332	.567	.025	.586	.559
	Company Size	.225	.094	.102	2.407	.017

a. *Dependent Variable: Financial Distress*

Source : SPSS results, data processed (2025).

Based on table 6, the multiple linear regression equation is obtained as follows:

$$Y = a + \beta1X1 + \beta2X2 + \beta3X3 + e$$

$$Y = -7.396 + 2.386\ X1 + 0.332\ X2 + 0.225\ X3 + e$$

The multiple linear regression equation above can be concluded as follows:

a. The constant value (α) of the regression equation above is -7.396, this indicates that when all independent variable values are valued at 0, financial distress will get a value of -7.396.
b. The liquidity variable has a regression coefficient value of 2.386. It shows that every 1% increase in liquidity causes an increase in financial distress of 2.386 assuming the other variables are constant.
c. The sales growth variable has a regression coefficient value of 0.332. It shows that every 1% increase in liquidity causes an increase in financial distress of 0.332 assuming that other variables are constant.

d. The company size variable has a regression coefficient value of 0.225. It shows that every 1% increase in liquidity causes an increase in financial distress of 0.225 assuming the other variables are constant.

Hypothesis Test

Table 7. Test Results t

Coefficients

Model		*Unstandardized Coefficients*		*Standardized Coefficients*	t	Itself.
		B	*Std. Error*	Beta		
1	(Constant)	-7.396	2.723		-2.716	.007
	Liquidity	2.386	.124	.818	19.288	.000
	Sales Growth	.332	.567	.025	.586	.559
	Company Size	.225	.094	.102	2.407	.017

a. *Dependent Variable: Financial Distress*

Source : SPSS results, data processed (2025).

Based on table 7 of the interpretation results of the hypothesis, the significance value of the liquidity variable is 0.000 < 0.05, then (H1) is accepted to mean that liquidity has a positive and significant effect on financial distress. While t_{counts} 19.288 > table 1.9727, liquidity partially has a positive effect on financial distress. So it can be concluded that (H1) is acceptable. The significance value of the sales growth variable is 0.559 > 0.05, then (H2) is rejected which means that sales growth does not have a significant effect on financial distress. While $t_{calculates}$ 0.586 < t_{table} 1.9727, sales growth partially has no effect on financial distress. So it can be concluded that (H2) is rejected. The significance value of the company size variable is 0.017 < 0.05, then (H3) is accepted, meaning that the company size has a positive and significant effect on financial distress. While $t_{calculates}$ 2.407 > t_{table} 1.9727, the size of the company partially has a positive effect on financial distress. So it can be concluded that (H3) is acceptable.

Coefficient of Determination Test (R^2)

Table 8. Determination Coefficient Test Results (R^2)

Model Summary

Model	*R*	*R Square*	*Adjusted R Square*	*Std. Error of the Estimate*
1	.817a	.668	.662	2.25703

a. *Predictors: (Constant)*, Company Size, Sales Growth, Liquidity

Source : SPSS results, data processed (2025).

Based on table 4.9, it shows that the value of R Square is 0.668, which means that there is a strong relationship between the independent variable and the dependent variable because it is close to the number 1. The value of the determination coefficient which means that it contributes to the liquidity variable. Sales growth, and the size of the Company in affecting financial distress 66.8%, the remaining 66% (100% - 66.8% = 33.2%) were influenced by other variables outside the study.

D. CONCLUSIONS

Based on the results of research that has been conducted on the influence of liquidity, sales growth, and company size on financial distress in food and beverage sub-sector companies listed on the Indonesia Stock Exchange (IDX) for the 2022-2024 period, the conclusions in this study show that liquidity partially has a positive and significant effect on financial distress. The high level of liquidity reflects that the company has enough current assets to meet its short-term obligations, thus avoiding financial distress. Sales growth partially does not have a significant effect on financial distress. An increase or decrease in sales is not always accompanied by an increase in the company's profit. The company does not necessarily experience bankruptcy, but only experiences a decrease in net profit. The size of the company partially has a positive and significant effect on financial distress. Companies with large total assets tend to diversify more easily, so the risk of bankruptcy and the potential for financial distress are lower. This is due to the

assumption that the company has a good capacity to meet its financial obligations in the future.

E. SUGGESTIONS

Based on the results of data analysis and conclusions, the researcher can provide several suggestions so that the company is expected to further improve the company's performance and improve other aspects that are considered to be lacking. For investors who have plans to invest in the company so that they can use liquidity, sales growth, and company size as considerations in making investments. In addition, for the next researcher, it is hoped that this research can be developed by adding research variables and considering the suitability of variables that can prevent financial distress, besides that for the next researcher, it is also expected to use other company sectors in order to be able to improve the previous research according to the field taken.

REFERENCES

Agatharuna, N., & Suriawinata, I. S. (2025). The Effect of Leverage, Activity, Profitability, Growth, and Firm Size on Financial Distress Corresponding. *Jurnal Manajemen STEI*, 11(1), 53–68. https://doi.org/10.36406/jmstei.v11i1.40

Aji, P. S., & Anwar, S. (2022). Pengaruh Leverage, Profitabilitas, Likuiditas, Sales Growth dan Firm Size terhadap Financial Distress Pada Perusahaan Pulp & Kertas dan Plastik & Kemasan yang Terdaftar di Bursa Efek Indonesia Tahun 2016-2020. *Jurnal Bina Bangsa Ekonomika*, 15(01), 43–52. https://doi.org/10.46306/jbbe.v15i1.106

Archanskaia, E., Canton, E., Hobza, A., Nikolov, P., & Simons, W. (2023). The asymmetric impact of COVID-19: A Novel Approach to Quantifying Financial Distress Across Industries. *European Economic Review*, *158*, 1–33. https://doi.org/10.1016/j.euroecorev.2023.104509

Arifin, D. S., Masud, A., Kalsum, U., & Makkulau, A. R. (2021). The Influence of Liquidity, Leverage, Company Size and Profitability on Financial Distress. *International Journal of Business and Social Science Research*, 6, 11–17. https://doi.org/10.47742/ijbssr.v2n6p2

Ariyanti, V., & Sopian, D. (2024). Pengaruh Sales Growth, Likuiditas, dan Ukuran Perusahaan terhadap Financial Distress. *Journal of Trends Economics and Accounting Research*, 4(4), 785–793. https://doi.org/10.47065/jtear.v4i4.1284

Aryati, R. D., Rinofah, R., & Kusumawardhani, R. (2023). Pengaruh Likuiditas, Profitabilitas, Ukuran Perusahaan, dan Pertumbuhan Penjualan terhadap Financial Distress. *Jurnal Ilmiah Universitas Batanghari Jambi*, 23(2), 2293–2299. https://doi.org/10.33087/jiubj.v23i2.3703.

Ayuni, S., Budiati, I., Reagan, H. A., Riyadi, Larasaty, P., Pratiwi, A. I., Kurniasih, A., & Meilaningsih, T. (2020). *Analisis Hasil Survei Dampak Covid-19 Terhadap Pelaku Usaha*. BPS RI.

Digdowiseiso, K., & Ningrum, I. S. (2022). The Effects of Total Asset Turnover, Return on Assets, and Sales Growth on Financial Distress in Food and Beverage Companies over the Period 2016-2020. *Budapest International Research and Critics Institute-Journal (BIRCI-Journal)*, 5, 12046–12058. https://doi.org/10.33258/birci.v5i2.5042.

Dila, N. W. S., & Ritonga, F. (2024). Pengaruh Sales Growth dan Struktur Modal terhadap Financial Distress. *Journal of Trends Economics and Accounting Research*, 4(4), 802–812. https://doi.org/10.47065/jtear.v4i4.133.1

Fitriani, N. (2025). Literatur Review: Pengaruh Sales Growth terhadap Potensi Financial Distress. *In Prosiding Seminar Nasional Sosial, Humaniora, dan Teknologi* (Vol. 3, No. 1, pp. 1026-1029).

Irawan, C. (2024). Faktor-Faktor yang Mempengaruhi Financial Distress (Studi Kasus Perusahaan Makanan dan Minuman yang Terdaftar di BEI Tahun 2017-2021). *Tamilis Synex: Multidimensional Collaboration*, 2(1), 59–83.

Mariam, R. S., & Terawati, M. T. (2025). Pengaruh Pertumbuhan Penjualan terhadap Financial Distress. *Jurnal Nusa Akuntansi*, 2(1), 633–684.

Nasution, U. O., Aprilia, I., & Utami, D. (2024). Pengaruh Ukuran Perusahaan Dan Pertumbuhan Penjualan Terhadap Financial Distress. *Ekonomi Manajemen Akuntasi Keuangan Bisnis Digital,* 3(1), 1-10.

Rezeki, R. T., Mardani, R. M., & Priyono, A. A. (2021). Analisis Financial Distress Pada Perusahaan Sektor Food and Beverage yang Terdaftar di Bursa Efek Indonesia pada Masa Pandemi Covid-19. *e – Jurnal Riset Manajemen*. www.fe.unisma.ac.id

Rochendi, L. R., & Nuryaman. (2022). Pengaruh Sales Growth, Likuiditas dan Ukuran Perusahaan terhadap Financial Distress. *Owner*, *6*(4), 3465–3473. https://doi.org/10.33395/owner.v6i4.1113

Septiana, G., & Sari, P. A. P. (2021). Pengaruh Kepemilikan Manajerial, Ukuran Perusahaan dan Leverage terhadap Financial Distress. *Jurnal JIPS (Jurnal Ilmiah Pendidikan Scholastic)*, *5*(01), 71–84.

Septiani, D. (2024). Pengaruh Profitabilitas, Leverage, dan Likuiditas terhadap Financial Distress (Sub Sektor Hotel, Restaurant, dan Pariwisata yang terdaftar di Bursa Efek Indonesia Tahun 2019-2022). *Jurnal Ilmiah Wahana Pendidikan*, *10*, 279–292. https://doi.org/DOI:https://doi.org/10.5281/zenodo.10466164.

Stephanie, Lindawati, Suyanni, Christine, Efvina Oknesta, & Adam Afiezan. (2020). The Effect of Liquidity, Leverage and Size of The Company Against The Financial Distress of Property and Real Estate Companies. *Costing:Journal of Economic, Business and Accounting*, *3*(2), 300–310.