**Eurasia: Economics & Business, 7(85), July 2024**
DOI https://doi.org/10.18551/econeurasia

UDC 332

# DETERMINANTS OF FINANCIAL DISTRESS IN PROPERTY AND REAL ESTATE COMPANIES ON THE INDONESIAN STOCK EXCHANGE

**Galang Marhaenis Luh***, **Putu Wiagustini Ni Luh**
Faculty of Economics and Business, University of Udayana, Indonesia
*E-mail: galangmarhaenis.gmr@gmail.com

## ABSTRACT
Financial distress refers to the unfavorable financial state of a corporation that is not in a healthy condition, yet has not reached the point of bankruptcy. Hence, it is crucial for organizations to promptly identify indicators of financial difficulty as a means of assessing and providing early warning. This research aims to elucidate the impact of profitability, liquidity, leverage, and sales growth on financial distress in property and real estate companies listed on the Indonesia Stock Exchange. The research population consisted of 65 property and real estate enterprises, with a total sample size of 40 organizations. The research employed purposive sampling as the sampling strategy, and logistic regression as the data processing method. The data analysis results indicate that profitability has a detrimental and statistically negligible impact on financial distress. Financial distress is significantly and adversely impacted by liquidity. The utilization of leverage has a favorable and substantial impact on the occurrence of financial distress. The increase in sales has a detrimental and noteworthy impact on financial hardship.

## KEY WORDS
Financial distress, leverage, liquidity, profitability, sales growth.

The quick and intense growth of the business world compels every company to enhance each of its business units in order to effectively compete with other companies (Hutauruk et al., 2021). Every shareholder aspires for a favorable company performance, as it has the capacity to allure investors or future investors to invest in the company. The fact is that the firm may not meet all of its expectations due to various impediments or challenges, which could potentially lead to the company facing bankruptcy.

Inability to effectively compete with other companies would inevitably lead to a deterioration in financial performance, ultimately resulting in financial hardships (Sutra & Mais, 2019). Bankruptcy Theory elucidates the state of enduring financial challenges faced by a firm, typically triggered by the organization's incapacity to meet its immediate financial commitments. When a corporation reaches a stage of prolonged financial difficulties, it will have challenges in its business operations as a result of an unsolvable financial imbalance (Ummah and Nareswari, 2021).

During the early phases of a financially troubled organization, there is typically a decline in its capacity to meet its obligations. This often indicates that the company is experiencing financial losses or that its income is insufficient to cover its expenses. This implies that the profitability is insufficient to cover the cost of capital, or that the present value of the company's cash inflows is lower than its obligations. Failure arises when the company's realized cash flow significantly falls short of the anticipated cash flow. Efforts and plans are required to be implemented, beginning with the consideration of altering the scale of the company's activities and structure.

Financial distress refers to a period of deterioration in a firm's financial state that occurs prior to the company becoming bankrupt or being liquidated. This situation is attributed to various factors associated with the company's operations, such as analyzing the composition of the balance sheet, specifically comparing the magnitude of assets and obligations. In this case, if the assets are inadequate or less than the liabilities, it can lead to this condition. (Andre & Salma, 2013). According to Spica and Kristijadi (2003), the first sign of financial trouble in a company is when it incurs losses for two or more consecutive years or fails to

pay dividends for one year.

Financial hardship is defined as a situation where a company experiences a series of successive years with negative cumulative earnings, losses, and overall poor performance (Hutauruk et al., 2021). Financial difficulty can lead to the occurrence of bankruptcy (Jaisheela, 2015). Several organizations are engaging in intense competition to achieve optimal company performance due to the possibility of financial distress affecting all companies across all sectors. Multiple research projects have been conducted on the prediction of financial hardship conditions. The often-employed methodology for forecasting financial crisis conditions is the Z-Score model study developed by Altman, which utilizes the Basic Earning Power technique. The Z-Score and Basic Earning Power model analysis were selected as a predictive method for financial distress conditions due to their user-friendly nature, high level of accuracy, and utilization of ratios that incorporate both internal and external factors of the company (Faizah, 2011). There is a need to advance research on financial distress in order to gain knowledge about the initial signs of this condition. This will enable organizations to take proactive measures to prevent the issue from escalating into a more severe stage of difficulties. Claessens, Djankov, and Klapper (2003) propose utilizing the interest coverage ratio (ICR) as a metric to identify financially distressed enterprises. Companies that have an Interest Coverage Ratio (ICR) of less than one or even negative are seen as being in a state of financial difficulty. Financial turmoil can exacerbate a company's situation and perhaps lead to bankruptcy. Bankruptcy in a corporation can be identified by observing a situation where the company's debts exceed its assets, ranging from short-term financial challenges to long-term financial challenges. This information may solely be acquired through the analysis of financial reports. Financial report analysis serves as a valuable tool for forecasting potential financial challenges.

Financial reports are documents that provide detailed information about the financial state of a company (Kasmir, 2012). Financial reports serve as a foundation for evaluating the well-being of a firm by examining its current financial ratios. The financial measures employed in this study encompass liquidity, solvency, and profitability. These ratios serve as indicators for assessing financial distress situations. The selection of this ratio is closely tied to the perspective of Rodoni & Ali (2010: 176) that when considering the financial position, there are three factors that contribute to financial distress: insufficient capital, excessive debt burden, and sustained losses over an extended period.

Widarno and Irawan (2021) identified several factors that contribute to financial distress, namely sales growth, funding or leverage, profitability, and liquidity. This study examines the elements that impact financial distress, including profitability, liquidity, leverage, and sales growth. The variables of profitability, liquidity, leverage, and sales growth are worth investigating for their impact on financial crisis. The studies conducted by Alexanders & Miechael (2017), Maulida et al. (2018), Finishtya (2019), Masdupi et al. (2018), Jannah (2021), and Akmalia (2020) have all reached the conclusion that profitability has a detrimental impact on financial distress. A study conducted by Wulandari and Jaeni (2021) revealed that there is no correlation between profitability and financial trouble.

Research conducted by Hidayat et al. (2014), Dianova & Nahumury (2019), Azalia & Rahayu (2019), Jannah (2019), Chiaramonte & Casu (2016), and Wulandari and Jaeni (2021) has consistently found that liquidity has a detrimental impact on financial distress. However, the results of Lutfidya's (2023) and Rahma's (2020) studies indicate that liquidity does not have an impact on financial hardship, which contrasts with the current findings. Several studies, including those conducted by Hidayat et al. (2014), Wangsih et al. (2021), Anza (2020), Andre & Taqwa (2014), and Akmalia (2020), have examined the relationship between leverage and financial distress. These studies have consistently found that leverage has a beneficial impact on financial distress. The research conducted by Wulandari and Jaeni (2021) and Rahma (2020) yielded contrasting findings. While Wulandari and Jaeni found that leverage had a significant negative impact on financial hardship, Rahma's study produced different results.

Studies conducted by Widhiari et al. (2015), Wangsih et al. (2021), and Dianova & Nahumury (2019) have found that sales increase is associated with a detrimental impact on

financial distress. Contrary to the findings of Wulandari and Jaeni's (2021) study, Novitasari (2023) discovered that there was no impact of sales increase on financial hardship.

The Indonesian GDP contracted by 2.19 percent in the fourth quarter of 2020 compared to the same period in 2019. The manufacturing, property and real estate, and finance sectors witnessed a significant decline in growth, with a contraction of 13.42 percent. Property and real estate firms are included as one of the industrial sub-sectors that are listed on the Indonesia Stock Exchange (BEI). The property and real estate industry is a sector that focuses on the development of integrated and dynamic communities, providing services to facilitate this growth. Investor apprehensions regarding the worldwide and domestic economic deceleration have led to a decrease in property purchases, resulting in a decline in sales. Regarding value, the property sector remains comparatively inexpensive, with a price to earnings ratio (PE) of approximately 8.72x, significantly lower than the PE of the Composite Stock Price Index (IHSG) at roughly 16.27x.

According to a study conducted by Saraswati et al (2024), the property and real estate sector plays a significant role in the economic development of Indonesia due to its capacity to have a multiplier effect on the growth of other businesses. Nevertheless, the sector experienced a decline in its growth rate throughout the epidemic and this trend persisted into the subsequent year. The reasons primarily consist of the decrease in individuals' buying power, diminished demand for commercial real estate, and the challenge of escalating mortgage interest rates. If this circumstance persists, enterprises in this industry may face the risk of financial crisis. This is a summary of the progress of the financial performance of the Property and Real Estate industry in the past 5 years.

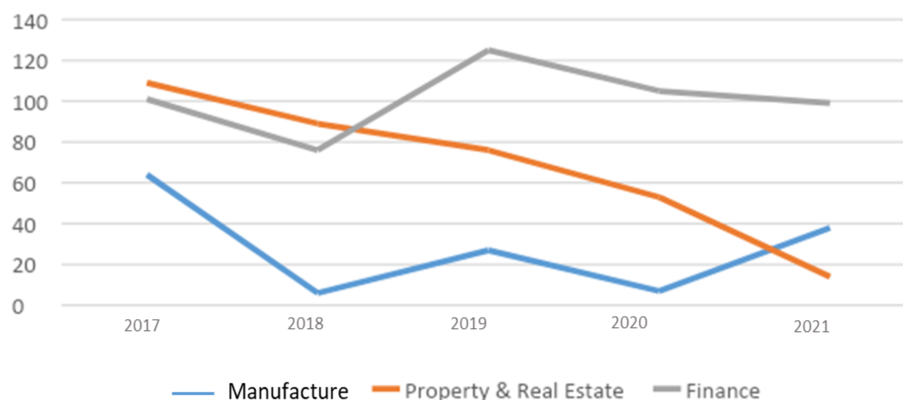


Figure 1 – Development of Financial Performance in Several Sectors on the Indonesian Stock Exchange in 2017-2021 (Source: Processed Data)

The property and real estate sector has been witnessing a sustained drop in financial performance due to its underperformance in recent years. The limited supply and rising stock prices have contributed to the continuous increase in land prices. Additionally, the increase in material prices has led to a corresponding rise in property prices. As a result, there has been a decline in demand for economic growth in 2018, estimated to be around 5%. This decline can be attributed to the lack of strengthening purchasing power among individuals. The property sector is facing pressure due to the increase in Bank Indonesia's core interest rate, which in turn leads to higher banking interest rates. These factors have resulted in a decrease in the demand for property in recent years. The source of the information is from the website https://investasi.kontan.co.id, published in 2019. Given this phenomena, it is crucial to understand the potential for Financial Distress in Property and Real Estate institutions so that investors can make informed judgments prior to investment.

The real estate and property industry is a highly unpredictable sector with significant risks in practically all countries, including Indonesia. The real estate and property sector is known to carry significant risks due to its reliance on bank credit as the primary source of funding. This sector operates with fixed assets in the form of land and buildings. Real estate properties, including land and buildings, can be utilized as collateral to settle debts. However,

DOI https://doi.org/10.18551/econeurasia

because to their illiquid nature, these assets cannot be readily turned into cash within a short period. Consequently, numerous developers find it challenging to repay their debts within the designated timeframe. This research aims to elucidate the impact of profitability, liquidity, leverage, and sales growth on financial distress in property and real estate companies listed on the Indonesia Stock Exchange. Figure 2 displays the conceptual framework of this investigation.

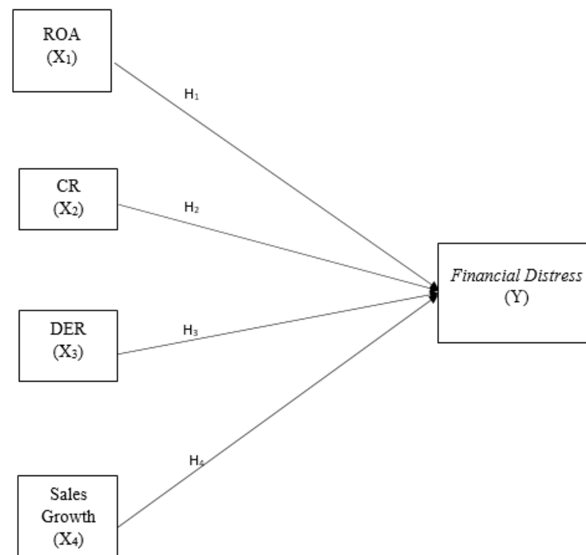


Figure 2 – Conceptual Framework

Bankruptcy Theory elucidates the state of enduring financial challenges faced by a firm, typically originating from the organization's incapacity to meet its immediate financial commitments. Hidayat et al., (2014) asserted that return on assets is an indicator of a company's profitability. If a corporation generates substantial profits, it can be inferred that the management has effectively overseen the operations of the organization. By generating substantial earnings, a company can effectively recruit investors, so safeguarding itself against the risk of financial distress. Research undertaken by Alexanders & Miechael (2017), Maulida et al. (2018), Finishtya (2019), Masdupi et al. (2018), Jannah (2021), and Akmalia (2020) has consistently concluded that profitability has a detrimental impact on financial distress. Therefore, the theory is proposed:

H1: profitability has a negative effect on financial distress.

The current ratio quantifies a company's capacity to satisfy its immediate financial obligations by utilizing its existing assets. A higher liquidity ratio reduces the likelihood of the company facing financial difficulties (Foster, 1986: 15-23). According to Almilia & Kristijadi (2013), company liquidity refers to the firm's capacity to finance its activities and settle its short-term debts. The current ratio, which measures a company's liquidity, is calculated by dividing its current assets by its current liabilities. It indicates the company's capacity to fulfill its short-term debt obligations with its existing assets. Effective management of a firm's current assets can be initiated by establishing a minimum inventory threshold to ensure smooth company operations, as well as using prudent cash management practices to maintain an optimal balance. The findings of the studies conducted by Hidayat et al. (2014), Dianova & Nahumury (2019), Azalia & Rahayu (2019), Jannah (2019), Chiaramonte & Casu (2016), and Wulandari and Jaeni (2021) collectively demonstrate that liquidity exerts a detrimental impact on financial hardship.

H2: Liquidity has a negative effect on financial distress.

An assessment of leverage is necessary to evaluate the company's capacity to meet its financial obligations, both in the short and long term. Increasing the amount of debt used by a financing firm raises the likelihood of encountering payment difficulties in the future, as the

debt may surpass the value of the company's assets. If this scenario is not effectively managed, the likelihood of experiencing severe financial difficulties will increase significantly (Almilia & Kristijadi, 2013). The findings of the studies done by Hidayat et al. (2014), Wangsih et al. (2021), Anza (2020), Andre & Taqwa (2014), and Akmalia (2020) collectively establish that leverage exerts a favorable influence on financial hardship.

H3: Leverage has a positive effect on financial distress.

The bankruptcy theory posits that a company's financial challenges serve as an early indication of its financial hardship, with one of the initial signs being a decrease in the company's capacity for growth, which tends to drop. The company may face financial distress when it experiences a decline in sales growth compared to the preceding period, as this can have a negative impact on the company's assets, profits, and obligations (Fitri, 2017). According to the research conducted by Widhiari et al. (2015), Wangsih et al. (2021), Dianova & Nahumury (2019), Wulansari (2015), and Amanda and Tasman (2019), it can be inferred that sales growth has a detrimental impact on financial distress.

H4: Sales growth has a negative effect on financial distress.

## METHODS OF RESEARCH

The research design employed in this study is an associative design, specifically focusing on investigating the impact of one variable on other variables or establishing the correlation between variables. This study examines the variables that can impact the occurrence of financial difficulties in businesses. The research examines profitability, liquidity, leverage, and sales growth as independent variables, whereas financial distress is the dependent variable. The study was carried out on firms in the property and real estate sector that are listed on the Indonesia Stock Exchange over the period from 2017 to 2021. Data was collected from the official website www.idx.co.id. The acquired data is presented in the format of yearly financial reports and additional historical reports. This study utilizes secondary data as its primary data sources. The population for this study consists of property and real estate companies listed on the Indonesia Stock Exchange from 2017 to 2021, including a total of 65 companies.

The research will focus on property and real estate companies as the sample, taking into account their potential financial decrease over consecutive years. The purposive sampling approach is used to choose a sample from the population, namely companies that meet multiple criteria. Purposive sampling is a sampling approach that is based on specific criteria.

- The corporation does not engage in mergers and acquisitions;
- The data obtained is not an outlier.

Purposive sampling is employed in this research to investigate the financial state of companies that have seen a fall over a minimum period of two years, as well as companies that have not experienced any decline over the same time frame. According to data from the IDX website, a population of 65 companies was selected. After applying the mentioned criteria, a sample of 40 companies was obtained. These companies were divided into two categories: those facing financial distress and those that were not. Out of the 40 companies, 25 did not meet the criteria due to mergers, acquisitions, and outliers in their data. This study use logistic regression for data analysis utilizing the SPSS software.

## RESULTS AND DISCUSSION

This study relied on secondary sources of information for its data collection. With the use of the annual financial reports of property and real estate companies that were published on the Indonesian stock exchange, secondary data was gathered for the purpose of this investigation. This study makes use of the following variables: sales growth, leverage, which is defined by the debt to equity ratio, and profitability, which is assessed by the return on assets ratio. Additionally, the current ratio is used to measure liquidity, and the current ratio is used to measure leverage.

Based on SPSS processed data which includes independent variables, namely profitability (X1) which is measured using the return on assets ratio, liquidity (X2) which is measured using the current ratio, leverage (X3) which is measured using the debt to equity ratio and sales growth ( X4) then you will be able to know the maximum value, minimum value, average value and standard deviation of each of these variables in Table 1. Due to the fact that these variables are measured using a nominal scale, the dependent variable, which is referred to as financial distress (Y), is not included in the calculation of descriptive statistics. According to Gozali (2018:3), the nominal scale is a measurement scale that operates on a category or group level. As a result of the fact that this number serves solely as a category name and does not possess any intrinsic value, there is no calculation of the average value or standard deviation of this variable using the data shown in Table 1.

Table 1 – Descriptive Statistics of Independent Variables

| N | Minimum | | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|---|
| ROA | 200 | -11.50 | 41.23 | 1.970 | 5.42689 |
| CR | 200 | 14.68 | 2488.00 | 320.3323 | 343.16781 |
| DER | 200 | -13.80 | 5.55 | .7268 | 1.27907 |
| Sales Growth | 200 | -544.15 | 345.90 | 2.4341 | 66.77297 |
| Valid N (listwise) | 200 | | | | |

*Source: Primary data processed.*

Table 1 shows that the first variable, ROA, has a minimum value of -11.50 in PT Modernland Realty Tbk in 2020 and a maximum value of 41.23 in PT Lippo Cikarang Tbk in 2018. Average The ROA variable is 1.970, while the standard deviation is 5.42689. The average value of ROA is near to the minimal value, indicating that ROA in the examined companies is tiny, if not negative. A standard deviation value greater than the average indicates that the distribution of data has shifted and that the difference between one data point and another is relatively large in the sample being studied.

The second variable, CR, had a minimum value of 14.68 in PT Duta Anggada Realty Tbk in 2021, and a maximum value of 2,488.00 in PT Bekasi Asri Pemula Tbk in 2019. The average of the CR variable was 320.3323, and its standard deviation was 343.16781. The average value of the CR, which is near to the minimum value, indicates that the CR of the company being studied is tiny or that the company has a limited ability to pay short-term obligations. A standard deviation value greater than the average indicates that the distribution of data has shifted and that the difference between one data point and another is relatively large in the sample being studied.

The DER variable has a minimum value of -13.80 in PT Binakarya Jaya Abadi Tbk in 2021, and a maximum value of 5.55 in PT Rista Bintang Mahkota Sejati Tbk in 2018. The DER variable has an average value of 0.7268, with a standard deviation of 1.27907. The average value of DER, which is close to the maximum value, indicates that the company under consideration has more debt than equity. A standard deviation value greater than the average indicates that the distribution of data has shifted and that the difference between one data point and another is relatively large in the sample being studied.

The sales growth variable has a minimum value of -544.15 in 2020 for PT Indonesia Prima Property Tbk and a maximum value of 345.90 in 2021 for Pikko Land Development Tbk. Average sales growth of 2.4341, with a standard deviation of 66.77297. The average value of the sales growth variable is close to its maximum value, indicating that sales at the observed company increase over the preceding year. A standard deviation value greater than the average indicates that the distribution of data has shifted and that the difference between one data point and another is relatively large in the sample being studied. The sample with the financial distress variable (Y) is shown in Table 2.

In this study, property and real estate companies that encountered financial difficulties were coded 0; companies that did not experience financial trouble were marked 1. According to Table 2, property and real estate companies faced financial hardship situations 50 times, with a percentage of 25.0%, compared to 150 companies that did not experience financial

distress, with a rate of 75.0%. A logistic regression model can be constructed by examining the estimated parameter values in the Variable in the Equation. Table 3 displays the logistic regression model created using the estimated parameter values in the Variable in the Equation.

Table 2 – Dependent Variable Frequency

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | 0 | 50 | 25.0 | 25.0 | 25.0 |
| | 1 | 150 | 75.0 | 75.0 | 100.0 |
| | Total | 200 | 100.0 | 100.0 | |

*Source: Primary data processed.*

Table 3 – Variables in the Equation

| | | B | S.E. | Wald | df | Sig. | Exp(B) |
|---|---|---|---|---|---|---|---|
| Step 1[a] | ROA | -.002 | .083 | .001 | 1 | .978 | .998 |
| | CR | -.507 | .221 | 5.264 | 1 | .022 | .602 |
| | DER | .679 | .208 | 10.635 | 1 | .001 | 1.972 |
| | Sales Growth | -.274 | .136 | 4.029 | 1 | .045 | .761 |
| | Constant | -.425 | 1.178 | .130 | 1 | .718 | .654 |

*b. Variable(s) entered on step 1: ROA, CR, DER, Sales Growth.*
*Source: Primary data processed*

The regression model formed based on the estimated parameter values in the Variable in The Equation is as follows:

$$Ln\frac{p}{1-p} = -0{,}425 - 0{,}002\ ROA - 0{,}507\ CR + 0{,}679\ DER - 0{,}274\ Sales\ Growth$$

This study discovered that ROA, a proxy for profitability, has no impact on financial difficulty. Profitability ratios describe a company's ability to generate income or profits. According to Rahma (2020), profitability reflects the company's recovery from financial difficulty. Obtaining maximum earnings has no influence on financial suffering if the company has significant responsibilities, both to pay salaries and to the funding it receives, because in this case, the profits will only be used to meet these obligations. Furthermore, the company's incapacity to efficiently manage its activities will result in low profitability. The effectiveness of using firm assets to generate net profits leads to a company's profitability increasing and reducing the risk of bankruptcy. The bigger a company's profit, the better its funding and ability to fulfill unexpected payments, so avoiding financial difficulties. Conversely, low profitability will result in negative cash flow and probable financial trouble. This test's results are consistent with the findings of research by Hidayat (2014), Hanifa (2019), and Marfungatun (2017), who discovered that profitability as measured by return on assets had a negative and insignificant effect on financial distress in property and real estate companies listed on the Indonesian Stock Exchange.

According to research, the current ratio, which measures liquidity, has a negative impact on financial distress. The results of this research show a negative value, indicating that the corporation can meet its short-term obligations with its current assets. The company has considerable current assets, so if money are required to satisfy its current liabilities at any time, the corporation can deliver them fast. This manner, the organization can escape financial trouble. The results of this test are consistent with research conducted by Marfangatun (2017), Masdupi (2018), Hidayat et al. (2014), Dianova & Nahumury (2019), Azalia & Rahayu (2019), Hannah (2019), Chiaramonte & Casu (2016), Wulandari and Jaeni (2021), and Widhari (2015), who conducted liquidity research and discovered that liquidity had a negative and significant effect on financial distress.

The study discovered that the debt-to-equity ratio, a proxy for leverage, has a positive effect on the dependent variable, financial hardship. The research findings indicate a positive and substantial value, implying that the leverage ratio stresses the importance of debt

funding for businesses by displaying the percentage of corporate assets supported by loan funding. Companies have a responsibility to meet their debt obligations. If a finance firm incurs additional debt, its duties increase. This condition will cause payment difficulties in the future because the debt exceeds the assets owned, and the company is likely to face financial hardship. The results of this test are consistent with the findings of Lubis and Patricia (2019), Cholid (2018), Hidayat et al. (2014), Wangsih et al. (2021), Anza (2020), Andre & Taqwa (2014), Akmalia (2020), and Utami (2015), who conducted leverage research and discovered that leverage had a positive and significant effect on financial distress.

Research indicates that sales increase has a detrimental impact on financial distress. The findings support hypothesis four, which indicates that sales growth has a negative and significant effect on financial distress. The research results demonstrate a negative and substantial value, indicating that sales growth can be used to analyze the performance of previous investments and anticipate future firm growth. High sales growth can improve a company's income from sales made within a specific period of time. This serves as a warning to investors and creditors, as the company's rapid sales development will have an impact on its assets and profitability. Investors and creditors will be interested in supplying enterprises with investment and credit so that the likelihood of financial difficulty is reduced. The results of this test are consistent with the findings of Widhiari (2015), Eminingtyas (2017) and Kua (2021), Wulansari (2015), and Amanda and Tasman (2019), who conducted research on sales growth and discovered that sales growth had a negative and significant effect on financial distress.

## THEORETICAL IMPLICATIONS

Several significant conclusions emerged from the study of the empirical research model. Overall, various research findings suggest the following theoretical consequences for profitability, liquidity, leverage, sales growth, and financial hardship. First, the findings of this study offer empirical evidence that profitability has no effect on a company's financial difficulty. Profitability is a measure of a company's ability to conduct its operations and a source of financing to meet its obligations. Even if the company's profitability is high, if it is not supported by good management, it will still face financial difficulties.

Second, the findings of this study add empirical evidence that liquidity has a detrimental impact on a company's financial difficulty. When a property and real estate company has a large amount of cash, receivables, and securities, liquidity is one of the most important criteria in predicting the likelihood of financial hardship. This condition enables the corporation to meet its short-term obligations to creditors. The company's ability to pay off its obligations keeps it from encountering financial difficulties.

Third, the findings of this study give empirical evidence that leverage has a favorable effect on financial distress. Leverage is one aspect that contributes to financial difficulty in property and real estate enterprises. The corporation's high leverage demonstrates the level of public trust in the company based on its profit-generating record. The company's capacity to attract substantial amounts of external money from investors helps it avoid financial trouble.

Fourth, the findings of this study offer empirical evidence that sales growth has a detrimental impact on financial distress. Sales growth is one of the elements that contribute to financial difficulties in property and real estate organizations. The quantity of sales made by the firm has little bearing on the likelihood of the company encountering financial trouble, because greater sales do not indicate improved profitability if the company cannot manage its expenses effectively.

## PRACTICAL IMPLICATIONS

Property and real estate companies listed on the Indonesian Stock Exchange can lessen the risk of financial hardship by lowering leverage, enhancing liquidity, and increasing sales growth. Liquidity demonstrates the company's ability to meet short-term obligations

with its present assets. High liquidity demonstrates that the corporation can manage its finances effectively by paying close attention to the mix of cash, cash equivalents, minimal inventory in a particular activity, and prepaid expenses. Companies that fail to control the availability of current assets in their operations will default on their short-term obligations, therefore the proportion of current asset items must be carefully monitored. When invoices are due, an excessive amount of goods cannot be instantly converted into money, resulting in a minimum inventory. Leverage indicates the use of debt in comparison to own capital; an increase in debt over the limit may cause the Company to face financial difficulties in meeting its financial responsibilities, both in terms of interest and principal payments for the use of debt. Sales growth represents an increase in a company's sales, indicating the company's potential to grow. Optimal sales indicate that the company is profitable, and when combined with optimal business management, they can keep the company out of financial trouble.

## CONCLUSION

Based on the discussion in the preceding chapter, the following are the results of testing the profitability, liquidity, leverage, and sales growth variables on financial distress in property and real estate businesses listed on the Indonesia Stock Exchange between 2017 and 2021. Profitability has no impact on financial distress. High profitability does not automatically minimize the risk of financial distress. Using firm income to pay off extra obligations will prevent the company from carrying out its operations. Optimal profitability, without competent business management, will keep the company in financial hardship or distress. Liquidity negatively impacts financial distress. These findings show that increasing company liquidity, as measured by the amount of current assets (cash, receivables, securities, and inventory) compared to current debt, can reduce the likelihood of financial difficulties for property and real estate companies listed on the Indonesia Stock Exchange between 2017 and 2021. Leverage helps alleviate financial distress. These findings suggest that high leverage due to external funding will increase the company's obligation to provide returns on the funding it obtains, resulting in profits being used up to meet the company's obligations and the emergence of financial distress in property and real estate companies, accessible on the Indonesian Stock Exchange for the year 2017-2021. Sales growth negatively impacts financial distress. These data suggest that a rise in corporate sales indicates that operations can operate smoothly compared to the previous year, allowing the company to make a profit, meet obligations, and avoid financial difficulties.

## REFERENCES

1. Agustini, N. W. and Wirawati, N. G. P. 2019. “Pengaruh Rasio Keuangan Pada Financial Distress Perusahaan Ritel Yang Terdaftar di Bursa Efek Indonesia (BEI)”. E-Jurnal Akuntansi Universitas Udayana. Vol. 26, No. 1, Januari 2019.
2. Akmalia, A. (2020). Pengaruh struktur modal, struktur aset and profitabilitas terhadap potensi terjadinya financial distress perusahaan (Studi pada perusahaan manufaktur sektor aneka industri yang terdaftar di Bursa Efek Indonesia periode 2014-2017). Business Management Analysis Journal (BMAJ), 3(1), 1-21.
3. Alexanders, & Miechael. (2017). Analisis Faktor-Faktor yang Mempengaruhi Kemungkinan terjadinya Financial Distress (Studi Pada Perusahaan Real Estate Yang Terdaftar Di Bursa Efek Indonesia Periode tahun 2011-2015). Jom FEKON, 4(2), 1–11.
4. Almilia, L. S., & Kristijadi. (2013). Analisis Rasio Keuangan Untuk Memprediksi Kondisi Financial Distress Perusahaan Manufaktur Yang Terdaftar di Bursa Efek Jakarta. JAAI, 7(2), 1410 1426.
5. Altman, E. I. (1968). Financial Ratio Discriminant, Analysis and The Prediction of Corporate Bankruptcy. Journal of Finance, 23(4), 586–609.
6. Amanda, Y., & Tasman, A. (2019). Pengaruh Likuiditas, Leverage, Sales Growth and Ukuran Perusahaan Terhadap Financial Distress Pada Perusahaan Manufaktur yang Terdaftar di Bursa Efek Indonesia (BEI) Periode 2015-2017. Analisis Prokrastinasi dalam

Mengerjakan Skripsi pada Mahasiswa Jurusan Pendidikan Ekonomi Angkatan 2015, Universitas Negeri Padang, 2(3), 453-462.
7. Andre, O., & Salma, T. (2013). Pengaruh Profitabilitas , Likuiditas , and Leverage Dalam 121 Memprediksi Financial Distress (Studi Empiris Pada Perusahaan Aneka Industri Yang Terdaftar Di BEI Tahun 2006-2010). Jurnal WRA, 2(1), 293–312.
8. Ariani, N. N. N., & S. G. M. (2017). Pengaruh Leverage, Profitabilitas, and Likuiditas Terhadap Keputusan Hedging Perusahaan Sektor Pertambangan Di Bursa Efek Indonesia. E-Jurnal Manajemen Universitas Udayana, 6(1), 347– 374.
9. Asfali, Imam. 2019. “Pengaruh Profitabilitas, Likuiditas, Leverage, Aktivitas, Pertumbuhann Penjualan Terhadap Financial Distress Perusahaan Kimia. Jurnal Ekonomi and Manajemen. Vol. 20, No. 2, Juni 2019.
10. Du, J., Wu, F., & Liang, X. (2016). Corporate Liquidity and Firm Value: Evidence from Chine’s Listed Firms. SHS Web Confrences, 24, 1–4.
11. Dianova, Agustina and Nahumury, J. 2019. “Menyelidiki Pengaruh Likuiditas, Leverage, Pertumbuhan Penjualan and Good Corporate Governance terhadap Financial Distress”. Jurnal of Accounting and Strategic Finance. Vol. 2, No. 2, November 2019, hlm. 143-156.
12. Fahmi, I. (2012). Pengantar Pasar Modal (Pertama). Bandung : Alfabeta.
13. Faizah, F. (2011). Penerapan Model Altman (Z-Score) Untuk Memprediksi Kebangkrutan Pada Industri Kayu Yang Terdaftar Di BEI Tahun 2002-2009. Jurnal Administrasi Bisnis (JAB), 2(1), 143–175.
14. Ghozali, I. (2018). Aplikasi Analisis Multivariate dengan Program IBM SPSS 21: Update PLS Regresi (Edisi Tujuh).
15. Gitman, L. J., & Zutter, C. J. (2012). Principles of Managerial Finance (13e ed.).
16. Boston: Pearson.
17. Hanafi, M. M. (2015). Manajemen Risiko.
18. Hanifah, Oktita, E., & Agus, P. (2013). Pengaruh Struktur Corporate Governance and Financial Indicator Terhadap Kondisi Financial Distress Perusahaan Manufaktur periode 2009-2011. Journal of Accounting, 2(2), 1.
19. Hidayat, Arif, M., & Meiranto, W. (2014). Prediksi Financial Distress Perusahaan Manufaktur di Indonesia. Diponegoro Journal of Accounting, 3(3), 1–11.
20. Higgins, & Robert, C. (2014). Analysis for Financial Management (Seventh).
21. McGraw-Hill. Singapore.
22. Hutauruk, M. R., Mansyur, M., Rinaldi, M., & Situru, Y. R. (2021). Financial Distress Pada Perusahaan Yang Terdaftar Di Bursa Efek Indonesia. Jurnal Perbankan Syariah, 2(2), 237–246.
23. Jaisheela, B. (2015). A Study of financial health of leasing companies: Z score analysis. Journal of Business Administration and Management Sciences Research, 4(1), 16–19.
24. Jiming, L., & Weiwei, D. (2011). An Empirical Study on the Corporate Financial Distress Prediction Based on Logistic Model Evidence from China’s Manufacturing Industry. International Journal of Digital Content Technology, 5(6), 126–134.
25. Kasmir. (2012). Analisis Laporan Keuangan (Kesebelas). Jakarta : PT Raja Grafindo Persada.
26. Keown, A. J. (2010). Dasar - Dasar Manajemen Keuangan. Jakarta : Salemba Empat.
27. Kieso, D. E., Weygandt, J. J., & Warfield, T. D. (2011). Intermediate Accounting
28. (1 IFRS). United States of America: Wiley.
29. Komala, Felicia and Yustina, T. 2019. “Analisis Rasio Keuangan Terhadap Financial Distress Dengan Struktur Kepemilikan Sebagai Variabel Moderasi”. Jurnal Akuntansi Keuangan. Vol. 8, No, 2, Agustus, 2019.
30. Kumalasari, R. D., Hadiwidjojo, D., & Indrawati, N. K. (2014). The Effect of Fundamental Variables and Macro Variables on the Probability of Companies to Suffer Financial Distress: A Study on textile Companies Registered in BEI. European Journal of Business and Management, 6(34), 275–284.
31. Liana, Deny, & Sutrisno. (2014). Analisis Rasio Keuangan Untuk Memprediksi Kondisi Financial Distress Perusahaan Manufaktur. Jurnal Studi Manajemen and Bisnis, 1(2), 25–35.

32. Lutfidya, L. (2022). Pengaruh Likuiditas, Solvabilitas, and Profitabilitas Terhadap Financial Distress Dimoderasi Dengan Ukuran Perusahaan (Doctoral dissertation, Universitas Muhammadiyah Surakarta).
33. Megawati, I. A. P., & Wiagustini, N. L. P. (2016). Determinasi Keputusan Hedging Pada Perusahaan Manufaktur di Bursa Efek Indonesia. E- Jurnal Ekonomi and Bisnis Universitas Udayana, 5(10), 3391–3418.
34. Munawir. (2009). Analisis Laporan Keuangan. Yogyakarta: Liberty.
35. Novitasari, D. (2023). Pengaruh operating capacity, sales growth, and arus kas operasi terhadap financial distress. Jurnal Aplikasi Bisnis and Manajemen (JABM), 9(2), 583-583.
36. Pranowo, K., Achsani, N. A., H.Manurung, A., & Nuryartono, N. (2010). Determinant of Corporate Financial Distress in an Emerging Market Economy: Empirical Evidence from the Indonesian Stock Exchange 2004- 2008. International Research Journal of Finance and Economics, 2(52), 81– 90.
37. Rahardjo, B. (2009). Analisis Fundamental Laporan Keuangan. Jakarta : Gramedia.
38. Rahma, A. (2020). Analisis Pengaruh Profitabilitas, Leverage and Likuiditas terhadap Financial Distress. JABI (Jurnal Akuntansi Berkelanjutan Indonesia), 3(3), 253-266.
39. Rudianto. (2013). Akuntansi Manajemen, Informasi Untuk Pengambilan Keputusan Strategis. Jakarta: Erlangga.
40. Safitri, E., & Fitantina. (2016). Analisis Prediksi Kebangkrutan pada Perusahaan yang Ter- Delisting dari Bursa Efek Indonesia (BEI). Jurnal Ilmiah STIP MDP, 6(2), 12–22.
41. Sartono, A. (2014). Manajemen Keuangan Teori and Aplikasi (Edisi Empat). Sawir, & Agnes. (2009). Analisa Kinerja Keuangan and Perencanaan Keuangan
42. Perusahaan. Jakarta: PT Gramedia Pustaka Utama.
43. Simanjutak, C., Farida, T., & Aminah, W. (2017). Pengaruh Rasio Keuangan Terhadap Financial Distress (Studi Pada Perusahaan Transportasi Yang Terdaftar Di Bursa Efek Indonesia Periode 2011 - 2015). E-Proceeding of Management, 4(2), 1580–1587.
44. Sutra, F. M., & Mais, R. G. (2019). Faktor-Faktor Yang Mempengaruhi Financial Distress Dengan Pendekatan Altman Z-Score Pada Perusahaan Pertambangan Yang Terdaftar Di Bursa Efek Indonesia Tahun 2015-2017. J. Akuntans and Manajemen, 16(1), 35–72.
45. Swastha, B. D. (2012). Manajemen Penjualan (3rd ed.). Yogyakarta: BPFE Yogyakarta.
46. Taufiqurokhman. (2016). Manajemen Stratejik (Ipank (ed.)). Fakultas Ilmu Sosial and Ilmu Politik Universitas Prof. Dr. Moestopo Beragama.
47. Triwahyuningtias, M., & Muharam, H. (2012). Pengaruh Struktur Kepemilikan, Ukuran Dewan, Komisaris Independen, Likuiditas and Leverage Terhadap terjadinya Kondisi Finacial Distress (Studi Pada Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia Tahun 2008-2010). Diponegoro Journal of Management, 1(1), 1–14.
48. Ummah, L., & Nareswari, A. A. (2021). Financial Distress, Sebelum and Saat Terjadinya Pandemi Covid-19: Literature Review. Master of Management Science Program, Department of Management, Faculty of Economics and Business, Airlangga University.
49. Widarno, B., & Irawan, R. (2021). Financial distress: Apakah dipengaruhi pertumbuhan penjualan, kebijakan investasi and kebijakan pendanaan?. ASSET: Jurnal Manajemen and Bisnis, 4(2).
50. Widhiari, Ayu, N. L. M., & Merkusiwati, N. K. L. A. (2015). Pengaruh Rasio Likuiditas, Leverage, Operating Capacity, and Sales Growth terhadap Financial Distress. E-Jurnal Akuntansi Universitas Udayana, 11(2), 456–469.
51. Wulandari, E. W., & Jaeni, J. (2021). Faktor-Faktor Yang Mempengaruhi Financial Distress. Jurnal Ilmiah Universitas Batanghari Jambi, 21(2), 734-742.
52. Wulansari, A. P. (2015). Pengaruh Aktivitas, Leverage and Pertumbuhan Perusahaan Dalam Memprediksi Financial Distress (Studi Empiris Perusahaan Manufaktur Yang Terdaftar Di BEI Tahun 2013-2015). Jurnal Ilmiah Riset Akuntansi, 6(4), 136-146.
53. Yustika, Y. (2015). Pengaruh Likuiditas, Leverage, Profitabilitas, Operating Capacity and Biaya Agensi Manajerial Terhadap Financial Distress. Jom FEKON, 2(2), 1–15.
54. Zhafirah, Anindya and Majidah. 2019. “Analisis Determinan Financial Distress (Studi Empiris Pada Perusahaan Subsektor Tekstil and Garmen Periode 2013- 2017)”. Jurnal Riset Akuntansi and Keuangan. Vol. 7, No. 1, 2019, hlm. 195-202.