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The Effect of Leverage, Operating Capacity, Liquidity, Sales Growth, and Firm Size on Financial Distress of Non-Cyclicals Companies Listed on the Indonesia Stock Exchange for The Period of 2020-2023

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A B S T R A C T

The Covid-19 pandemic not only affects the decrease in leverage of a business entity but also increases the risk of financial distress, potentially leading to bankruptcy. The potential for financial distress caused by declining demand and operational disruptions. However, amidst these conditions, there are sectors that can demonstrate better resilience to financial distress pressures. This study examines the determinants of financial distress in non-cyclical consumer sector companies in Indonesia through the application of leverage, operating capacity, liquidity, sales growth, and firm size variables. The research was conducted on non-cyclical consumer sector companies listed on the IDX from 2020 to 2023, totaling 35 companies. Data processing was carried out using SPSS 26 software. This study reveals that leverage affects financial distress, operating capacity affects financial distress, liquidity does not affect financial distress, sales growth does not affect financial distress, and firm size does not affect financial distress.

INTRODUCTION

The Covid-19 pandemic not only affects the decrease in leverage of a business entity but also increases the risk of financial distress, potentially leading to bankruptcy. The unstable economic conditions in Indonesia can have a significant impact on both large and small companies in the country (Fitri et al., 2024). The non-cyclical consumer sector is a sector that is highly needed by society on a daily basis, in line with the increasing population growth in Indonesia, and it can provide significant and profitable prospects both now and in the future (Muntahanah et al., 2021). Processed food companies are one of the sectors that continue to experience a narrowing in operating margins after the pandemic (ANTARA, 2020).

According to information from Statistics Indonesia (BPS), Indonesia's economic growth experienced a decrease of 2.07% in 2020 (Statistik, 2021). In the second quarter of 2020, the GDP contracted by 5.32% in relation to the same quarter of the previous year (Badan Pusat Statistik, 2020). In addition, the household consumption sector decreased by 5.52% in the second quarter of 2020 and decreased by 4.04% in the third quarter of 2020 (Badan Pusat Statistik, 2020). The food and beverage sector experienced the largest decline in revenue with a sales decline of 92.47% (Hurriyaturrohman et al., 2022).

The phenomenon of financial distress occurs firms within the consumer non-cyclicals industry. The company PT Buyung Poetra Sembada Tbk (HOKI) experienced a difficult period with a decrease in revenue. In 2020, HOKI's revenue decreased by 63.33%, in 2021 it decreased by 67.05%, and in 2022 the decrease in revenue was even greater, namely 99.28%. In the second quarter of 2020, HOKI recorded sales of IDR 305 billion, a decline of 33.7% in comparison to the same period the previous year, where in the second quarter of 2019, HOKI's sales reached IDR 461 billion. Furthermore, another company that is experiencing difficult financial conditions is PT Tiga Pilar Sejahtera (AISA) which recorded a decrease in annual sales of 25% in 2020, and a decrease of 10% in 2021. Research Syuhada et al., (2020) financial distress is a period of depreciation in the financial situation before the company experiences bankruptcy or liquidation. This reflects a precarious situation in which companies are facing financial problems that can hinder their ability to carry out their financial obligations in a timely manner. However, there are also companies that choose the option of stopping their operations (Niara et al., 2019). Other common issues include breaches of debt agreements, difficulties in obtaining conventional financing, equity capital restrictions, and excessive use of leverage (Yuliani et al., 2021).

Some of the factors that can increase the sector's resilience to financial distress include operational efficiency to ensure a healthy cost structure, diversification of revenue sources to reduce dependence on one line of business, and good financial governance to detect potential risks early (Octisari et al., 2022). The likelihood of financial distress is reduced when a company can effectively meet its short-term obligations. Additionally, a higher ratio of current assets to current liabilities indicates a greater capacity for the company to fulfill its current obligations (Candrayani et al., 2024). In addition, access to alternative capital, adaptability to

changing market needs, and stable demand resilience, such as in the basic needs sector, are also important elements that support operational sustainability amid financial pressures (Sari et al., 2023).

Several factors may influence financial distress, that is leverage, operating capacity, liquidity, sales growth, and firm size. Leverage is a measurement mechanism applied as a measure a company's capacity to fulfill its debt responsibilities (Octisari et al., 2022). Research Aundrey et al.,(2023), Suryani et al., (2020), Chrissentia et al., (2018), claims that leverage has an effect on financial distress. Different from research Inayah et al., (2021), Stephanie et al., (2020.) that leverage has no impact on financial distress.

The operating capacity ratio is used to evaluate how effectively and efficiently a business entity utilizes its assets to generate sales Pertiwi et al.,(2022). Research Santika et al., (2023), Suleha et al., (2022) revealed that operating capacity influences financial distress. Different from research Sugiana et al., (2023), Ramadhani et al., (2019) operating capacity does not impact financial distress.

According to Pertiwi et al.,(2022) the liquidity ratio reflects the extent to which a business is able to settle short-term liabilities. This study is supported by Chrissentia et al., (2018), ismiyatun et al., (2021). Reveals that liquidity has an impact on financial difficulties. Different from Marfungatun (2017), Rahayu et al., (2017) Liquidity has no effect on financial distress.

Zatira et al., (2022) revealed sales growth describes the extent to which the company has successfully utilized investments made in the previous period and has the ability to be used as an indicator for the company's future development projections. Research pratiwi et al.,(2016), Salim et al., (2020) stated that sales growth has an effect on financial distress. Different the research Sholikha et al., (2024), Azari et al., (2023) sales growth does not affect financial distress.

Next is the fifth factor that can influence financial distress, which is firm size. The firm size of a company reflects the scale and scope of operations as well as the responsibilities borne by an organization (Salim et al., 2020). Reseacrh Salim et al.,(2020), Suleha et al., (2022) which states that firm size affects financial distress. Meanwhile, the research Putri et al., (2020) stating that firm size does not influence financial distress.

This research is a development of the previous study (Merkusiwati, 2015). Previous research focused on the manufacturing sector in general, while this research specifically targets companies in the consumer non-cyclicals sector. This study utilizes data from the 2020-2023 period, covering the time frame of the COVID-19 pandemic. This study also adds the variable firm size, because larger companies tend to have more resources to manage financial risks, but are also vulnerable to operational difficulties due to higher complexity (Cahya et al., 2023). Therefore, firm size can affect a company's ability to avoid financial distress **(Aundrey et al., 2023)**.

LITERATURE REVIEW

AGENCY THEORY

Based on agency theory, the principal and the agent often have conflicting goals, which creates the potential for conflict (Nuryanti et al., 2023). Conflict between the party acting as an agent and the party being represented arises due to differing interests among the various parties involved, namely the principal or investor and the agent or representative. The agency relationship does not become an issue if both parties have aligned targets, in this aspect maximizing the company's profits. Financial distress should be a shared agenda for management and the principal to avoid because both do not want a decrease in profits (Nuryanti et al., 2023). Agency theory reveals how the mismatch between the interests of owners and managers can affect financial decisions that have a direct impact on the possibility of experiencing financial distress. (Octisari et al., 2022). Therefore, information misalignment and agency conflict are closely related to the study of corporate financial distress.

Agency theory highlights how decisions taken by managers, such as excessive use of debt, management of operational capacity, or imprudent growth strategies, It can deteriorate the company's financial condition (Oktaviani et al., 2022). In this context, the liquidity of the company shows the financial position and ability to fund operations, pay off debt and meet short-term obligations, so as to minimize conflicts between managers and owners regarding financial management (Zatira et al., 2022). Although company size offers more resources to deal with financial challenges, stability cannot be guaranteed if managers fail to manage risks wisely and make decisions that are in the long-term interest of the company (Octisari et al., 2022).

Financial distress

Financial distress occurs when cash flow from the business is inadequate to service short-term debt, forcing the company to take corrective measures (Firdausi et al., 2023). This situation indicates that the company is facing financial difficulties and is facing a crisis situation. So that the development of a financial distress system is important, because by detecting this condition early on, preventive measures can be taken to avoid the risk of bankruptcy. We can evaluate a company's financial health by analyzing its current financial statements. (Dewi et al.,2019).

Leverage

According to suryani (2020) the leverage ratio is employed to evaluate a company's capacity to fulfill its long-term obligations. High leverage can increase financial risk. This is due to the increase in interest costs borne by the company. Putri et al., (2020) stated that if a company has high debt, creditors also have the right to know and supervise the company's operations. This is done by creditors to protect their funds from unfavorable management actions through the proposed credit terms.

Operating Capacity

Operating capacity is a ratio used to identify the extent to which a business can achieve sales by utilizing its resources. Operational capacity projected through total asset turnover can illustrate the effective use of assets to increase the amount of sales (Handayani et al.,2019).

Liquidity

Liquidity refers to the company's capacity to resolve all of its outstanding debts. This means that the company has the ability to pay its debts, especially those that are due, if collected (Zatira et al., 2022).

Sales growth

Sales growth according to Rousilita Suhendah et al.,(2020) This ratio reflects a company's performance in comparison to its sales each year. The faster the rate of sales volume of a business entity, the better the performance of the business entity implementing its strategy for sales.

Firm Size

Firm size can be defined as the scale of how big a company is based on its assets, sales, and market capacity (Cahya et al., 2023). A company's total assets tend to remain stable from one year to the next (Gaos et al., 2021).

Leverage effect on financial distress

Leverage refers to the use of debt by an entity to finance operations and investments. The leverage ratio, which is often calculated through the debt ratio, reflects the ratio between the total liabilities and total assets of the company (Nuryanti et al., 2023). From an agency theory perspective, leverage serves as a control mechanism that can reduce conflicts of interest between principals and agents (Suheny et al., 2019). Reseacrh Audina et al., (2019) debt creates external pressure that encourages management to improve efficiency and ensure optimal management of company resources, given the company's obligation to pay interest and principal to creditors. Reseacrh Aundrey et al.,(2023), Chrissentia et al., (2018), Suryani et al., (2020) revealed that leverage affects financial distress.

H1 : Leverage affects financial distress in non-cyclical consumer sector companies on the main board listed on the IDX from 2020-2023.

The effect of operating capacity on financial distress

Octisari, et al., (2022) said operating capacity or activity comparison is an efficiency ratio where it is applied to evaluate how far the company is capable of optimally utilize its assets in generating sales, so that it can accurately reflect the company's operational performance. Pertiwi et al., (2022) states that agency conflicts occur when managers, as agents, do not fully act in the interests of the owner, so that the decisions taken are not always optimal in managing assets and increasing sales. The inability of managers to manage assets efficiently can increase the risk of financial distress, which reflects the failure of managers to fulfill their responsibilities to principals. Research Santika et al., (2023), Suleha et al., (2022), Octisari et al., (2022) revealed that operating capacity has an effect on financial distress.

H2 : Operating capacity affects financial distress in non-cyclical consumer sector companies on the main board listed on the IDX from 2020-2023.

The effect of liquidity on financial distress

If the company is too dependent on borrowed funds, this can lead to an increase in future liabilities which in turn makes a business entity vulnerable to financial distress (Dewi et al., 2019). Current ratio (CR) is the liquidity ratio applied in this study. More specifically, The current ratio (CR) represents the proportion of a company's available current assets to its current liabilitie (Pertiwi et al. 2022). Excessive reliance on debt may reflect a lack of prudent asset and liability management by managers, thereby reducing the company's capacity to fulfill its short-term liabilities, as indicated by the Current Ratio (CR) (Akbar et al., 2024). Research Chrissentia et al., (2018), Ismiyatun et al., (2021) revealed that liquidity affects financial distress.

H3 : Liquidity affects financial distress in non-cyclical consumer sector companies on the main board listed on the IDX from 2020-2023.

The effect of sales growth on financial distress

Sales growth is used as a measure to evaluate the success of investments made in the previous year (Handayani et al., 2019). It is also useful for predicting the future performance of the company. An increase in sales over a specific period indicates that the company's revenue is growing. This situation sends a positive signal to investors and creditors, as strong sales growth usually leads to an increase in sales assets and profits (Zatira et al., 2022). Research pratiwi et al.,(2016), Susanto Salim et al., (2020) stated that sales growth impact to financial distress.

H4 : Sales growth affects financial distress in non-cyclical consumer sector companies on the main board listed on the IDX from 2020-2023.

The effect of Firm size on financial distress

Firm size of a business entity reflects the scale and scope of operations and responsibilities shouldered by an organization (Salim et al., 2020). A company's size can be evaluated according to several indicators, such as total revenue, total assets, or average revenue earned (Sitompul et al., 2023). The financial condition of the company can often be measured by the size of the organization, larger companies can face more complex agency conflicts between managers and owners because they can control a larger number of assets and are more stable (Salim et al., 2020). Research Salim et al.,(2020), Suleha et al., (2022) states that firm size affects financial distress.

H5 : Firm size affects financial distress in non-cyclical consumer sector companies on the main board listed on the IDX from 2020-2023.

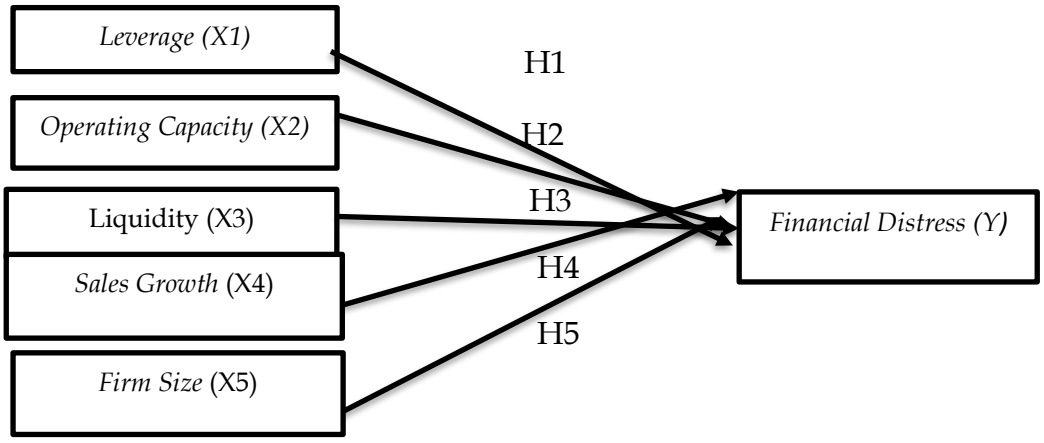

Figure 1. Conceptual Framework

METHODOLOGY

The study's population comprises 41 companies in the consumer non-cyclicals sector that are listed on the IDX. Through the use of purposive sampling method, 35 companies were determined to be the study observation units with the conditions as listed below: (1) Companies functioning on the main board of the consumer non-cyclicals sector listed on the Indonesia Stock Exchange (IDX) from 2020 to 2023. (2) Companies that routinely publish audited financial reports with sufficient completeness during the observation period 2020-2023. (3) Companies that report their financial statements in rupiah (Rp)

Table 1: Variable Measurement:

No	Variabel	Description	Formula	
1	Financial distress	Financial distress is linked to a deterioration in a company's financial health prior to the liquidation process, signifying that the company is in a precarious position and is at risk of bankruptcy or failure. (Dewi et al., 2019)	Z′ = 1,200 Z1 + 1,400 Z2 + 3,300 Z3 + 0,600 Z4 + 1,000 Z5 (Altman Z-Score)	
			Z-Score Asli	
			Z= 1.2X Working capital / Total asset +1,4 X Retained earning / total asset + 3,3 X EBIT / Total asset + 0,6 X Market value of equity/ Book value of debt + 0,1 X Sales / Total asset Using dummy variables, with measurement = 1 (one) if the company is experiencing financial distress 0 (zero) if the company is not experiencing financial distress	
			Score	condition
			>2,99	Not bankrupt
			1,81 – 2,99	Gray Area

			<1,81	Bankrupt
			Sumber = (Imam Ghozali, 2018)	
2.	Leverage	High leverage can increase the company's potential inability to pay debts, which can disrupt smooth operations and lead to a bad financial situation or financial distress. (Dewi et al., 2019)	$\text{DAR} = \frac{\text{Total debt}}{\text{Total Assets}}$ (Husna et al ., 2019)	
3	Operating Capacity	Operating capacity is a comparison that shows how far the company utilizes existing assets to carry out its activities with the aim of achieving optimal output (Santika., 2023)	$\text{ROA} = \frac{\text{Net profit}}{\text{Total assets}}$ (Aundrey., 2023)	
4.	Liquidity	Liquidity refers to the ability of an entity to settle short-term debts through the utilization of available current assets. (Candrayani et al., 2024)	$\text{Liquidity} = \frac{\text{Current Ratio}}{\text{Current LIabilities}}\ 100\%$ (Muntahanah et al., 2021)	
5.	Sales growth	Sales growth is a ratio to assess and provide an overview of the growth of a company's revenue through sales by paying attention to the growth rate (Susanto Salim et al., 2020).	Sales growth = $\frac{\text{Sales year x} - \text{Sales year x1}}{\text{Sales year x1}}$ (Susanto Salim et al., 2020)	
6.	Firm size	The size of a company is evaluated according to the total assets it possesses at the end of the year (Gaos et al., 2021)	Firm size = Ln (Total Assets) (Gaos et al.,2021)	

RESEARCH RESULT

Uji Deskriptive Statistics

The statistical test results show descriptive statistics from a total of 35 companies that became the research sample, as presented in the table:

Table 1 : Descriptive Statistics Test

	Descriptive Statistic			
	N	**Minimum**	**Maximum**	**Mean**	**Std. Deviati**
Leverage	103	0.09	0.96	0.4452	0.21237
Operating Capacity	103	0.15	3.12	1.0254	0.62794
Likuiditas	103	0.37	4.90	2.0501	1.17659
Sales growth	103	-0.34	0.90	0.1113	0.18532
Firm size	103	27.42	32.83	29.9367	1.38180
Financial distress	103	0.00	1.00	0.7379	0.44195
Valid N (listwise)	103				

Source : Secondary data is processed using spss 26, 2024

Based on Table 1, the leverage variable has a minimum value of 0.09 at PT Perkebunan London Sumatra Indonesia Tbk (2023) and a maximum of 0.96 at PT Matahari Putra Prima Tbk (2022). The operating capacity variable has a minimum value of 0.15 at PT Eagle High Plantations Tbk (2020) and a maximum of 3.12 at PT Sumber Alfaria Trijaya Tbk (2023). The liquidity variable has a minimum value of 0.37 at PT Eagle High Plantations Tbk (2023) and a maximum of 4.90 at PT BISI International Tbk (2023). The sales growth variable recorded a minimum value of -0.34 at PT Delta Djakarta Tbk (2020) and a maximum of 0.90 at PT Prima Alloy Steel Universal Tbk (2021). Meanwhile, the firm size variable has a minimum value of 27.42 at PT Buyung Poetra Sembada Tbk (2022) and a maximum of 32.83 at PT Indofood Sukses Makmur Tbk (2022).

BINARY LOGISTIC REGRESSION TEST

Frequency Distribution

Frequency distribution analysis is important for identifying data patterns such as normal distribution or certain trends that can help in decision making (Rinsaghi et al., 2024). Based on the frequency distribution test, the descriptive statistical results of the total research sample of 103.

Table 2. Frequency Distribution Test Results

Financial distress

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Financial distress	27	26.2	26.2	26.2
	Non Financial distress	76	73.8	73.8	100.0
	Total	103	100.0	100.0	

Source : Secondary data is processed using spss 26, 2024

The data in table 2 is categorized based on the modified Altman model, showing that there are 2 categories out of 103 companies analyzed. This category has 27 companies (27%) in financial distress, 76 companies (76%) in healthy condition (non financial distress).

Regression Model Feasibility

Testing the null hypothesis that the empirical data aligns with the model (indicating no difference between the model and the data, thus deeming the model as fit). If the statistic from Hosmer and Lemeshow's Goodness of Fit Test is equal to or less than 0.05, the null hypothesis is rejected, signifying a significant difference between the model and the observed values. This suggests that the model's goodness of fit is poor, as it fails to accurately predict the observed values (Imam Ghozali, 2016).

Table 3, Regression model feasibility test results

Hosmer and Lemeshow Test

Step	Chi-square	df	Sig.
1	.482	8	1.000

Source : Secondary data is processed using spss 26, 2024

The data in table 3 has a significance level of 1.000. Because the significance level in the Hosmer and Lemeshow Test is much higher than 0.05, the goodness of fit can be said to be good, and the regression model can be accepted (Santika, 2023). This indicates that the model is capable of effectively estimating the observed values.

Overall Model fit test

Assessing the overall model fit is indicated by the Log likehood value, namely by comparing the -2Log Likehood value when the model only includes a constant with a value of -2Log Likehood (Block number = 0) with when the model includes a constant and independent variable -2Log Likehood (Blocknumber = 1). If the -2Log Likehood (Block Number = 0) value is greater than the -2Log Likehood (Block Number = 1) value. Therefore, the overall model exhibits a strong regression model. A reduction in the log likelihood suggests an improved model (Antikasari et al., 2017).

Table 4. Overall model fit test results

Iteration History[a,b,c]

Iteration		-2 Log likelihood	Coefficients Constant
Step 0	1	118.648	.951
	2	118.508	1.033
	3	118.508	1.035
	4	118.508	1.035

Source : Secondary data is processed using spss 26, 2024

Based on the data in table 4, the -2Log Likelihood value at block number = 0 is 118.648, while at block number = 1, the value is 118.508. Therefore, the overall regression model can be considered feasible because there is a decrease in the -2Log Likelihood value in block number 1.

Coefficient of Determination (R2)

The coefficient of determination is utilized to evaluate how well the independent variable accounts for the variability in the dependent variable (Antikasari et al., 2017).

Table 5. Coefficient of determination test results

Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	19.926[a]	.616	.901

Source : Secondary data is processed using spss 26, 2024

In table 5, the Nagelkerke R Square value In accordance with the results of SPSS output is 0.901, which means that 90% of companies experiencing financial distress are influenced by independent variables, namely leverage, operating capacity, liquidity, sales growth, and firm size.

Matriks Kualifikasi

The qualification matrix will demonstrate the accuracy of the regression model for forecasting the probability of a company experiencing financial distress (Antikasari et al., 2017).

Table 6, Qualification Matrix Results

			Predicted		
			Financial distress		Percentage Correct
	Observed		.00	1.00	
Step 1	Financial distress	.00	25	2	92.6
		1.00	1	75	98.7
	Overall Percentage				97.1

Source : Secondary data is processed using spss 26, 2024

Based on Table 6 of the overall classification results, the percentage of accuracy for companies in FD (financial distress) and NFD (non-financial distress) conditions has the same prediction rate, which is 92.6%. This means that 25 observations are predicted correctly, while only 1 observation is predicted otherwise.

Logistic Regression Equation

The logistic regression equation reflects the constant value as well as the level of significance, this study uses The dependent variable represented as a dummy. variable, which is categorized as 0 (zero) and 1 (one), and analyzed using binary logit regression (Septiani et al., 2021). The logistic regression equation table provides information on whether the hypothesis is accepted or rejected. A variable is considered statistically significant when its p-value is below 0.05, The hypothesis is rejected if the p-value of the variable is greater than 0.05 (Fadlillah et al, 2019).

Table 7, Results of logistic regression equation

Variables in the Equation

		B	Sig.	
Step 1[a]	Leverage	-26.182	.007	accepted
	Operating Capacity	9.522	.006	accepted
	Likuiditas	26.182	.110	rejected
	Sales growth	.959	.817	rejected
	Firm Size	-.766	.198	rejected
	Constant	32.881	.088	

Source : Secondary data is processed using spss 26, 2024

DISCUSSION

The impact of leverage on financial distress conditions in non-cyclical consumer sector companies.

The results of the first hypothesis test leverage has a significance of 0.007 which means it is below 0.05, so the first hypothesis is accepted. It can be concluded that leverage affects financial distress. this research is consistent with Suryani et al., (2020), Firdausi (2023), Aundrey et al.,(2023), Suryani et al., (2020), Chrissentia et al., (2018), that leverage affects financial distress. High leverage increases the risk of financial distress, because managers tend to make risk decisions to fulfill debt obligations, even though this may harm future company owners. A decrease in leverage directly affects financial distress due to economic uncertainty due to covid-19 in the period 2020 - 2023, reflecting the weakening of the company's capabilities when handling financial management resources and fulfilling its financial obligations.

The impact of operating capacity on financial distress conditions in non cyclicals consumer sector companies

Based on testing reveals that the significance value is 0.006. Which means it is smaller than 0.05, so the second hypothesis is accepted. It can be concluded that operating capacity affects financial distress. This research is consistent with lisiantara et al., (2018), Santika et al., (2023), Suleha et al., (2022) which states that operating capacity affects financial distress. This shows that the high level of company sales by utilizing the assets owned Improvements in the company's operational activities may decrease the likelihood of the company facing financial distress. In the context of agency theory, effective utilization of company assets to increase sales reflects the efforts of managers (agents) to manage resources efficiently, which in turn can reduce agency costs and improve company performance. The ability of non cyclical consumer sector companies to utilize their assets effectively to generate sales can reduce the extent of the company's financial distress.

The impact of liquidity on financial distress conditions in non-cyclicals consumer sector companies

Based on testing reveals that the significance value is 0.110. Which means it is greater than 0.05, so the third hypothesis is rejected. Based on the findings, it can be inferred that liquidity has no effect on financial distress. this research is consistent with Oktaviani et al., (2022), Marfungatun (2017), Rahayu et al., (2017) He revealed that liquidity does not influence on financial distress. Liquidity that is sufficient to meet short-term obligations is important, but if the company remains in financial distress and is unable to manage long-term debt, operating costs, even with successful revenue generation, the company's financial condition could still deteriorate. In other words, even if liquidity seems adequate,

imbalances in the management of other factors such as long-term debt and costs can cause the company to be trapped in financial distress.

The impact of sales growth on financial distress conditions in non-cyclical consumer sector companies.

Based on testing reveals that the significance value is 0.817. Which means greater than 0.05, the fourth hypothesis is rejected. It can be inferred that sales growth does not influence on financial distress. This research is consistent with Oktaviani et al., (2022), Sholikha et al., (2024), Azari et al.(2023) which shows sales growth does not influence on financial distress. Company growth as seen from sales growth cannot be the main reference for measuring company financial distress. The increase in profits caused by sales growth does not always prevent the company from the risk of financial distress because if the company's operational activities are large, the funds used to finance operational activities are also large so that the profit earned by the company will be used to cover operational costs. Ineffective management policies, such as errors in marketing or product distribution, can also contribute to a decline in sales. This decline in sales, if not managed properly, could exacerbate the company's financial situation and increase the risk of financial distress.

The impact of firm size on financial distress conditions in non-cyclical consumer sector companies.

Based on testing reveals that the significance value is 0.198. Which means greater than 0.05, the fifth hypothesis is rejected. It can be concluded that firm size has no effect on financial distress. This research is consistent with Heliani et al., (2022), Putri et al., (2020) suggests that firm size has no effect on the emergence of financial distress. The size of a company does not play a significant role in the emergence of financial distress, regardless of whether the company is large or small. Although large companies have more assets, this does not guarantee financial stability, especially in the face of crisis situations such as the Covid-19 pandemic. In fact, large companies that have a high debt structure or are unable to manage assets efficiently are more vulnerable to financial distress. In contrast, small companies, despite having limited resources, can be more flexible in adjusting operations and strategies to survive.

CONCLUSIONS AND RECOMMENDATIONS

From the results of the analysis as has been done, so that a number of conclusions can be drawn: Leverage affects financial distress, operating capacity influences financial distress, while liquidity, sales growth, and firm size do not have an impact on financial distress. Economic uncertainty arising from the COVID-19 pandemic during the 2020-2023 period has affected various sectors, both nationally and globally. The pandemic has resulted in the disruption of economic activity, a decrease in people's purchasing power, and market instability, which overall slowed economic growth. As a result, companies and individuals face high uncertainty regarding their financial and investment prospects during the period. The findings point to the need for companies to

focus on improving financial and operational strategies to enhance stability and investor confidence.

ADVANCED RESEARCH

This study is confined to the proportion Of firms in the consumer non-cyclicals sector registered on the IDX during the 2020-2023 period. Future studies are advised to expand coverage by covering other sectors or extending the study period, so as to obtain more comprehensive knowledge regarding aspects that can affect financial distress. In addition, adding other relevant variables can provide a deeper perspective on financial distress.

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