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Cash Flow, Sales Growth, Firm Size and Solvability on Financial Distress

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ABSTRACT

This study is intended to analyze the influence of cash flow, sales growth, firm size, and solvency on financial distress in companies in the consumer cyclical sector listed on the Indonesia Stock Exchange during the 2022–2024 period. The approach applied is quantitative, using secondary data from the financial statements of these companies. The selected sample includes 82 companies. The condition of financial distress is measured using the Zmijewski model and tested using multiple linear regression techniques. The research findings indicate that, partially, cash flow has a significant negative effect on financial distress, while sales growth has a significant positive effect, and firm size and solvency do not show an effect on financial distress. Furthermore, overall (simultaneously), these four independent variables affect financial distress

INTRODUCTION

Globalization has brought significant challenges to the modern business world, including in Indonesia. Changes in unstable global economic conditions impact company activities and national economic growth. Increasing competition pushes companies to strengthen their fundamental management to maintain financial performance and economic stability, both locally and internationally. Companies with good adaptation abilities and business strategies can survive and grow, while companies that fail to adapt risk experiencing financial distress or even bankruptcy. One of the sectors most affected by changes in global economic dynamics is the consumer cyclical sector, which includes the automotive, hospitality, tourism, textile, and retail industries. This sector is very sensitive to changes in economic conditions because the level of public consumption of products and services produced depends on purchasing power and consumer confidence. When the economy grows, this sector develops rapidly, but during an economic slowdown, a decline in income and profits of companies in this sector is unavoidable (Apriliake, Desyana, and Astarani 2024).

This condition is seen from the movement of stocks in the non-essential consumer goods sector, or consumer cyclical, which has weakened since the beginning of the year. Based on Stock Exchange Statistics data as of Monday (May 19, 2025), the sector index recorded a year-to-date (YTD) decline of 11.09%, unlike the Composite Stock Price Index

(IHSG) which actually grew positively by 0.86% YTD. Kiwoom Securities Indonesia analyst, Abdul Azis Setyo Wibowo, explained that weak public purchasing power is one of the main factors pressuring the performance of the non-essential consumer goods sector, especially since this sector is dominated by retail issuers (Kontan.co.id 2025). Quoted from Kompas.id, Sarman Simanjanrang, Deputy Chairman of the Indonesian Chamber of Commerce and Industry (KADIN) responsible for Regional Development. This condition is reflected in the declining level of public confidence in the national economy. The weakening purchasing power is also evident from the decrease in wholesale car sales in August 2025, which dropped by around 19 percent compared to the same period the previous year. Furthermore, the tourism sector, such as hotels, restaurants, cafes, culinary centers, and tourist destinations, also experienced a decline in visitor numbers (Primantoro 2025).

Based on an initial calculation of the financial distress formula using the Zmijewski method conducted by researchers on the consumer cyclical sector listed on the Indonesia Stock Exchange from 2022 to 2024 randomly, it was found that nine companies have the potential to go bankrupt with criteria values if $X > 0$ = company has the potential to go bankrupt, while $X < 0$ = company does not have the potential to go bankrupt. The following companies potentially face financial distress or even bankruptcy.

Table 1. Companies with Potential to go Bankrupt 2022-2024

No	Code	Company Name	X Score		
			2022	2023	2024
1	ABBA	Mahaka Media Tbk.	1.32	4.49	3.96
2	BATA	Sepatu Bata Tbk.	-0.46	1.58	3.26
3	BLTZ	Graha Layar Prima Tbk.	0.33	0.21	0.38
4	BMTR	Global Mediacom Tbk.	-3.10	-3.22	0.15
5	FAST	Fast Food Indonesia Tbk.	-0.09	0.82	2.21
6	GLOB	Globe Kita Terang Tbk.	6.41	6.56	6.60
7	IMAS	Indomobil Sukses Internasional	-0.05	-0.06	0.02
8	LPPF	Matahari Department Store Tbk.	-0.26	0.85	0.31

Several companies such as ABBA, BATA, FAST, GLOB, and MYTX consistently have positive X-Score values, indicating less healthy financial conditions. Meanwhile, BMTR, IMAS, and LPPF experienced a change from negative to positive in 2024, which indicates an increased risk of distress. The highest X-Score is shown by GLOB, indicating the highest risk of distress among the sample. As a result of unstable global economic conditions, many companies suffer losses; if left unaddressed, they may eventually face financial distress leading to bankruptcy. A concrete example of this situation can be seen in PT Sri Rejeki Isman Tbk (Sritex), a large textile company that experienced a financial crisis due to high debt and weakening export demand. This situation caused Sritex to fail to make interest and principal payments to creditors, which ultimately resulted in default. Similar companies such as PT Sejahtera Bintang Abadi Textile Tbk (SRBT), PT Cottonindo Ariesta Tbk (KPAS), PT Mas Murni Indonesia Tbk (MAMI), and PT Forza Land Indonesia Tbk (FORZ) also experienced similar conditions until they were declared bankrupt, indicating that these companies were also experiencing financial distress or financial problems.

Financial distress refers to a phase of deteriorating financial health where a company struggles to pay its obligations, particularly short-term debts, often culminating in bankruptcy (Rochendi and Nuryaman 2022). Financial difficulties or financial distress are often equated with bankruptcy, although the two terms have different meanings. Bankruptcy describes a condition in which a company is no longer able to sustain its operations due to deteriorating financial conditions. Meanwhile, financial distress is the initial phase before bankruptcy, when the company's financial condition begins to decline significantly. Companies experiencing financial difficulties generally show several signs, such as revenue being insufficient to cover all costs, including capital costs, difficulty meeting payment obligations to banks, delayed delivery of goods, and negative operating

profit. This situation is certainly an important consideration for investors in making investment decisions, as a company's profit reflects its financial health and the prospects for business sustainability in the future (Hardiani, Wahyuni, and Putri 2021).

Theoretical Foundation

Signaling theory

Signaling theory, proposed by Ross (1977), states that financial statements are used to give positive signals (a good depiction) or negative signals (a bad depiction) to external parties. This theory is considered relevant as a guideline for investors in making investment decisions, because the signals and information conveyed can be tested for their truth and accuracy. This theory explains how companies should convey information to meet the desires of owners, as well as what work has been done by the company through company management. Information is released as an announcement to help investors make investment decisions (Sudirman, Rifqiansyah, and Darmono 2024).

Financial Statements

Financial statements represent the outcome of systematic accounting procedures, prepared in accordance with widely accepted accounting standards. They function as a communication tool to deliver essential financial data to relevant stakeholders. Essentially, these statements summarize recorded financial transactions, compiled to supply information that aids interested parties in their decision-making processes (Kusuma, Dewi, and Ningsih 2022).

Financial Ratios

According to Azis et al., (2024), financial ratios are an analytical approach to the financial situation of an entity used as an indicator in assessing the company's development. To assess the financial condition or situation of a company, a measuring tool is needed to analyze its financial performance, and one of the most commonly used measuring tools is financial ratio analysis.

Cash Flow

According to Kieso et al., (2017) Cash flow describes information regarding a company's cash receipts and expenditures over a certain period. The cash flow report also presents cash-based information that includes the company's three main activities: operational activities, investments, and funding.

Sales Growth

Sales growth is a metric that measures the projected rise in a company's revenue from product and service sales over the upcoming period (Oktaviani and Lisiantara 2022). Sales growth indicates a company's capacity to sustain its market position amid prevailing industry and economic dynamics.

Firm Size

Firm size serves as a measure of an entity's financial strength, observable through its revenue, total assets, and equity levels. The scale of total assets reflects a company's diversification capacity; thus, larger firms are generally less prone to bankruptcy (Stepani and Nugroho 2023).

Solvability

The solvability or leverage ratio evaluates the degree to which a company's assets are funded by debt. A key metric here is the debt-to-equity ratio (DER), which gauges the firm's capacity to cover its liabilities using its own equity and reveals the share of financing derived from borrowed funds (Nurdiwaty and Zaman 2021).

Financial Distress

Financial distress or deterioration of financial condition is a situation in which a company is unable to continue its business activities because it cannot meet its payment obligations on time. In addition, financial distress can also be defined as a condition in which a company faces a financial crisis. This situation generally occurs due to an entity's failure to pay its debts to creditors because of a lack of funds to continue its operational activities (Sitorus et al. 2022).

The Effect of Cash Flow on Financial Distress

Signaling theory posits that information shared by a company with external stakeholders, like

investors and creditors, acts as a signal about its financial health and future prospects. Cash flow serves as a critical signal, demonstrating the firm's ability to uphold financial stability. Consistent and positive cash flow signals robust financial health, the capacity to fulfill short-term liabilities, and sufficient resources for ongoing operations and growth initiatives. Conversely, diminishing or negative cash flow warns of mounting financial strain that may escalate into distress. A key method to evaluate financial performance involves analyzing operating activities those tied to profit generation. These encompass cash inflows and outflows from core operations, including inventory investments, supplier credit, and customer financing. Operating cash flow emerges as a vital indicator of a company's overall financial position. If operating cash flow is at a low level, investors may lose confidence in investing capital in the company. If this condition continues without improvement, the company has the potential to face financial pressure leading to financial distress (Driani and Mungniyati 2025). According to (Kudus and Meidiyustiani 2020), companies with good financial conditions will signal optimism through positive cash flow reporting, while companies experiencing financial difficulties will show caution signals with low or negative cash flow reporting. Research conducted by (Driani and Mungniyati 2025), (Susanti, Rasyad, and Wardi 2022), (Oktasari et al. 2022) found that operating cash flow has an effect on Financial distress. Meanwhile, research conducted by (Wijaya 2023) and (Nugraha, Sundarta, and Hurriyaturohman 2025) states that operating cash flow (OCF) has a significant positive effect on Financial distress.

Therefore, the first hypothesis is formulated as follows: H1: Cash flow affects the likelihood of financial distress occurring.

The Effect of Sales Growth on Financial Distress

Signaling theory explains that changes in sales levels serve as an important signal for external parties, especially investors and creditors, in assessing the prospects and financial health of a company. An increase in sales indicates the company's ability to maintain or expand market

share, increase revenue, and generate a more stable cash flow. This signal is viewed positively because it reflects the effectiveness of operational and managerial strategies and indicates that the company is in a strong position to meet its financial obligations in the future. Conversely, a decline in sales is considered a negative signal that illustrates potential problems in operational activities, competitiveness, or management efficiency. A decrease in sales can lead to reduced revenue and pressure on company profits, thereby weakening the company's ability to generate operating cash flow. If this condition continues, the company may face difficulties in meeting its financial obligations, ultimately increasing the likelihood of financial distress. Sales growth has a significant impact on financial distress because increasing sales reflects the company's ability to maintain revenue and strengthen its financial position. The higher the sales growth achieved by a company, the lower the likelihood of the company experiencing financial distress, and vice versa (Muslimin and Bahri 2022). This is in agreement with research conducted by (Rochendi and Nuryaman 2022) and (Kusuma, Dewi, and Ningsih 2022), which states that sales growth affects financial distress, whereas research conducted by (Ratuela, Kalangi, and Warongan 2022) and (Sugiharto, Eka Putri, and Nur'alim 2021) states that sales growth has a negative effect on financial distress.

Therefore, the second hypothesis is formulated as follows: H2: Sales growth affects the likelihood of financial distress occurring.

Effect of Firm Size on Financial Distress

According to signaling theory, firm size is one of the important pieces of information that can be used by investors and creditors to assess the condition and prospects of a company. Larger companies are generally considered to have a more stable organizational structure, more adequate resources, and easier access to external funding. This condition provides a positive signal that the company has a stronger ability to maintain operations, manage risks, and meet its financial obligations. Large companies tend to have a better reputation and a

higher level of trust in the eyes of stakeholders, thereby reducing the perceived risk of financial distress. Conversely, small companies are often viewed as having more limited capacity to face economic pressures or market competition. Limitations in capital, expansion capability, and operational efficiency make small companies send negative signals to investors and creditors.

Firm size is something that can determine the value of the largeness or smallness of a company through the limit of assets owned by a company (Nafisah, Widjajanti, and Budiati 2023). This is in line with research from (Adityaningrum, Nia, and Mahirun 2024) and (Gaos and Mudjiyanti 2021) which states that firm size (company size) has a negative and significant effect on financial distress. Therefore, the third hypothesis is formulated as follows: H3: Firm size affects the likelihood of financial distress occurring.

The Effect of Solvability on Financial Distress

Per signalling theory, a company's solvability level acts as a crucial signal for investors and creditors when evaluating its financial health and capacity to fulfill long-term obligations. Elevated solvability suggests a substantial debt component within the firm's capital structure. This condition sends a negative signal, as a high dependence on debt indicates heavy interest burdens, liquidity pressure, and a greater risk of default. Companies with a high solvability level are often perceived as having limited capacity to survive in unstable economic conditions, thereby increasing the likelihood of financial distress. Conversely, low solvability provides a positive signal to external parties. It reflects that the company has a healthier capital structure, with a larger proportion of equity compared to debt, thus reducing the financial risk borne by the company. Companies with low solvability are considered to have better ability to meet long-term obligations, maintain financial flexibility, and sustain operational stability. The solvability ratio measures the proportion of a company's assets funded through debt. It reveals the extent of the debt burden relative to the firm's total assets. (Ginjar and Rahmayani 2021). According

to Aji & Anwar (2022), companies with high levels of debt have a greater likelihood of experiencing financial distress because increasing interest burdens and payment obligations will pressure the company's liquidity and profitability. Therefore, the fourth hypothesis is formulated as follows:

H4: Solvability affects the likelihood of financial distress.

Research Model

The research model for the above hypothesis is as follows:

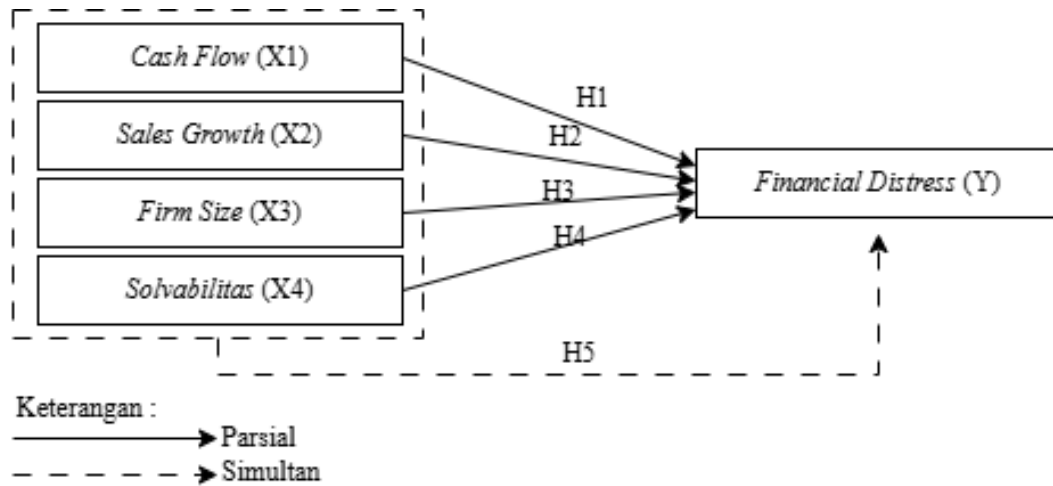


Figure 1. Research Model

METHODS

This study employs a quantitative approach, utilizing secondary data sourced from financial statements, annual reports, and sustainability reports of consumer cyclical sector companies spanning 2022–2024. The sample was selected via random sampling method.

Research Variables and Operational Variables

Independent Variable

An independent variable is one that affects other variables, serving as the cause of changes in

them. In structural equation models, it is also known as an endogenous variable (Sahir 2021). The independent variables in this research consist of cash flow, sales growth, company size, and solvability.

Dependent Variable

A dependent variable is one that is affected by the independent variable, representing the outcome or result of that influence (Sahir 2021). The primary variable examined in this research is financial distress.

Tabel 2. Operasional Variabel

No	Variable	Measurement	Scale
1	Cash flow (X ₁)	Cash flow ratio = Operating cash flow/Current liabilities	Ratio
2	Sales growth (X ₂)	Sales growth = Current year sales – Previous year sales/Previous year sales x 100%	Ratio
3	Firm size (X ₃)	Firm size = Ln Total Asset	Ratio
4	Solvability (X ₄)	Debt to equity ratio = Total debt/Equity	Ratio
5	Financial distress (Y)	X-Score = -4,3 – 4,5 X ₁ + 5,7 X ₂ – 0,004 X ₃)	Ratio

RESULTS AND DISCUSSION

In this study, data adjustment was carried out by removing outlier data to meet the assumptions in statistical processing and testing. The initial amount of data, which consisted of 246 observations, was reduced to 218 observations after the outlier removal process. Data processing and analysis in this study were conducted using IBM SPSS Statistics version 30. This step aims to improve data quality so that the analysis results are more accurate and

reliable.

Descriptive Statistical Analysis

Descriptive statistics involves statistical techniques that offer a broad summary of the research subjects using sample or population data. This analysis examines all study variables to identify key data features, such as frequency distributions, standard deviation, minimum and maximum values, and the mean.

Table 3. Descriptive Statistical Analysis

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
<i>Cash flow</i>	218	-9.72	2.76	.1949	1.02923
<i>Sales growth</i>	218	-.99	15.25	.3926	1.41973
<i>Firm size</i>	218	23.61	31.85	28.1218	1.66420
<i>Solvability</i>	218	-598.44	190.31	-.0289	43.26104
<i>Financial distress</i>	218	-4.64	1.72	-1.8478	1.47968
Valid N (listwise)	218				

According to the descriptive statistics table, this study utilizes 218 observations. For the cash flow variable, the minimum value is -9.72, maximum is 2.76, mean is 0.1949, and standard deviation is 1.02923—revealing substantial variation, with some firms reporting negative cash flows. The sales growth variable shows a minimum of -0.99, maximum of 15.25, mean of 0.3926, and standard deviation of 1.41973, suggesting overall positive growth on average despite notable disparities across companies. Firm size ranges from a minimum of 23.61 to a maximum of 31.85, with a mean of 28.1218 and standard deviation of 1.66420, indicating relatively consistent company sizes compared to other variables. The solvability variable

exhibits a minimum of -598.44, maximum of 190.31, mean of -0.0289, and standard deviation of 43.26104, highlighting extreme variations in solvability across firms. Finally, financial distress has a minimum of -4.64, maximum of 1.72, mean of -1.8478, and standard deviation of 1.47968, where the negative mean suggests most companies face potential financial strain.

Normality Test

According to Ghazali (2021), In regression models, the normality test assesses whether residual values follow a normal distribution. Fulfilling this assumption is crucial to ensure the reliability of regression results.

Table 4. Normality Test

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		218
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	1.42122158
Most Extreme Differences	Absolute	.054
	Positive	.054
	Negative	-.038
Test Statistic		.054
Asymp. Sig. (2-tailed) ^c		.200 ^d
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		
d. This is a lower bound of the true significance.		

The Kolmogorov–Smirnov test yielded a statistic of 0.054 and an Asymp. Sig. (2-tailed) of 0.200, exceeding the 0.05 significance threshold. Thus, the regression model's residuals are normally distributed, confirming that the data satisfies the normality assumption.

Multicollinearity Test

Multicollinearity occurs in regression models when independent variables exhibit perfect

or near-perfect correlations with one another (Ghozali, 2021). This research assessed multicollinearity through Tolerance and Variance Inflation Factor (VIF) values within the regression model. The criteria specify that Tolerance values above 0.10 or VIF below 10 indicate no multicollinearity issues.

Table 5. Multicollinearity Test

Coefficients ^a			
Model		Collinearity Statistics	
		Tolerance	VIF
1	<i>Cash flow</i>	.971	1.030
	<i>Sales growth</i>	.944	1.060
	<i>Firm size</i>	.965	1.036
	<i>Solvability</i>	.948	1.055
a. Dependent Variable: <i>Financial distress</i>			

The multicollinearity test results, as indicated by Tolerance and VIF values, confirm that none of the independent variables in the model exhibit multicollinearity problems.

Heteroscedasticity Test

The heteroscedasticity test evaluates whether residual variances are unequal across observations in a regression model. The Park test serves as one approach to detect heteroscedasticity symptoms (Ghozali, 2021).

Table 6. Heteroscedasticity Test

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-3.650	2.655		-1.375	.171
	<i>Cash flow</i>	-.047	.152	-.021	-.308	.758
	<i>Sales growth</i>	-.160	.112	-.100	-1.432	.154
	<i>Firm size</i>	.111	.094	.081	1.177	.241
	<i>Solvability</i>	-.002	.004	-.036	-.513	.608
a. Dependent Variable: LN_RES						

The Park test for heteroscedasticity reveals significance values for all variables exceeding 0.05, confirming the absence of heteroscedasticity in the regression model.

Autocorrelation Test

According to Ghozali (2021), the autocorrelation test checks for correlations between error terms from the prior period (t-1) and current-period residuals (t) in linear regression models. Such a correlation indicates the presence of autocorrelation.

Table 7. Autocorrelation Test

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.278 ^a	.077	.060	1.43450	1.527
a. Predictors: (Constant), <i>Cash flow</i> , <i>Sales growth</i> , <i>Firm size</i> , <i>Solvability</i>					
b. Dependent Variable: <i>Financial distress</i>					

Based on the autocorrelation test using the Durbin-Watson statistic, a value of 1.527 was obtained. This figure falls within a range close to 2, leading to the conclusion that the regression model exhibits no autocorrelation.

Multiple Linear Regression Analysis

Multiple regression analysis serves as a technique to quantify the influence of multiple

independent variables on a single dependent variable, while also enabling prediction of the dependent variable using those independents. Multiple linear regression requires adherence to several classical assumptions, such as normally distributed residuals, absence of multicollinearity among independents, no heteroscedasticity, and no autocorrelation within the model (Ghozali, 2021).

Table 8. Multiple Linear Regression Analysis Test

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.078	1.677		-.046	.963
	<i>Cash flow</i>	-.258	.096	-.179	-2.685	.008
	<i>Sales growth</i>	.182	.071	.175	2.582	.010
	<i>Firm size</i>	-.064	.060	-.072	-1.070	.286
	<i>Solvability</i>	-.001	.002	-.015	-.216	.829
a. Dependent Variable: <i>Financial distress</i>						

Based on the coefficient table, the following multiple linear regression equation is obtained:
 Financial distress = $-0.078 - 0.258 \text{ CF} + 0.182 \text{ SG} - 0.064 \text{ FS} - 0.001 \text{ S} + e$

1. If the values of cash flow (X1), sales growth (X2), firm size (X3), and solvability (X4) are constant (X1, X2, X3, X4 = 0), then the firm's financial distress is -0.078 .
2. If the value of cash flow (X1) is increased by 1 unit, with sales growth, firm size, and solvability remaining constant (X2, X3, X4 = 0), then the company's financial distress will decrease by 0.258.
3. If the value of sales growth (x2) is increased by 1 unit, with cash flow, firm size, and solvability held constant (x1, x3, x4 = 0), then the firm's financial distress will increase by 0.182.

4. If the firm size (x3) is increased by 1 unit, with cash flow, sales growth, and solvability held constant (x1, x2, x4 = 0), then the firm's financial distress will decrease by 0.064.
5. If the value of solvability (x4) is increased by 1 unit, with cash flow, sales growth, and firm size held constant (x1, x2, x3 = 0), then the firm's financial distress will decrease by 0.001.

Test of the Coefficient of Determination (R²)

The coefficient of determination (Adjusted R²) measures the degree to which a regression model accounts for variations in the dependent variable. For models with two or more independent variables, the Adjusted R Square (Adj. R²) value reflects the model's explanatory power over the dependent variable (Ghozali, 2021).

Table 9. Test of the Coefficient of Determination (R²)

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.278 ^a	.077	.060	1.43450
a. Predictors: (Constant), X4, X1, X3, X2				
b. Dependent Variable: Y				

According to the Model Summary table, the obtained values are R = 0.278 and R² = 0.077. This R² of 0.077 signifies that 7.7% of the variability in financial distress is accounted for by the independent variables—cash flow, sales growth, firm size, and solvability. The remaining 92.3% stems from other factors beyond the model, not examined in this research.

F-Test

The F-test (model test) evaluates the overall validity of the regression model by determining whether the independent variables collectively exert a significant influence on the dependent variable (Ghozali, 2021). Conducted at a 95% confidence level ($\alpha = 0.05$), the model is deemed valid if the computed F-statistic (F-hit) exceeds the table F-value (F-table) and the p-value (sig.) falls below 0.05, confirming a joint significant effect of the independents on the dependent variable.

Table 10. Feasibility Test of Model F

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	36.801	4	9.200	4.471	.002 ^b
	Residual	438.312	213	2.058		
	Total	475.113	217			
a. Dependent Variable: <i>Financial distress</i>						
b. Predictors: (Constant), <i>Cash flow, Sales growth, Firm size, solvability</i>						

The ANOVA results show an F-statistic of 4.471 with a significance level of 0.002. Since this p-value is below $\alpha = 0.05$ (F-calculated > F-table and sig. < 0.05), the independent variables—cash flow, sales growth, firm size, and solvability—collectively exert a significant influence on financial distress. Therefore, the regression model is deemed

appropriate for predicting financial distress among the studied companies.

Hypothesis Test (t)

The t-test (partial hypothesis test) assesses the individual (partial) impact of each independent variable on the dependent variable within this study (Ghozali, 2021).

Table 11. Hypothesis Test (t)

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.078	1.677		-.046	.963
	<i>Cash flow</i>	-.258	.096	-.179	-2.685	.008
	<i>Sales growth</i>	.182	.071	.175	2.582	.010
	<i>Firm size</i>	-.064	.060	-.072	-1.070	.286
	<i>Solvability</i>	-.001	.002	-.015	-.216	.829
a. Dependent Variable: <i>Financial distress</i>						

The coefficients table displays t-statistics for each variable. The critical t-value, derived from the t-table at $\alpha = 0.05$ and degrees of freedom (df) = $n - k - 1 = 218 - 4 - 1 = 213$, equals 1.971. Conclusions for individual variables follow accordingly.

1. Cash flow (CF/X1) yields a t-statistic of -2.685. Since |t-calculated| (-2.685) exceeds the critical t-value (1.971) and sig. (0.008) < 0.05, H₀ is rejected and H_a accepted. Thus, cash flow negatively and significantly affects financial distress: higher cash flow correlates with lower distress levels.

2. Sales growth (SG/X2) produces a t-statistic of 2.582. With t-calculated (2.582) > critical t-value (1.971) and sig. (0.010) < 0.05, H_a is accepted and H₀ rejected. Hence, sales growth positively and significantly influences financial distress: higher growth elevates distress risk.
3. Firm size (FS/X3) shows a t-statistic of -1.070. Since |t-calculated| (1.070) < critical t-value (1.971) and sig. (0.286) > 0.05, H_a is rejected and H₀ accepted. Therefore, firm size has no significant effect on financial distress..
4. Solvability (S/X4) yields a t-statistic of -0.216. As |t-calculated| (0.216) < critical t-value (1.971)

and sig. (0.829) > 0.05, H_a is rejected and H_0 accepted. Thus, solvability exerts no significant effect on financial distress.

Discussion

The Effect of Cash Flow on Financial Distress

Hypothesis testing results reveal that cash flow exerts a negative and significant influence on financial distress among consumer cyclical sector firms. This inverse relationship implies that enhanced cash generation from operations linearly lowers the likelihood of distress. Firms with steady cash inflows demonstrate stronger capacity to service obligations, thereby reducing their financial distress risk.

The findings of this study are consistent with those of Susanti et al. (2022), Oktasari et al. (2022), and Nugraha et al. (2025), who found that cash flow has a significant impact on financial distress. Companies with weak operating cash flow face a higher risk of financial distress due to limitations in funding operations and meeting their financial obligations. However, the results of this study differ from those of Fitri and Dillak (2022) and Hardiani et al. (2021), who found that cash flow does not have a significant effect on financial distress. This discrepancy is likely due to differences in industry sectors, the study period, and the characteristics of the samples used.

The Effect of Sales Growth on Financial Distress

Hypothesis testing confirms that sales growth positively and significantly impacts financial distress in consumer cyclical sector companies. This positive association suggests that rising sales figures heighten the likelihood of financial distress. These findings align with prior research by Rochendi and Nuryaman (2022) as well as Kusuma et al. (2022) yang menyatakan bahwa *sales growth* berpengaruh terhadap *financial distress*. These findings are further supported by the study by Sugiharto et al. (2021), which indicates that sales growth has a significant negative effect on financial distress. However, the results of this study differ from those of Utama and Setiawati (2022) and Oktaviani and Lisiantara (2022), who found that sales growth does not affect financial distress. These differing results

are likely due to variations in industry sector characteristics, the observation period, and economic conditions at the time of the studies.

The Effect of Firm Size on Financial Distress

Hypothesis testing reveals that firm size lacks a significant influence on financial distress among consumer cyclical sector firms. Statistically, this suggests that total assets under management do not independently predict distress occurrence. The insignificant firm size effect warrants deeper investigation into asset financing structures and managerial efficiency.

The results of this study are consistent with the research by Stepani and Nugroho (2023), Nafisah et al. (2023), and Hakim (2021), which found that firm size does not have a significant effect on financial distress. However, the results of this study differ from those of Aji and Anwar (2022), who found that firm size does influence financial distress. These differing results are likely due to variations in the industry sector, the study period, and the characteristics of the companies used as the research sample.

The Effect of Solvability on Financial Distress

Based on the results of the hypothesis testing, this study concludes that solvability, proxied by the Debt-to-Equity Ratio (DER), does not have a significant effect on financial distress in companies in the consumer cyclical sector. Statistically, this finding indicates that the capital structure ratio between liabilities and equity is not a primary determinant in predicting the occurrence of financial distress in the Zmijewski model. Although theoretically an increase in debt is assumed to raise a company's fixed costs, the empirical results in this sample show that a high or low DER ratio does not linearly trigger an escalation in bankruptcy risk, examined through an in-depth analysis of asset financing structures and managerial effectiveness.

The results of this study are consistent with the research by Stepani and Nugroho (2023), Nafisah et al. (2023), and Hakim (2021), which found that firm size does not have a significant effect on financial distress. However, the results of this study differ from those of Aji and Anwar (2022), who

found that firm size does influence financial distress. These differing results are likely due to variations in the industry sector, the study period, and the characteristics of the companies used as the research sample.

CONCLUSION

Based on the research findings and conclusions outlined above, the following recommendations are provided:

1. Companies

Companies are advised to focus more attention on managing cash flow and sales growth, as these two variables have been shown to significantly influence financial distress. Management must ensure that operating cash flow remains stable and positive so that the company can meet both its short-term and long-term obligations.

2. Investors

Investors are advised to pay closer attention to cash flow and sales growth indicators when conducting fundamental analysis, as these two factors have been shown to influence a company's level of financial distress. Investors should not only evaluate companies based on firm size or solvability but also consider the company's ability to generate cash flow and maintain stable sales growth as more tangible indicators of financial health.

3. Lenders

Lenders or financial institutions are advised to prioritize operating cash flow and sales growth trends as key considerations in the creditworthiness analysis process. Although solvability did not have a significant impact in this study, lenders still need to conduct a comprehensive analysis of the company's capital structure as well as its ability to pay interest and principal on loans. Evaluating cash flow is crucial for minimizing the risk of default, particularly for companies in the consumer cyclical sector, which are sensitive to economic conditions.

4. Academics

Future studies should include supplementary variables affecting financial distress such as profitability, liquidity, corporate governance, or cash holdings to enhance model comprehensiveness.

Extending the observation period would better capture economic fluctuations. Moreover, employing alternative distress prediction models like Altman Z-Score or Springate alongside Zmijewski would enable broader result comparisons.

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