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Strategic Formulations and Financial Distress: Insights from Sales Growth and Profitability Ratios

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This research looks into the complex relationship between sales growth, profitability ratios, and financial difficulty in businesses. It aims to provide practical recommendations to firm management for using sales growth and profitability data to identify and avoid financial crisis. Using a quantitative method, secondary data obtained from publicly traded companies' financial statements over a specific time period forms the basis of research. Multiple linear regression models are used to examine the relationship between sales growth and profitability ratios (the independent variables) and financial distress (the dependent variable). Statistical tests, such as ANOVA and t-tests, are used to assess the model's significance and regression coefficients. The findings show a significant relationship between sales growth, profitability ratios, and financial difficulty. Higher sales growth, in particular, is associated with an increased likelihood of financial trouble, as evidenced by the positive coefficient. Similarly, an increase in profitability ratios is linked to a higher probability of financial difficulty. This emphasizes the importance of sales growth and profitability ratios as signs of financial crisis. It is recommended that firm management closely monitor these indicators and include them into the company's financial risk management strategy in order to anticipate or mitigate possible financial difficulties. This study provides diverse stakeholders with critical insights and tools for efficiently understanding, identifying, and managing financial risks.

Keywords: *Financial Risk Management, Corporate Financial Distress. Sales Growth Analysis, Profitability Metrics, Quantitative Financial Analysis*

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INTRODUCTION

Sales growth is often a barometer of success for many companies. Significant sales growth indicates that the company is successfully capturing market opportunities, overcoming competition, and meeting consumer demand. However, this growth is not without its challenges. While an increase in sales may promise greater revenues, it is important that the growth also yields proportional or even more profits. Profitability ratios, such as profit margin and return on assets (ROA), provide important insights into a company's operational efficiency and ability to generate sales profits. A company can experience tremendous sales growth, but if its costs increase faster than its revenues, its profitability may be jeopardized.

Every company must have goals to achieve, one of which is to profit from its business activities. Griffin and Ebert (2007) state that a business is an organization that provides goods or services intending to make a profit. The profit or profit it gets will be used to run the company's business activities, such as operational costs and so on. However, not all companies always succeed in making profits like the initial target that has been determined. Many companies have gone bankrupt because they cannot maintain their business activities. Many companies have shown impressive sales growth but fall into financial distress because they cannot maintain profitability. Conversely, some companies grow moderately but remain profitable and stable in the long run.

[Table 1 about here]

Agency theory defines a contractual relationship between the principal and the agent. Barolla (in Muid and Bernandi, 2014), cited from (Vionita and Herlina Lusmeida, 2019), states that agency theory has a contractual relationship between shareholders who act as principals and managers or management who act as agents. A contract is bound between the two parties, and the contract must have an efficient relationship so that both parties, shareholders, and managers, obtain maximum benefits. An efficient relationship will not be able to occur if the agent and the principal do not have a good amount and quality of information. Agency theory is better known when there is a separation between the owner, in this case, the principal, and the manager, in this case, the agent in a company; when this happens, there is a possibility that the wishes of the owner are ignored (Pearce and Robinson, 2017: 47). This will trigger conflicts that arise and occur between the two parties.

In agency theory, a condition called information asymmetry often arises, where the company owner (shareholder) does not have good enough information to know the performance of the management (manager). Agency theory is a model used in formulating problems or conflicts between shareholders or principals and managers or agents where managers are given authority from shareholders to run the company according to existing interests.

Financial distress is a condition that stems from disorderly or chaotic financial management in a company (Noor, 2014). This financial distress starts from liquidity pressures that are getting heavier and heavier, then continues in a condition of decreasing asset value, so it cannot pay its financial obligations. According to Platt and Platt (2002), financial hardship can be seen as a phase in a corporation's financial state that precedes bankruptcy or liquidation. Financial distress conditions refer to a state where a corporation cannot meet its financial obligations due to a lack of finances.

Whitaker (1999), quoted from (Fahmiwati & Luhgiatno, 2017), states that a company can be in financial distress if the company has had negative net profit for several years. Financial distress is a company's financial condition in an unhealthy state or crisis. Companies that earn losses or negative profits for two consecutive years can be said to have poor performance. If they continue in this condition, the company will be able to experience a much worse condition, namely bankruptcy.

In the study by Vionita and Herlina Lusmeida (2019), the authors examined the roles of Wongsosudono and Chrissa. One potential method for predicting the emergence of financial distress is correctly measuring financial performance as reflected in the financial statements. Financial reports are a vital source of information for the internal as well as the external stakeholders of a company. These reports provide a comprehensive overview of a company's performance during a specific period. Consequently, they serve as a valuable tool for decision-making processes. A good financial performance has been linked with a lower probability of getting into financial distress.

Financial ratios can be utilized as a means of evaluating the financial success of a corporation. Financial ratios are numerical values derived from comparing one item on a financial statement to another item that shares a meaningful and substantial connection. Financial ratios are utilized to assess an organization's financial state and performance. Sartono (2016) states that profitability is the company's ability to earn profits from sales, total assets, and own capital. Every company in its business activities certainly wants a high level of profitability. When a company shows a high level of profitability, it impacts the high interest of potential investors.

On the other hand, the higher the company's ability to generate profits or the level of profitability, the less likely the company will experience financial distress. In this study, the level of profitability is measured using return on assets. The greater the ROA of a company, the more the company can be said to be able to manage its assets.

Sofyan Syafitri (2017: 310) states that sales growth is the percentage increase in sales this year compared to last year; the higher the sales growth, the better. Research conducted by (Rismawanti, Edi Sukarmanto & Nurhayati, 2017) and (Rahayu & Dani Sopian, 2017) showed that the sales growth ratio has an influence on financial distress. Meanwhile, research (Vionita & Herlina Lusmeida, 2019) shows different results where the sales growth ratio does not affect financial distress. This research seeks to expand academic and practical insights into

how sales growth and profitability ratios affect a company's financial stability and how this information can mitigate risk and maximize business sustainability.

This study investigates the relationship between Sales Growth and Profitability Ratio and Financial Distress of companies. Sales Growth refers to the company's sales growth rate, while Profitability Ratio measures operational efficiency and the company's ability to generate profits. Financial Distress is when a company experiences significant financial difficulties, which can cause the company to be at risk of bankruptcy.

LITERATURE REVIEW

Financial Distress

According to Atmaja (2018: 258), financial distress is a condition where a company is experiencing financial difficulties and is threatened with bankruptcy. (Rahayu, Wiwin Putri and Dani Sopian, 2017) Define financial distress as a decline in financial condition before bankruptcy or liquidation. There is one indicator that can be used to determine the condition of a company, whether there is financial distress or not. This indicator is the company's inability to fulfill its long-term debt. When viewed from this indicator and the company is indeed unable to meet its long-term debt, it can be confirmed that the company is experiencing financial difficulties.

Altman (2016) quoted from (Rahayu, Wiwin Putri, and Dani Sopian, 2017) that financial distress is a broad concept that consists of several situations a company faces related to financial difficulties. These situations are commonly described as failure, insolvency, bankruptcy, and default. The condition of financial difficulties experienced by a company will have an impact on the loss of trust from stakeholders such as creditors or shareholders. That way, these stakeholders will retreat to establish cooperation with the related company. Suppose the company does not immediately deal with and find solutions to the conditions being experienced. In that case, it is a sign that the company is in financial distress and on the verge of bankruptcy.

Sales Growth

Kasmir (2017) (Fahmiwati & Luhgiatno, 2017) state that sales growth, or what is often referred to as sales growth, is one of the financial ratios that describes the ability of a company to maintain its economic position during economic growth and the same or similar business sector as the company. According to Widarjo and Setiawan (2009), sales growth shows a company's ability from time to time. The company's ability means that the higher the level of sales obtained by a company, the more successful the company is in carrying out its strategy and can be used as a prediction for the future. In the same journal, Murni and Andriana (2012) also state that a company's growth approach is a component of assessing the company's prospects in the future period.

According to Harahap (2017), the growth ratio is a metric that quantifies the percentage increase in company posts over consecutive years. The sales growth ratio indicates a company's managerial efficacy in augmenting sales throughout consecutive periods. According to Rismawanti, Sukarmanto, and Nurhayati (2017), as cited in Zulaecha and Atik Mulvitasari (2018), sales growth indicates a year-on-year increase in sales performance. A higher sales growth signifies a more favorable outcome, as it indicates the company's successful implementation of marketing and product sales strategies. A positive correlation exists between weaker sales growth and an increased likelihood of experiencing financial distress.

Profitability Ratio

The profitability ratio is a metric that quantifies a company's capacity to generate profit relative to its sales, total assets, or equity capital. According to Harahap (2017), the profitability ratio is a financial metric that assesses a company's capacity to generate profits by leveraging its many resources and avenues, including sales activities, cash flow, capital, and workforce.

Kasmir (2017: 196) explains that the profitability ratio is defined as a financial ratio used to measure a company's profitability. The opinions of Harahap and Kasmir are similar; in other words, the profitability ratio shows the effectiveness of management in a company. Profitability in a company is one of the fundamental aspects. Because high profitability in a company can attract investors who will invest in a particular company, profitability can also be used as a measuring tool for the company's ability to use available resources in the company's operational processes.

According to Hanafi and Halim (2016), the profitability ratio serves as a metric to assess a company's capacity to make profits or profitability based on the sales of assets and specific share capital. Based on the abovementioned expert definitions, it can be inferred that the profitability ratio is a financial metric employed to assess a company's capacity to create profits relative to its invested capital. The profitability ratio is a metric utilized from the perspective of investors or shareholders.

METHOD

The author employed a descriptive research methodology with a quantitative approach in this study. The study focuses on a retail trade sector service company publicly listed on the Indonesia Stock Exchange throughout 2018-2020. The research employed the purposive sampling method as the chosen sample strategy. From the sample selection criteria above, 20 retail trade sector companies were obtained, which will be analyzed in this study because they publish their financial reports in a row. The following are 20 samples of retail trade sector companies used in this study:

[Table 2 about here]

Purposive sampling is sampling with certain considerations (Sugiyono, 2016). The sample criteria used in this study include (1) All retail trade sector service companies listed on the Indonesia Stock Exchange in 2018-2020 (2) All service companies in the retail trade sector that publish complete financial reports consecutively during 2018-2020 on the Indonesia Stock Exchange. (3) All service companies in the retail trade sector have complete financial reports under the

data required in the research variables. If, in the research process, there are companies that cannot calculate the ratio, they will be excluded.

The data sources in this study were obtained from the official website of the Indonesia Stock Exchange Gallery of the Faculty of Business, Law and Social Sciences, Muhammadiyah University of Sidoarjo, and through www.idx.com or the official website of the Indonesia Stock Exchange in the form of financial reports of retail trade sector service companies for the 2018-2020 period.

The object of this research is a retail trade sector service company listed on the Indonesia Stock Exchange in 2018-2020, which is determined based on the purposive sampling method, where the sample determination is based on certain criteria. The criteria included in the selection of samples in this study include service companies in the retail trade sector that are included in the calculation of companies listed on the Indonesia Stock Exchange for three consecutive years starting from 2018 to 2020, which consistently publish financial reports, and which have complete financial reports under the data required in this study. The following is a table of the results of the sample selection process according to the criteria set:

[Table 3 about here]

A sample selection was then carried out from 27 companies in the retail trade sector, so 20 samples of retail trade sector companies were obtained, which will be analyzed in this study. A total of 20 samples of the companies above met the sample criteria used in this study.

Operational Definition

Financial Distress

Financial distress in this study acts as a dependent variable, which the independent variable will influence. Financial distress analysis refers to a company's decline in financial condition and occurs before bankruptcy or liquidation. Financial distress in this study is proxied using the modified Altman Z'Score Model, intended for non-manufacturing companies or companies with service sectors.

$$Z'Score = 6{,}56X1 + 3{,}26X2 + 6{,}72X3 + 1{,}05X4$$

Description :

X1 = working capital/total assets

X2 = retained earnings /total assets

X3 = EBIT/ total assets

X4 = Equity Book Value /Book value of debts

Sales Growth

Dharmesta and Handoko (2000) state that sales growth is an important indicator, where the revenue generated from sales can be used to measure a company's sales growth level.

$$Sales\ Growth = \frac{\text{Sales this year} - \text{Sales Last Year}}{\text{Sales Last Year}}$$

Profitability Ratio

The use of profitability ratios in a company is a tool used to see the company's ability to generate profits or profits. In this study, the profitability ratio is proxied by return on assets.

The utilization of Return on Assets (ROA) as a representative measure of profitability ratio has been widely prevalent in finance and accounting literature. Return on assets (ROA) is a metric that evaluates a firm's capacity to generate profits from its whole asset base. It provides insight into the efficiency with which a company employs its assets. Within the framework of profitability ratios, the Return on Assets (ROA) metric provides a holistic assessment of a company's financial performance using data from both the income statement and balance sheet. Regarding the concept of Financial Distress, it is worth noting that the Return on Assets (ROA) metric might serve as an early indicator of possible financial challenges. A low return on assets (ROA) may suggest that the company is facing challenges in generating sufficient earnings from its assets, potentially leading to liquidity or solvency concerns in the future. Hence, monitoring Return on Assets (ROA) dynamics might aid stakeholders in detecting initial indications of financial instability, thereby facilitating prompt intervention. Although the Return on Assets (ROA) is an important tool, evaluating it within the broader framework of other financial statistics is imperative. Like different financial ratios, the return on assets (ROA) metric has certain limits. It necessitates analysis in conjunction with other metrics to comprehensively assess a company's financial well-being. Within the realm of scholarly inquiry about the correlation between profitability ratios and Financial Distress, a comprehensive comprehension of the interplay between Return on Assets (ROA) and other pertinent variables, such as sales growth, can furnish a more profound grasp of the potential hazards confronting a given organization.

$$\text{Return On Asset} = \frac{\text{net profit}}{total\ assets}$$

Analysis technique

This research uses the help of SPSS version 25 data processing software. The analysis technique used in this research is to use multiple linear regression analysis techniques; in the use of multiple linear regression analysis techniques, several basic assumptions must be met.

RESULTS AND DISCUSSION

RESULTS

In the regression analysis that has been conducted, the dependent variable studied is the level of Financial Distress of a company. In contrast, the independent variables are Sales Growth and Profitability Ratio.

[Table 4 about here]

This research aims to look into the relationship between a company's sales growth, profitability ratio, and financial distress. Sales Growth refers to the company's rate of sales growth, whereas Profitability Ratio is a measure of operational efficiency and the ability of the organization to create profits. Financial distress is when a corporation faces considerable financial difficulties, which may lead to bankruptcy.

From the analysis results, the \(R^2 \) value of 0.279 was obtained, indicating that approximately 27.9% of the variation in Financial Distress can be explained by the Sales Growth and Profitability Ratio variables. This is an important indicator of the extent to which the constructed model can explain the existing variation in the dependent variable. In addition, the \(R \) value (correlation coefficient) of 0.528 indicates a moderate positive relationship between the independent variables (Sales Growth and Profitability Ratio) and the dependent variable (Financial Distress).

Based on the F test, which has a value of 11.015 with a significance level (Sig. F Change) of 0.000, we can conclude that the regression model can significantly explain the variation in Financial Distress. In other words, there is strong evidence that at least one of the independent variables (Sales Growth or Profitability Ratio) has a significant relationship with Financial Distress. This suggests that the resulting model is valid and relevant for understanding the relationship between these variables.

The Durbin-Watson value of 1.172 indicates that the data may show a slight positive autocorrelation, but it is still within the acceptable range. In a practical context, this finding suggests that companies experiencing low sales growth and low profitability ratios are at higher risk of financial distress. Therefore, company management should consider sales performance and profitability as important indicators in monitoring and preventing potential financial distress risks. This study provides valuable insights into how sales growth and profitability ratios can be used as predictors in assessing the risk of financial distress companies face.

In the regression analysis that has been conducted, the dependent variable studied is the level of Financial Distress of a company. In contrast, the independent variables are Sales Growth and Profitability Ratio. The ANOVA table provided presents the overall significance test results of the regression model that has been created.

[Table 5 about here]

In the ANOVA table, the Sum of Squares Regression (261983,401) represents the total variation explained by the model. In contrast, the Sum of Squares Residual (677842,607) represents the variation not explained by the model. Total Sum of Squares (939826.008) is the total variation in the Financial Distress data. This indicates that the model has explained some of the variation in Financial Distress, but there is still variation that the model does not explain.

The F value of 11.015 indicates the extent to which the resulting regression model has a significant capability in predicting Financial Distress compared to a model with no independent variables. We can conclude that the resulting regression model is significant with a significance level (Sig.) of 0.000, which is lower than the common threshold (e.g., 0.05). This means that at least one of the independent variables (Sales Growth or Profitability Ratio) has a significant relationship with Financial Distress.

With a significant F-statistic, this regression model shows a significant relationship between Sales Growth and Profitability Ratio to Financial Distress. This suggests that companies can use Sales Growth and Profitability Ratios as indicators in monitoring and preventing the potential risk of Financial Distress. Therefore, it is recommended for company management to always monitor the development of these two variables and formulate effective strategies to maintain the company's financial health. Overall, the ANOVA results validate that the regression model is significant and relevant in understanding the relationship between Sales Growth, Profitability Ratio, and Financial Distress.

In the regression analysis that has been conducted, the dependent variable studied is the level of Financial Distress of a company. In contrast, the independent variables are Sales Growth and Profitability Ratio.

Regression coefficient analysis provides information about the relationship between the independent variables (Sales Growth and Profitability Ratio) and the dependent variable (Financial Distress). These coefficients indicate the extent to which a one-unit change in the independent variable will change the value of the dependent variable. The constant in this regression model is -37.244. This means that if the Sales Growth and Profitability Ratio are equal to zero, the predicted value of Financial Distress is -37.244. Although this interpretation may not always have a clear meaning in practice, this constant is important for the regression model.

[Table 6 about here]

The coefficient for Sales Growth is 69.079, with a significance level of 0.038. This means that for every one-unit increase in Sales Growth, the level of Financial Distress is expected to increase by 69.079 units, assuming other variables remain constant. Since the p-value (0.038) is less than 0.05, we can conclude that Sales Growth has a significant relationship with Financial Distress.

The coefficient for Profitability Ratio is 22.702, with a significance level of 0.004. This indicates that for every one-unit increase in Profitability Ratio, the level of Financial Distress is expected to increase by 22.702 units, assuming other variables remain constant. Since the p-value (0.004) is less than 0.05, we can conclude that Profitability Ratio has a significant relationship with Financial Distress.

From the table, the Tolerance value for both independent variables is 0.848, and the VIF (Variance Inflation Factor) value is 1.180. These two indicators are used to detect multicollinearity in the model. The relatively low VIF value (generally, VIF values below ten are considered not to indicate serious multicollinearity) indicates no significant multicollinearity between Sales Growth and Profitability Ratio.

DISCUSSION

The results of this analysis indicate that Sales Growth and Profitability Ratio are significant predictors of Financial

Distress. Therefore, companies must consider these two factors in their formulation of financial strategies. Companies that experience low sales growth and low profitability ratios are at higher risk of financial distress. Therefore, company management is advised to monitor these two indicators closely and take necessary actions to minimize the risk of financial distress. This study provides valuable insights into how Sales Growth and Profitability Ratio can be used to assess the risk of Financial Distress companies face.

This study investigates the relationship between Sales Growth and Profitability Ratio with Financial Distress using regression analysis. Based on the findings, the coefficient for Sales Growth is 69.079 with a significance level of 0.038. According to Gujarati and Porter (2009), the regression coefficient describes the effect of a one-unit change in the independent variable on the dependent variable. In this context, every one-unit increase in Sales Growth will increase the level of Financial Distress by 69.079 units, assuming other variables remain constant. The p-value is smaller than 0.05, per conventional statistical principles that a p-value below 0.05 indicates statistical significance (Field, 2013). Then, the coefficient for Profitability Ratio is 22.702 with a significance level of 0.004. This indicates that every one-unit increase in the Profitability Ratio will increase the level of Financial Distress by 22.702 units, assuming other variables remain constant (Wooldridge, 2015); this indicates a positive and significant relationship between the Profitability Ratio and Financial Distress.

The significance level (p-value) for Sales Growth and Profitability Ratio is smaller than 0.05, which means both variables have a significant relationship with Financial Distress. According to Hair et al. (2010), the decision to accept or reject the null hypothesis in regression analysis is largely based on the p-value; a small p-value indicates that the regression model is adequate and the independent variables have a significant relationship with the dependent variable.

Furthermore, the positive association between Sales Growth, Profitability Ratio, and Financial Distress raises questions regarding how companies can manage sales growth and profitability without increasing financial risk. According to Brigham and Ehrhardt (2011), firms should consider a balanced financial strategy, including appropriate capital structure and dividend policy, to manage Financial Distress.

Thus, this study provides empirical evidence supporting the significant relationship between Sales Growth and Profitability Ratio with Financial Distress. These findings are consistent with existing academic literature and provide new insights for firms in managing the risk of financial distress.

CONCLUSION

According to the research, there is evidence that Sales Growth and Profitability Ratio are substantially associated with Financial Distress. The analysis results specifically reveal that, As evidenced by the (R2) value of 0.279, the regression model can explain approximately 27.9% of the variation in Financial Distress. This suggests that the model has a moderate ability to forecast Financial Distress. Based on the ANOVA test, the regression model can significantly explain the variation in Financial Distress, with an F value of 11.015 and a significance level of 0.000. Assuming all other factors remain constant, every unit increase in Sales Growth is anticipated to increase Financial Distress by 69.079. Financial Distress is significantly associated with Sales Growth (p=0.038). Each unit rise in Profitability Ratio is anticipated to raise Financial Distress by 22.702, provided all other factors remain unchanged. Profitability Ratio is significantly related to Financial Distress (p=0.004).

Based on collinearity data, there is no substantial multicollinearity between sales growth and profitability ratio, indicating that this regression model meets the basic assumptions of regression analysis. These results are consistent with previous studies that found financial factors, such as sales growth and profitability, are important predictors of a company's financial distress risk. Outecheva (2007) found that firms with low sales growth and low profitability have a higher probability of experiencing financial distress. As a practical implication, company management is advised to monitor sales growth and profitability ratios' development closely. These two indicators should be integrated in the company's financial risk management strategy to prevent or mitigate potential financial distress.

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Conflict of Interest Statement: The authors declare that the research was conducted in the absence of any commercial or financial relationships that could be construed as a potential conflict of interest.

LIST OF TABLES

TABLE 1 | Data on Companies Affected by Financial Distress

No	Name	Year	Financial Distress (Z-Score)	Description
1.	ACES	2018	11.157	Health
2.		2019	12.415	Health
3.		2020	9.428	Health
4.	CENT	2018	0.608	Bankrupt
5.		2019	1.395	*Grey Area*
6		2020	-3.107	Bankrupt
7.	CSAP	2018	1.747	*Grey Area*
8.		2019	1.627	*Grey Area*
9.		2020	1.339	*Grey Area*
10.	DIVA	2018	11.136	Health
11.		2019	8.297	Health
12.		2020	8.195	Health
13.	ECII	2018	3.844	Health
14.		2019	6.054	Health
15.		2020	6.046	Health
16.	ERAA	2018	2.951	Health
17.		2019	4.169	Health
18.		2020	4.183	Health
19.	GLOB	2018	-118.286	Bankrupt
20.		2019	-654.430	Bankrupt
21.		2020	-598.840	Bankrupt
22.	HERO	2018	5.437	Health
23.		2019	6.623	Health
24.		2020	1.598	*Grey Area*
25.	KIOS	2018	4.122	Health
26.		2019	3.521	Health
27.		2020	4.682	Health
28.	KOIN	2018	2.536	*Grey Area*
29.		2019	2.317	*Grey Area*
30.		2020	2.733	Health
31.	LPPF	2018	12.329	Health
32.		2019	13.296	Health
33.		2020	3.966	Health
34.	MAPA	2018	10.671	Health
35.		2019	13.783	Health
36.		2020	6.867	Health
37.	MAPI	2018	6.827	Health
38.		2019	8.223	Health
39.		2020	3.852	Health
40.	MCAS	2018	7.822	Health
41.		2019	9.032	Health
42.		2020	7.480	Health
43.	MIDI	2018	-0.241	Bankrupt
44.		2019	0.726	Bankrupt
45.		2020	3.042	Health
46.	MKNT	2018	3.109	Health

47.		2019	5.663	Health
48.		2020	5.048	Health
49.	MPPA	2018	-2.479	Bankrupt
50.		2019	-2.681	Bankrupt
51.		2020	-3.311	Bankrupt
52.	NFCX	2018	9.577	Health
53.		2019	9.142	Health
54.		2020	6.678	Health
55.	RANC	2018	7.163	Health
56.		2019	8.880	Health
57.		2020	6.015	Health
58.	TRIO	2018	-156.616	Bankrupt
59.		2019	-250.346	Bankrupt
60.		2020	-322.903	Bankrupt

Source: IDX data processed, 2023

TABLE 2 | List of Companies Included in the Research Sample

No	Stock Code	Company
1.	ACES	PT Ace Harware Indonesia Tbk
2.	CENT	PT Centratama Telekomunikasi Indonesia Tbk.
3.	CSAP	PT Catur Sentosa Adiprana
4.	DIVA	PT Distribusi Voucher Nusantara Tbk
5.	ECII	PT Electronic City Indonesia Tbk
6.	ERAA	PT Erjaya Swasembada Tbk
7.	GLOB	PT Global Teleshop Tbk
8.	HERO	PT Hero Supermarket Tbk
9.	KIOS	PT Kioson Komersial Indonesia Tbk
10.	KOIN	PT Kokoh Inti Arebama Tbk
11.	LPPF	PT Matahari Department Store Tbk
12.	MAPA	PT MAP Aktif Adiperkasa Tbk.
13.	MAPI	PT Mitra Adiperkasa Tbk
14.	MCAS	PT M Cash Integrasi Tbk
15.	MIDI	PT Midi Utama Indonesia Tbk
16.	MKNT	PT Mitra Komunikasi Nusantara Tbk
17.	MPPA	PT Matahari Putra Prima Tbk
18.	NFCX	PT NFC Indonesia Tbk
19.	RANC	PT Supra Boga Lestari Tbk
20.	TRIO	PT Trikomsel Oke Tbk

Source: IDX data processed, 2023

TABLE 3 | Sampling Criteria

No.	Sample Criteria	Company
1.	Service Companies in the Retail Trade Sector listed on the Indonesia Stock Exchange in 2018-2020.	27
2.	Service Companies in the Retail Trade Sector that publish complete financial reports consecutively during 2018-2020 on the Indonesia Stock Exchange.	(4)
3.	Retail Trade Sector Service Companies that have complete financial reports in accordance with the data required in the research variables.	(3)
Total Research Sample		20

Source: IDX & Primary data processed by the author, 2023

TABLE 4 | Model Summary

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	,528[a]	0,279	0,253	109,05033	0,279	11,015	2	57	0,000	1,172

a. Predictors: (Constant), Profitability, Sales Growth

b. Dependent Variable: Financial Distress

Source: Data processed, 2023

TABLE 5 | Annova

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	261983,401	2	130991,700	11,015	,000[b]
	Residual	677842,607	57	11891,976		
	Total	939826,008	59			

a. Dependent Variable: Financial Distress

b. Predictors: (Constant), Profitability, Sales Growth

Source: Data processed, 2023

TABLE 6 | Coefficients

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	-37,244	14,392		-2,588	0,012		
	Sales growth	69,079	32,503	0,260	2,125	0,038	0,848	1,180
	Profitabilitas	22,702	7,509	0,369	3,023	0,004	0,848	1,180

a. Dependent Variable: Financial Distress

Source: Data processed, 2023