THE IMPACT OF LEVERAGE, SALES GROWTH, AND ACTIVITY RATIO ON FINANCIAL DISTRESS WITH PROFITABILITY AS MODERATING VARIABLE IN FOOD AND BEVERAGE COMPANIES THAT LISTED ON INDONESIA STOCK EXCHANGE

THESIS

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PREFACE

Praise and gratitude to Allah SWT. Almighty for His blessings so that the author can finish the thesis with the title "The Impact of Leverage, Sales Growth and Activity Ratio on Financial Distress with Profitability as Moderating variable in Food and Beverage Companies That Listed in Indonesia Stock Exchange 2018-2022" as a requirement for a bachelor's degree.

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The author hopes that this thesis can be useful for the readers. The author is also open to any suggestions and constructive criticism to improve the imperfections of this thesis due to the limitations of the author's knowledge. May we all always be blessed with health and happiness.

Pontianak, 22th January 2025

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DAMPAK LEVERAGE, PERTUMBUHAN PENJUALAN, DAN RASIO AKTIVITAS TERHADAP KESULITAN KEUANGAN DENGAN PROFITABILITAS SEBAGAI VARIABEL MODERAT PADA PERUSAHAAN MAKANAN DAN MINUMAN YANG TERDAFTAR DI BURSA EFEK INDONESIA

NAUVAL DWI FEBRYANTO

MANAJEMEN

ABSTRAK

Penelitian ini ingin menganalisis pengaruh leverage, pertumbuhan penjualan dan aktivitas rasio terhadap kesulitan keuangan pada perusahaan food and beverage yang terdaftar di Bursa Efek Indonesia dengan menggunakan profitabilitas sebagai variabel moderasi. Populasi dalam penelitian ini adalah 84 perusahaan properti dan real estate yang terdaftar di BEI periode 2018-2022 dan sampel dalam penelitian ini berdasarkan teknik purposive sampling adalah sebanyak 25. Metode analisis yang digunakan dalam penelitian ini adalah regresi linier berganda. Hasil analisis dalam penelitian ini ditemukan bahwa leverage berpengaruh negatif dan signifikan terhadap financial distress. Pertumbuhan penjualan berpengaruh positif dan signifikan terhadap financial distress. Sedangkan aktivitas rasio yang diukur menggunakan inventory turnover tidak memiliki pengaruh terhadap financial distress. Dalam penelitian ini profitabilitas dipelajari lebih lanjut sebagai variabel moderasi. Profitabilitas dapat memoderasi antara variabel leverage, pertumbuhan penjualan dan aktivitas rasio terhadap financial distress.

Keywords : leverage, sales growth, inventory turnover, profitability financial distress

THE IMPACT OF LEVERAGE, SALES GROWTH, AND ACTIVITY RATIO ON FINANCIAL DISTRESS WITH PROFITABILITY AS MODERATING VARIABLE IN FOOD AND BEVERAGE COMPANIES THAT LISTED ON INDONESIA STOCK EXCHANGE

NAUVAL DWI FEBRYANTO

MANAGEMENT

ABSTRACT

This study aims to analyze the effect of leverage, sales growth and activity ratio on financial difficulties in food and beverage companies listed on the Indonesia Stock Exchange by using profitability as a moderation variable. The population in this study is 84 property and real estate companies listed on the IDX for the 2018-2022 period and the sample in this study based on the purposive sampling technique is 25. The analysis method used in this study is multiple linear regression. The results of the analysis in this study found that leverage has a negative and significant effect on financial distress. Sales growth has a positive and significant effect on financial distress. Meanwhile, ratio activities measured using inventory turnover have no effect on financial distress. In this study, profitability is further studied as a moderation variable. Profitability can moderate between the variables of leverage, sales growth and activity ratio to financial distress.

Keywords : leverage, sales growth, inventory turnover, profitability financial distress

RINGKASAN SKRIPSI

DAMPAK LEVERAGE, PERTUMBUHAN PENJUALAN, DAN RASIO AKTIVITAS TERHADAP KESULITAN KEUANGAN DENGAN PROFITABILITAS SEBAGAI VARIABEL MODERASI PADA PERUSAHAAN MAKANAN DAN MINUMAN YANG TERDAFTAR DI BURSA EFEK INDONESIA

1. Latar Belakang dan Tujuan Penelitian

Satu di antara tujuan dari berdirinya suatu perusahaan adalah membuat laba yang maksimum dan stabil. Namun, perusahaan tidak selalu mendapat keuntungan, adakalanya perusahaan mengalami risiko keuangan. Risiko keuangan yang dialami perusahaan dapat memicu kegagalan dalam menjalankan usaha, satu di antaranya adalah kesulitan keuangan. Terdapat beberapa faktor yang dapat memicu terjadinya kesulitan keuangan. Oleh karena itu, dalam penelitan ini, penulis mencoba untuk meneliti pengaruh rasio leverage, pertumbuhan penjualan dan inventory turnover terhadap kesulitan keuangan.

Penelitian ini ditulis untuk mengetahui pengaruh Leverage, Ukuran Perusahaan, dan Inventory turnover terhadap financial distress di perusahaan Food and beverage di Indonesia. Selanjutnya juga bertujuan untuk mengetahui apakah profitabilitas memiliki pengaruh terhadap hubungan antara Leverage, Ukuran Perusahaan, dan Inventory turnover terhadap Financial distress.

2. Metode Penelitian

Dalam pemilihan sampel digunakan metode purposive sampling. Oleh karena itu, sampel yang dipilih untuk penelitian ini adalah dua puluh lima perusahaan yang terdaftar di Bursa Efek Indonesia (BEI) dalam periode 5 tahun dengan jumlah 125 observasi. Data yang digunakan dalam penelitian ini dikumpulkan dari laporan tahunan perusahaan yang telah dipublikasikan pada situs web IDX Indonesia. Data dianalisis dengan menggunakan software Eviews 13. Statistik deskriptif, uji asumsi klasik,

regresi data panel dan metode estimasi model digunakan dalam penelitian ini.

3. Hasil

Berdasarkan metode estimasi model, model yang dipilih untuk model Regresi Linier Berganda adalah Fixed Effect Model. Regresi linier berganda menunjukkan bahwa Leverage berpengaruh negatif signifikan terhadap Financial Distress, artinya peningkatan leverage akan menyebabkan penurunan terhadap kesulitan keuangan, begitu juga sebaliknya. Ukuran Perusahaan berpengaruh positif signifikan terhadap Financial Distress, artinya peningkatan pertumbuhan penjualan akan menyebabkan peningkatan terhadap financial distress. Aktivitas rasio tidak memiliki pengaruh terhadap Financial distress, artinya inventory turnover tidak secara langsung berpengaruh terhadap financial distress. Metode estimasi model diuji lagi untuk Analisis Regresi Moderasi. Dan estimasi model terbaik yang dipilih adalah Fixed Effect Model. Analisis Regresi Moderasi menunjukkan bahwa variable moderasi profitabilitas berpengaruh signifikan terhadap hubungan leverage dan financial distress. Profitabilitas juga dapat memoderasi hubungan antara Pertumbuhan penjualan dan Financial distress. Hasil yang sama juga didapatkan dari inventory turnover bahwa profitabilitas dapat memoderasi hubungan antara aktivitas rasio dengan Financial Distress.

4. Kesimpulan dan saran

Pada Analisis Regresi Berganda, penelitian ini menemukan bahwa Leverage memiliki pengaruh negatif yang signifikan terhadap Kesulitan keuangan. Sedangkan pertumbuhan penjualan berpengaruh positif signifikan terhadap Kinerja Bank. Dan inventory turnover tidak berpengfaruh terhadap kesulitan keuangan. Pada Analisis Regresi Moderasi, profitabilitas secara signifikan memoderasi hubungan antara leverage, pertumbuhan penjualan dan inventory turnover. Penelitian lebih

lanjut mengenai topik terkait dapat menambah jumlah sampel dan memperpanjang jangka waktu penelitian dengan tujuan untuk mendapatkan hasil yang lebih akurat terkait topik ini. Selain itu, pengukuran inventory turnover disarankan untuk diproksikan menggunakan company value.

SUMMARY

THE IMPACT OF LEVERAGE, SALES GROWTH, AND ACTIVITY RATIO ON FINANCIAL DISTRESS WITH PROFITABILITY AS MODERATING VARIABLE IN FOOD AND BEVERAGE COMPANIES THAT LISTED ON INDONESIA STOCK EXCHANGE

Background and Research Objectives

One of the goals of the establishment of a company is to make maximum and stable profits. However, companies do not always make a profit, sometimes companies experience financial risks. Financial risks experienced by companies can trigger failure in running a business, one of which is financial difficulties. There are several factors that can trigger financial difficulties. Therefore, in this research, the author tries to examine the influence of leverage ratio, sales growth and inventory turnover on financial difficulties.

This study was written to determine the influence of Leverage, Company Size, and Inventory turnover on financial distress in Food and beverage companies in Indonesia. Furthermore, it also aims to find out whether profitability has an influence on the relationship between Leverage, Company Size, and Inventory turnover on Financial distress.

1. Research Methods

In sample selection, the purposive sampling method is used. Therefore, the sample selected for this study is twenty-five companies listed on the Indonesia Stock Exchange (IDX) in a period of 5 years with a total of 125 observations. The data used in this study was collected from the company's annual report that has been published on the IDX Indonesia website. The data was analyzed using Eviews software 13. Descriptive statistics, classical assumption tests, panel data regression and model estimation methods were used in this study.

2. Result

Based on the model estimation method, the model chosen for the Multiple Linear Regression model is the Fixed Effect Model. Multiple linear regression shows that Leverage has a significant negative effect on Financial Distress, meaning that an increase in leverage will lead to a decrease in financial distress, and vice versa. The size of the company has a significant positive effect on financial distress, meaning that an increase in sales growth will lead to an increase in financial distress. Ratio activity has no effect on financial distress, meaning that inventory turnover does not directly affect financial distress. The model estimation method was tested again for Moderation Regression Analysis. And the best model estimate chosen is the Fixed Effect Model. Moderation Regression Analysis shows that the profitability moderation variable has a significant effect on the relationship between leverage and financial distress. Profitability can also moderate the relationship between sales growth and financial distress. The same result was also obtained from inventory turnover that profitability can moderate the relationship between ratio activity and Financial Distress.

3. Conclusions and Recommendations

In the Multiple Regression Analysis, the study found that Leverage had a significant negative influence on financial Hardship. Meanwhile, sales growth has a significant positive effect on the Bank's performance. And inventory turnover does not affect financial difficulties. In Moderation Regression Analysis, profitability significantly moderated the relationship between leverage, sales growth and inventory turnover. Further research on related topics can increase the number of samples and extend the research period with the aim of obtaining more accurate results related to this topic. In addition, it is recommended to measure inventory turnover using company value.

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CHAPTER I

INTRODUCTION

1.1 Background

The primary objective of a company's establishment is to maximize profit in order to ensure the sustenance of its proprietor. As the business landscape undergoes rapid expansion, competition intensifies, necessitating proficient management to mitigate potential pitfalls. Financial distress, a condition wherein a company encounters challenges in managing its finances, often precedes bankruptcy (Putri & Erino, 2020) quoted in Piatt & Piatt, 2002). Failure to promptly address financial distress significantly heightens the likelihood of bankruptcy. A pivotal indicator of financial distress lies in the company's inability to meet its financial obligations, as elucidated by (Amanda & Tasman, 2019 quoted in Elloumi & Gueyié, 2001). This period of financial strain typically precedes bankruptcy, characterized by an inability to repay loans, as highlighted by (Zaki, Bah & Rao, 2011).

Every company aims to consistently obtain large profits to support operations and other activities, so as to maintain its business continuity (Putra & Setiawati, 2022). However, the reality is that not all are able to achieve this goal, because many have gone bankrupt due to insurmountable financial distress. Financial distress is a phase when corporations face serious financial problems, often becoming a stage before bankruptcy (Putra & Setiawati, 2022). This condition is very undesirable by various related parties. Investors and creditors, for example, will become more cautious about dealing with corporations experiencing financial distress. This negative response from stakeholders can further hurt the company.

Therefore, company management must act immediately to overcome financial distress problems and prevent bankruptc as stated by (Wulandari & Jaeni, 2021). The uncertain economic condition of a country can trigger a financial crisis. This can affect the activities and performance of corporations, both small, medium, and large corporations. Even the fierce competition now in

dominating the world market makes corporations have a high level of risk which results in financial difficulties. The instability of the global economy has made economic conditions in Indonesia also experience instability. One of the sectors affected by this instability is the manufacturing sector, which is the largest contributor to GDP. In this study, manufacturing corporations that have an impact on financial distress are corporations in the food and beverage subsector.

The vital role of food and beverage manufacturing corporations in a country's economy cannot be underestimated. As revealed by (Asysyafa & Putri, 2023). this sector consists of various entities involved in various processes, from raw material processing to product distribution to the market. Through their activities, these corporations are able to create added value by providing food and beverage products to consumers.

According to research by Asysyafa & Putri, (2023) that food and beverage manufacturing corporations have a strategic role in the economy because they provide basic human needs, especially in terms of food and beverages. The demand for these products tends to be stable because it is an inevitable basic need. In addition, the sector offers significant development potential along with population growth and increasing consumer awareness of the importance of a healthy diet and product quality.

On the other hand, manufacturing corporations in the food and beverage sector face considerable obstacles. Fierce competition, changing consumption trends, variations in raw material costs, strict restrictions from the government, and changing consumer tastes are some of the factors that can impact the performance of corporations in this sector. Financial distress is one of the dangers faced by manufacturing corporations in the food and beverage industry. Financial distress is a state in which a company experiences severe financial distress that can compromise its ability to continue operating. Poor financial performance, high debt, rapid market changes, or a company's failure to adequately handle risk can all contribute to this difficulty. In the context of manufacturing corporations in the food and beverage sector, financial distress can lead to a decrease in production, a decrease in sales, or even the bankruptcy of the company.

In Indonesia, the food and beverage industry is one of the sectors that is relatively stable compared to other sectors because the products produced are basic needs. However, volatile economic conditions, both at the domestic and global levels, such as inflation, declining purchasing power, and fluctuations in raw material prices, greatly affect the performance of food and beverage corporations. Financial distress is a serious threat, especially when corporations are unable to maintain their financial balance due to external pressures such as rising production costs or changes in trade regulations.

To find out how the company's financial condition is, it can use the Altman Z-score model. Altman's Z-score is a model that provides a formula for assessing when a company will go bankrupt. By using a formula filled (interplied) with financial ratios, it will be known that certain numbers are available to predict when the company is likely to go bankrupt. Financial Distress is a phenomenon that often occurs in the business world, where phenomena or problems that arise must be faced by corporations.

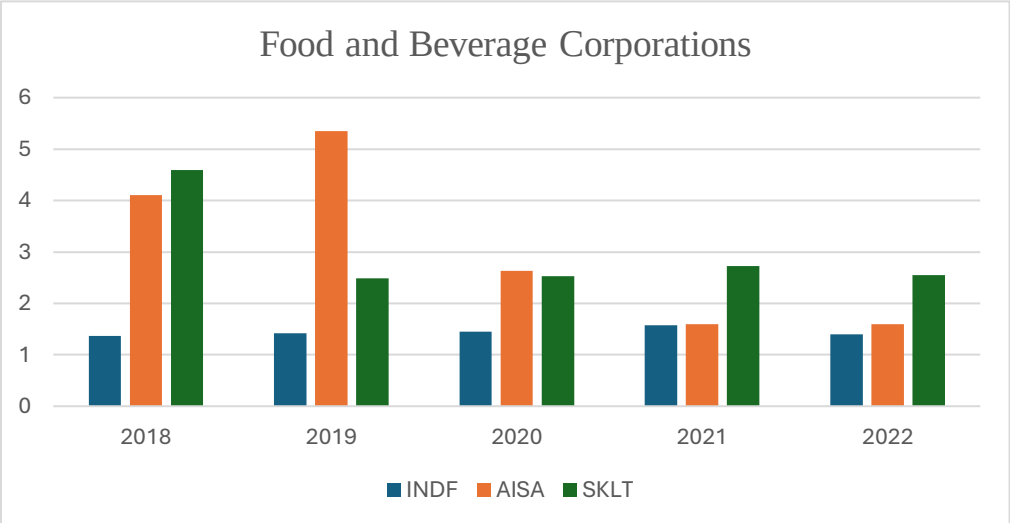


Figure 1.1 Food and Beverage Corporations

Source : Data Processed 2024

One of the manufacturing corporations in food and beverage midwives is PT Indofood Sukses Makmur (INDF), PT Tiga Pilar Sejahtera Food (AISA), PT

Sekar Laut (SKLT). Before Covid-19 in 2020, some of the company above have higher score which is that greater than 2,99 in 2018 and 2019. Food and Beverage as subsector of manufacturing corporations are categorized as potentially bankrupt if their Z-score is less than 1.80. They are considered to be at risk of bankruptcy within the next two years if their Z-score is special attention if the Z-score is between 1.80 and 2.99. A company is said to be not at risk of bankruptcy if its Z-score is greater than 2.99. Based on this assessment, we can determine that PT. Indofood Makmur Sejahtera Tbk (INDF) falls into the category of corporations threatened with bankruptcy, then followed by PT Tiga Pilar Sejahtera Food and Sekar Laut that fall into the category threatened with bankkruptcy in 2020 until 2022. This is also consistent with what Nugroho & Firmansyah (2017) stated, that a decline in the Z-score indicates an increased level of financial distress faced by the company.

Based on the description above, this research seeks to determine the financial distress in the food and beverage corporations whose data can be found on the Indonesia Stock Exchange (IDX) website, which is determined by the company's financial ratios and various other measuring factors between 2018 and 2022. Considering that food and beverage corporations plays a very important role in triggering a country's economic growth.

According to Marheni (2022), there are three causes of financial distress, namely general factors, external factors of the company, and internal factors. Common factors as causes of financial distress include things that occur widely in society, including the business, social, technological, and government sectors. External factors, on the other hand, are factors derived from the specific environment of an enterprise, such as customer sectors, suppliers, and competitors. Meanwhile, internal factors that cause financial distress involve inappropriate decisions and policies taken in the past and management's failure to anticipate the company's needs when needed. One of intenal factors that used to know information about financial of companies is financial statement.

Financial statement analysis is one way to obtain information about a company's financial condition. Financial ratio analysis can be used to predict the

financial distress of a company, Feldiansyah (2020). One financial ratio analysis tool is the leverage ratio, which can influence financial distress conditions. Based on several research gaps and previous research theory studies, this study will use leverage, sales growth and activity ratio as dependent variables and profitability as moderating variable. Leverage refers to the use of external resources, particularly debt, in a company's financing structure to support operations or investments (Sugiharto & Eka 2017). Leverage is useful for increasing profit potential by utilizing debt as a source of funding.

The leverage ratio measures the extent to which a company's activities are funded by debt and will result in obligations that must be fulfilled along with their interest. If a company relies more on debt financing, there is a risk of facing difficulties in future payments due to debt exceeding assets owned. If this situation is not managed well, the potential for financial distress increases.

According to Subramanyam & Wild (2005) the leverage ratio measures the relationship between total assets and ordinary equity capital used to fund assets. According to Prihadi (2008), the leverage ratio is a ratio that shows that the company is able to meet all its financial obligations, both short and long term. The leverage ratio is a ratio used to measure the extent to which the company's assets are financed with debt, which means how much debt burden the company bears compared to its assets (Kasmir, 2010).

In this study, the leverage ratio is measured using the Debt to Asset Ratio (DAR) because the debt to asset ratio describes how the company's ability to guarantee the entire debt with its assets (Rudianto, 2013). Through the debt ratio, it will be illustrated whether a company is able to guarantee all its obligations, both short-term and long-term obligations by using the assets owned.

In addition, financial distress can also determined by Sales growth describes the company's ability to maintain its economic position amid economic growth and its business sector (Kasmir, 2010). Sales growth describes what percentage of a company's sales from year to year. An increased sales growth ratio shows that the company is able to run and achieve company targets because the percentage of sales increases from year to year.

According to Khasanah (2021) explained that sales growth is a ratio that describes the ability of a company to maintain its economic conditions amid economic growth and its business sector. Corporations that have a good level of sales growth reflect good company conditions. Positive sales growth reflects that the company's products are accepted by the market. The higher the value of the company's sales growth accompanied by cost efficiency is expected to be achieved to increase company profits so as to prevent financial distress (Putri & Erino, 2020).

Then another factor that effects financial distress is activity ratio. The company's activity ratio conceptually refers to the asset management ratio, which aims to measure how effectively the company manages its assets in generating profits (Brigham & Ehrhardt, 2016). This means measuring the company's management's ability to handle raw material inventory, work-in-process inventory, finished goods, and other assets, as well as its marketing management policies. Activity ratios, such as inventory turnover are crucial indicators of operational efficiency in the food and beverage sector, where stock handling and inventory management are critical. Excessive inventory or lack of efficiency in stock management can lead to liquidity problems and add to financial pressure. If corporations are unable to sell their products quickly, working capital is trapped in inventory, which exacerbates financial problems and increases the risk of financial distress.

Activity ratios analyze the relationship between the income statement, particularly sales, and elements in the balance sheet, specifically asset elements. This ratio is measured by the turnover of asset elements in relation to sales (Harjito & Martono, 2014). In this study, the activity ratio is proxied by inventory turnover. According to Hery (2018), inventory turnover is a ratio used to measure how many times the funds invested in inventory are stored in the warehouse until they are finally sold.

With the difference in influence from several previous studies, the difference in researchers will prove whether leverage, sales growth and inventory turnover have a positive or negative effect on financial distress. This makes it

possible to add the profitability variable as a moderating variable because looking at the results of previous research which shows that profitability used as a moderation variable has an inconsistent influence on financial distress. Profitability is a ratio used to measure the profit or profitability of a company. The ratio used to measure profitability is return on assets (Hakim & Nasution, 2020). Profitability is chosen because all profits or profits obtained by the company from the results of its production activities will increase the company's total assets. Profits do not always reflect long-term financial stability. Seemingly profitable companies can still experience financial distress. High leverage, inventory is not well managed, its sales growth is not strong enough to cover the financial burden. This is evident from real cases such as PT Tiga Pilar Sejahtera Food (AISA), which once made a big profit but ended up stuck in a financial crisis due to high debt.

Several previous studies on effect of leverage using debt to asset ratio on financial distress by Ratuela (2022), Sugiharto (2017) show that leverage has a positive effect on company value, but contrary to research conducted by Wulandari & Jaeni, (2021), which shows that leverage negatively affects the financial distress. Unlike others, research conducted by Feldiansyah (2020), Oktaviani & Lisiantara (2022) shows that leverage has no effect on financial distress.

In several studies on the effect of Sales Growth on financial distress conducted by Putri & Kristanti, (2020) and Putri & Abbas, (2021), sales growth has no effect on financial distress. However, the results of research shown by Wulandari & Jaeni, (2021) show the opposite, that the results especially sales growth affect financial distress.

According to several studies on the effect of Inventory tunrover on Financial Distress by Mahu, (2019), inventory turnover has a positive effect on financial distress. However, the results differ from those of Permadi & Isynuwardhana (2020), Rusli and Dumaris (2020) who state that inventory turnover has a negative effect on financial distress. Wibowo & Musdholifah (2017) state that inventory turnover does not affect financial distress.

Research conducted by Sari & Putri (2016) examined that leverage on financial distress with profitability acting as moderaring variable in manufacture company that listed in Indonesia stock exchange. The finding indicate that profitability is moderate the impact of leverage (DAR) states that the profitability variable that is able to be a moderation variable. Conversely, research conducted by Andiyanti (2018) investigated the effect of leverage on financial ditress wirh profitability as moderaing variable show that profitability does not effect financial distress.

However, the dissimilarity in the results of previous research makes researchers interested in testing again by combining the variables Leverage(CAR), Sales Growth (SG), Inventory Turnover (ITO) on Financial Distress (Z) by using Profitability (ROA), as moderating variable. From the description above, the researcher took the research entitled, **"THE IMPACT OF LEVERAGE, SALES GROWTH AND ACTIVITY RATIO ON FINANCIAL DISRESS WITH PROFITABILITY AS MODERATING VARIABEL IN FOOD AND BEVERAGE COMPANIES THAT LISTED ON INDONESIA STOCK EXCHANGE".**

1.2. Research Problem

One of the goals of a company is to make maximum profit, but the company does not always get a good profit. A company can experience financial distress, which is a condition where a company is in an unhealthy state or crisis. This research uses leverage, growth activity ratio and profitability to seek the effect of each independent variable and the moderation ability of the moderation variable on financial distress in the company and . Therefore, from the above background, research, questions can be formed into:

1. Does leverage affect financial distress?
2. Does growth affect financial distress?
3. Does activity ratio affect financial distress?
4. Does profitability could moderate the effect of leverage toward financial distress and the impact to companies?

5. Does profitability could moderate the effect of growth toward financial distress and the impact to companies?
6. Does profitability could moderate the effect of activity ratio toward financial distress and the impact to companies?

1.3. Research Objectives

Following the formulation of the study, the objectives of this study are as follows:

1. To test and analyze the effect of leverage on financial distress.
2. To test and analyze the effect of growth on financial distress.
3. To test and analyze the effect of activity ratio on financial distress.
4. To test and analyze the ability of profitability to moderate the effect of leverage on financial distress.
5. To test and analyze the ability of profitability to moderate the effect of growth on financial distress.
6. To test and analyze the ability of profitability to moderate the effect of activity ratio on financial distress.

1.4. Research Contribution

Based on the research objectives above, this research contributes in:

1.4.1. For Academician

The study contributes to the financial literature as it is expected to provide broader insight into the effect of leverage, growth, activity ratio and moderating ability of profitability on financial distress. Furthermore, this study is expected to prove empirically whether leverage, growth and activity ratio have an effect on financial distress and whether profitability could moderate the effect of each independent variable toward financial distress.

1.4.2. For Researcher

This research is expected to contribute in providing insight and knowledge for researchers and as a reference guide for further research related to this research variable.

1.4.3. For Company Managers

This research is expected to provide an overview for corporations related to management decision making when corporations are indicated to be experiencing financial distress. In addition, it is expected to provide an overview for the company to control leverage, growth and activity ratio.

1.5 . Contextual Description

Based on this background, researches have to analyze how leverage, sales growth, and inventory turnover affect the risk of financial distress in food and beverage corporations listed on the Indonesia Stock Exchange (IDX). The IDX is the primary securities exchange in Indonesia where corporations can list their shares to raise capital from public investors, provides a regulated marketplace for the trading of securities, ensuring transparency, efficiency, and investor protection. Corporations listed on the IDX are subject to rigorous reporting and disclosure requirements, making it easier for investors to assess their financial health

The food and beverage industry in Indonesia is one of the most important and dynamic sectors in the national economy. This sector not only significantly contributes to the Gross Domestic Product (GDP) but also provides employment for millions of people. Corporations in this sector are diverse, ranging from large multinational corporations to rapidly growing small and medium-sized enterprises. The industry continues to expand in response to increasing consumer demand, changing lifestyles, and product innovations. However, corporations in this sector also face challenges such as fluctuating raw material prices, regulatory changes, and intense competition, all of which can impact their financial stability. In this context, analyzing leverage measures the extent to which a company uses debt to finance its operations, while sales growth indicates the company's ability

to increase its revenues over time. Inventory turnover measures the efficiency of a company in managing its stock of goods. Profitability, measured by Return on Assets (ROA), is used as a moderating variable to assess whether a company's ability to generate profits can influence the relationship between these three factors and the risk of financial distress. Through this analysis, the study hopes to provide deeper insights into the factors affecting the financial health of food and beverage corporations in Indonesia and how they can better manage financial risks to ensure long-term sustainability and growth.