

**PREDICTING FINANCIAL DISTRESS THROUGH FINANCIAL PERFORMANCE INDICATORS:
EVIDENCE FROM HOTEL, TOURISM, AND RESTAURANT COMPANIES LISTED ON THE
INDONESIA STOCK EXCHANGE**

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DOI: <https://doi.org/10.35145/procuratio.v14i3.6110>

Received: 31/8/2026, Revised: 14/9/2026, Accepted: 15/9/2026

ABSTRACT

This study aims to examine the effect of liquidity, firm size, profitability, leverage, and sales growth on financial distress among hotel, tourism, and restaurant service companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period. This study employs secondary data. The sampling technique used is purposive sampling, resulting in a sample of 23 companies. The data analysis methods include descriptive analysis, classical assumption tests, and hypothesis testing, along with several evaluation procedures using SmartPLS software. The results indicate that liquidity, measured by the Current Ratio (CR), and profitability, measured by Return on Assets (ROA), have a significant effect on financial distress. Meanwhile, firm size, leverage, measured by the Debt to Asset Ratio (DAR), and sales growth do not have a significant effect on financial distress.

Keywords: Financial Distress; Liquidity; Firm Size; Profitability; Leverage; Sales Growth

***MEMPREDIKSI FINANCIAL DISTRESS MELALUI INDIKATOR KINERJA KEUANGAN: BUKTI
EMPIRIS PADA PERUSAHAAN HOTEL, PARIWISATA, DAN RESTORAN YANG TERDAFTAR DI
BURSA EFEK INDONESIA***

ABSTRAK

Penelitian ini bertujuan untuk menguji pengaruh likuiditas, ukuran perusahaan, profitabilitas, leverage, dan pertumbuhan penjualan terhadap financial distress pada perusahaan jasa hotel, pariwisata, dan restoran yang terdaftar di Bursa Efek Indonesia (BEI) selama periode 2020–2024. Penelitian ini menggunakan data sekunder. Teknik pengambilan sampel yang digunakan adalah purposive sampling, sehingga diperoleh sampel sebanyak 23 perusahaan. Metode analisis data yang digunakan meliputi analisis deskriptif, uji asumsi klasik, dan pengujian hipotesis, serta beberapa prosedur evaluasi menggunakan perangkat lunak SmartPLS. Hasil penelitian menunjukkan bahwa likuiditas yang diukur menggunakan Current Ratio (CR) dan profitabilitas yang diukur menggunakan Return on Assets (ROA) berpengaruh signifikan terhadap financial distress. Sementara itu, ukuran perusahaan, leverage yang diukur menggunakan Debt to Asset Ratio (DAR), dan pertumbuhan penjualan tidak berpengaruh signifikan terhadap financial distress.

Kata Kunci: Financial Distress; Likuiditas; Ukuran Perusahaan; Profitabilitas; Leverage; Pertumbuhan Penjualan

INTRODUCTION

Problem Background

Corporate management is an essential aspect that cannot be neglected in conducting a company's operations, as it plays an important role in achieving business objectives and ensuring business continuity. In managing a company, good corporate governance must be implemented because it increases the likelihood that the company will remain financially healthy and in good condition (Cinantya and Merkusiwati, 2015). A company can be considered healthy if it is able to withstand various economic conditions, as reflected in its ability to meet financial obligations, maintain operational stability, and sustain continuous business growth.

If a company is not managed properly, its financial performance may decline or it may experience prolonged financial difficulties that could potentially lead to bankruptcy. In reality, these conditions do not always develop as expected, and over time a company may experience financial difficulties that eventually result in liquidation. Therefore, analyzing the symptoms of Financial Distress through financial risk is important to anticipate the possibility of bankruptcy in the future. Afriyeni (2012) states that financial distress occurs before a company experiences bankruptcy. Bankruptcy can be considered the most severe condition of financial distress (Putri and Merkusiwati, 2014).

Financial distress and bankruptcy are fundamentally different, but they are interrelated and affect the sustainability of a company. Financial Distress is one of the indicators signaling the possibility of bankruptcy in a company that fails to carry out its operational activities, thereby disrupting profitability and business continuity. Financial distress can also be defined as a company's inability to repay its debts (Beaver, Correia, and McNichols, 2011). In addition, Financial Distress or financial difficulty can be defined as a condition in which a company's finances experience problems, a crisis, or an unhealthy condition before the company becomes bankrupt.

The tourism sector plays an important role as a driver of the Indonesian economy. Its presence can indirectly increase economic growth while creating employment opportunities for communities around tourist destinations. For example, when a tourist attraction is opened in an area, local communities can gain business opportunities through the sale of local products, homestay services, culinary businesses, and tour guide services for foreign tourists.

According to data obtained from Statistics Indonesia (BPS), the number of foreign tourist visits to Indonesia by nationality during 2020–2024 shows that the tourism sector is a promising and potential sector based on the number of tourists entering Indonesia. However, the large number of tourism businesses in Indonesia also means that business competition in this sector will increase. To maintain their businesses, companies must pay attention to various aspects, particularly financial aspects (Oktaviani & Anggana, 2022).

There are several phenomena among companies in the hotel, tourism, and restaurant subsectors that recorded negative net profits for five consecutive years, including PT Dafam Property Indonesia (DFAM), PT Hotel Fitra International (FITT), PT Menteng Heritage Realty (HRME), PT Graha Andrasentra Propertindo (JGLE), PT DMS Propertindo (KOTA), PT Red Planet Indonesia (PSKT), Hotel Sahid Jaya (SHID), and PT Satria Mega Kencana (SOTS). PT Menteng Heritage Realty (HRME), a company engaged in the tourism business, experienced the largest loss among companies in the hotel, tourism, and restaurant subsectors, with total losses during 2020–2024 reaching approximately IDR 148 billion, with its largest loss occurring in 2024 at approximately IDR 75 billion.

The increase in the number of companies reporting operating losses and the decrease in the number of companies reporting operating profits indicate that the hotel, tourism, and restaurant service subsectors are experiencing symptoms of Financial Distress. According to Tjahjono, chairman of the Indonesian Café and Restaurant Entrepreneurs Association (Apkrindo), declining restaurant revenues are caused by decreasing public interest in visiting restaurants, partly as a result of the growth of online food businesses with food delivery services, which has reduced consumers' interest in dining at restaurants.

The decline in the number of tourists has caused the tourism and hotel sectors to experience a slowdown, influenced by postponed holiday activities and flight restrictions in various countries. Based on signalling theory, Financial Distress is a negative signal for investors because it reflects management's inability to manage the company's operations optimally. Conversely, when a company is able to generate profits, this becomes a positive signal that can increase investor confidence in investing capital.

The Financial Distress condition experienced by companies in the hotel, restaurant, and tourism subsectors can be identified or predicted, among other ways, by examining the companies' financial statements (Muflihah, 2017). According to Widarjo & Setiawan (2009), financial ratios are an important form of accounting information in the process of evaluating company performance, as they can reveal a company's financial condition and performance over a particular period.

Financial performance plays a very important role for a company because it can be used to monitor business development while anticipating various risks that may arise in the future. In addition, financial performance serves as a benchmark for assessing improvements or declines in a company's financial condition, enabling management to determine appropriate strategic actions. Common indicators used to assess financial performance include liquidity, company size, profitability, leverage, and sales growth.

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Liquidity is a ratio that describes a company's ability or capacity to meet its short-term debt obligations. In this study, liquidity is measured using the Current Ratio as a tool to assess the company's ability to meet short-term obligations as they become due by utilizing its current assets. Several studies on the Current Ratio and Financial Distress have been conducted by Sutra and Mais (2019), Setyowati and Sari Nanda (2019), and Putri and Ardini (2020), which found that the Current Ratio has a significant partial effect on Financial Distress. In contrast, Suryani, Putri, and N.R. (2020) and Azky et al. (2021) found that the Current Ratio does not have a significant partial effect on Financial Distress.

Company size refers to the scale of a company as measured by its total assets (Murhadi, 2013). Several studies on company size and Financial Distress have been conducted by Nilasari (2021), who found that company size has a significant partial effect on Financial Distress, whereas Putri and Mulyani (2019) found that company size does not have a significant partial effect on Financial Distress.

Profitability is a ratio that measures a company's ability to generate profits. It provides benefits to both internal and external parties because it is used to assess the amount of profit generated by a company and to evaluate the efficiency and effectiveness of its operational management. In this study, profitability is measured using Return on Assets (ROA). Several studies on Return on Assets and Financial Distress have been conducted by Suryani Putri and N.R. (2020), Azky et al. (2021), Sutra and Mais (2019), and Putri and Ardini (2020), which found that Return on Assets has a significant partial effect on Financial Distress. Meanwhile, Maretha Rissi and Amelia Herman (2021) and Sitanggang et al. (2021) found that Return on Assets does not have a significant partial effect on Financial Distress.

Leverage is a ratio that describes a company's ability to cover all of its debts, both current and non-current liabilities (Hery, 2018). In this study, leverage is measured using the Debt to Assets Ratio (DAR). Several studies on the Debt to Assets Ratio (DAR) and Financial Distress have been conducted by Suryani Putri & NR (2020), Putri & Ardini (2020), and Yola Amanda (2019), which found that the Debt to Assets Ratio has a significant partial effect on Financial Distress. In contrast, Azky et al. (2021) and Sutra & Mais (2019) found that the Debt to Assets Ratio does not have a significant partial effect on Financial Distress.

Sales growth is a ratio that indicates a company's ability to maintain its economic position within its business sector. Several studies on sales growth and Financial Distress have been conducted by Okrisnesia et al. (2021), who found that sales growth has a significant partial effect on Financial Distress, whereas Subagyo et al. (2022) found that sales growth does not have a significant partial effect on Financial Distress.

The objective of this study is to examine and determine the effect of liquidity (Current Ratio), company size, profitability (Return on Assets), leverage (Debt to Assets Ratio), and sales growth on financial distress.

LITERATURE REVIEW

Signalling Theory

Signalling theory was first introduced and developed by Michael Spence (1973) in his study entitled Job Market Signaling. According to Spence, the theory explains that good companies can distinguish themselves from bad companies by sending reliable signals about their quality to the capital market, and it also explains behavior in the labor market. Signalling theory refers to actions taken by company management to provide investors with guidance about how management assesses the company's prospects (Viggo, 2014).

According to signaling theory, companies provide external parties with information in the form of good news and bad news. The financial statements published by a company serve as one of the indicators of a good signal (good news), as they demonstrate the company's ability to carry out its operational activities sustainably. The disclosure of good signals (good news) can enhance the company's image in the eyes of its owners and, at the same time, contribute to an increase in firm value.

Current Ratio

According to Kasmir (2012:134), the current ratio is a ratio used to measure a company's ability to pay short-term obligations or debts that are due when demanded in full. In other words, this ratio indicates the extent to which current assets are available to cover short-term obligations that are due. The current ratio can also be regarded as a tool for measuring a company's margin of safety.

Company Size

According to Nugraha (2019), company size is a scale that can classify companies as large or small in various ways, such as total assets, market value of shares, average sales level, and total sales. In this study, the author uses total assets as the indicator of company size, measured by the natural logarithm of total assets, because assets are considered to have a relatively more stable value than total sales.

Return on Assets

According to Hanafi and Halim (2016:157), ROA is a financial ratio related to profitability that measures a company's ability to generate profit using its total assets (wealth) after adjusting for the costs of financing those

assets. Thus, the higher a company's Return on Assets (ROA), the higher the level of profit achieved and the better the company's position in utilizing its assets, because assets actively support operational activities to generate profits.

Debt to Assets Ratio

According to Kasmir (2012:156), the debt to assets ratio is a debt ratio used to measure the comparison between total debt and total assets. The higher the Debt to Assets Ratio, the greater the company's burden toward external parties, which may reduce company performance because its dependence on external parties becomes higher (Brigham and Houston, 2009:98).

Sales Growth

According to Fahmi (2012:69), sales growth is a growth ratio that measures a company's ability to maintain its position within its industry and in overall economic development. Sales growth is an indicator of market acceptance of the products or services produced, and the revenue generated from those sales can be used to measure the level of sales growth (Setyowati and Sari, 2019).

Financial Distress

Financial Distress is often equated with bankruptcy, even though they are two different concepts. Before a company experiences bankruptcy, it will first experience financial distress. According to Fahmi (2014:93), financial distress is defined as a stage in which a company's financial condition declines before bankruptcy or liquidation. Financial Distress can be temporary and not yet severe, but if it is not addressed, it may develop into an insolvent condition (Mamduh and Abdul, 2016:260).

Hypothesis Development

Effect of Current Ratio on Financial Distress

The Current Ratio is a ratio used to measure a company's ability to meet its short-term obligations using its current assets. A higher level of liquidity indicates that a company has greater capacity to meet its current liabilities, while low liquidity may increase the likelihood of corporate failure (Ken Li, 2024). If a company is able to pay its liabilities before or when they fall due, it is considered liquid, thereby providing a positive signal to external parties that the company is capable of meeting its current obligations and avoiding financial problems. If it is unable to do so, it is considered illiquid. In relation to the grand theory used in this study, namely signalling theory, a higher Current Ratio can convey a positive signal regarding the company's financial condition and consequently reduce the likelihood of Financial Distress.

This is consistent with research conducted by Luh Desi Damayanti, Gede Adi Yuniarta, and Ni Kadek Sinarwati (2017), which found that the Current Ratio has a negative effect on Financial Distress. However, this differs from studies by Suryani, Putri, and N.R. (2020) and Azky et al. (2021), which found that the Current Ratio does not have a positive effect on Financial Distress.

H₁: Current Ratio has a negative effect on Financial Distress.

Effect of Company Size on Financial Distress

Company size can be indicated by the level of sales generated by a company. In general, larger companies tend to have greater operating capacity and resources, which may reduce their vulnerability to financial difficulties. Furthermore, larger firms with greater asset bases have a greater capacity to meet their financial obligations, thereby reducing the likelihood of financial distress (Musso and Schiavo., 2008).

This is consistent with research conducted by Norisa Putri (2019), which found that company size has a negative effect on Financial Distress. However, this differs from Putri and Mulyani (2019), who found that company size does not have an effect on Financial Distress.

H₂: Company Size has a negative effect on Financial Distress.

Effect of Return on Assets on Financial Distress

Return on Assets (ROA) is a profitability ratio that measures a company's ability to generate profits from its total assets. A higher ROA indicates greater profitability and more effective utilization of the company's assets, which may reduce the likelihood of experiencing financial distress (Laitinen & Suvas, 2016).

This is consistent with research conducted by Luh Desi Damayanti, Gede Adi Yuniarta, and Ni Kadek Sinarwati (2017), which found that Return on Assets has a negative effect on financial distress. However, this differs from Maretha Rissi and Amelia Herman (2021) and Sitanggang et al. (2021), who found that Return on Assets does not have an effect on Financial Distress.

H₃: Return on Assets (ROA) has a negative effect on Financial Distress.

Effect of Debt to Assets Ratio on Financial Distress

Debt to Assets Ratio (DAR) is a leverage ratio that measures the proportion of total debt to total assets. A higher DAR indicates that a larger proportion of the company's assets is financed through debt, resulting in greater financial leverage and a higher exposure to default risk. Previous research has shown that the debt-to-assets ratio is an important risk factor associated with corporate bankruptcy (Podobnik et al., 2010). Therefore, a higher DAR is expected to increase the likelihood of financial distress.

This is consistent with research conducted by Hamdi Holid Ulinnuha, M. Cholid Mawardi, and Abdul Wahid Mahsuni (2020), which found that Debt to Assets Ratio (DAR) has a positive effect on financial distress. However, this differs from Azky et al. (2021) and Sutra & Mais (2019), who found that Debt to Assets Ratio does not have an effect on Financial Distress.

H₄: Debt to Assets Ratio (DAR) has a positive effect on Financial Distress.

Effect of Sales Growth on Financial Distress

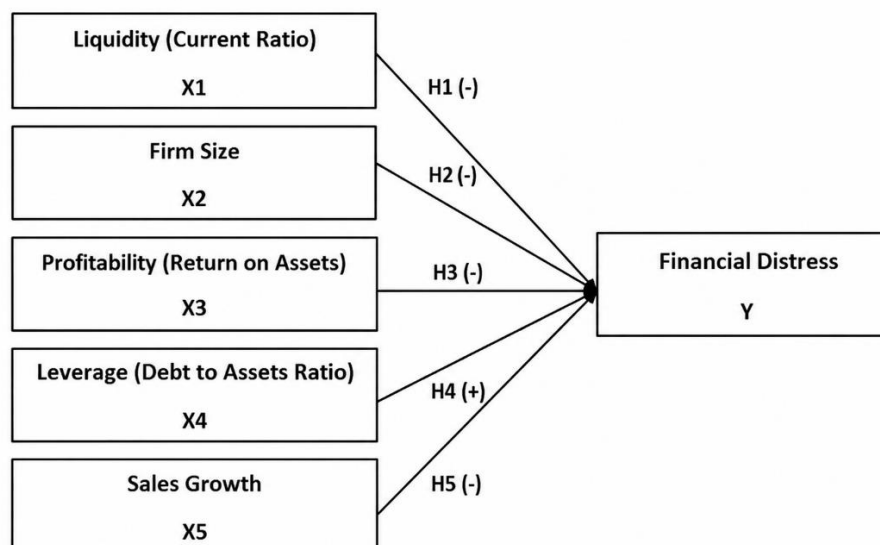
Sales growth reflects a company's ability to expand its business activities and maintain its market position. Sustained sales growth may indicate better business performance and contribute to the company's ability to maintain business continuity. Therefore, companies with positive and sustainable sales growth are generally expected to have a lower likelihood of experiencing financial distress (Šarlija et al., 2023).

This is consistent with research conducted by Amanda and Tasman (2019), which found that sales growth has a negative effect on financial distress. However, this differs from Subagyo et al. (2022), who found that sales growth does not have an effect on Financial Distress.

H₅: Sales Growth has a negative effect on Financial Distress.

Conceptual Framework

Based on the theory and previous research, the relationship between Liquidity (Current Ratio), Company Size, Profitability (Return on Assets), Leverage (Debt to Assets Ratio), and Sales Growth and Financial Distress can be seen in Figure 1.



Source: Developed Research Journal, 2025

Figure 1. Conceptual Framework

RESEARCH METHODS

Research Location and Period

This study was conducted by collecting data from the Indonesia Stock Exchange (IDX) website and other relevant sources using data from companies in the Hotel, Tourism, and Restaurant subsectors. The research period ran from August 2025 to January 2026.

Population and Sample

The population in this study consists of hotel, tourism, and restaurant subsector companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period. Based on data obtained in 2025, there were 47 companies in the population. The sampling technique used in this study was purposive sampling. The sample selection criteria

can be seen in Table 1.

Tabel 1. Sample Selection Criteria

No	Sample Selection Criteria	Number of Companies
1	Total number of hotel, tourism, and restaurant subsector companies listed on the Indonesia Stock Exchange (IDX)	47
2	Number of hotel, tourism, and restaurant subsector companies that did not publish complete annual reports on the Indonesia Stock Exchange (IDX) during 2020–2024	(24)
Sample Size		23
Total Observations (23 companies x 5 periods)		115

Source: Processed Data, 2025

Operationalization of Research Variables

In this study, the independent and dependent variables used consist of:

Current Ratio (X1)

The Current Ratio (current ratio) is calculated using the following formula:

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Company Size (X2)

According to Abiodun (2013) and Niresh and Velnampy (2014), the indicator for company size is measured using the following formula:

$$\text{Firm Size} = \text{Log } n (\text{Total Assets})$$

Return on Assets (X3)

This ratio is used to determine the company's ability to generate net profit through the use of assets, using the following formula:

$$\text{ROA} = \frac{\text{Net Income After Tax}}{\text{Total Assets}}$$

Debt to Assets Ratio (X4)

This ratio is calculated using the following formula:

$$\text{Debt to Asset Ratio} = \frac{\text{Total Liabilities}}{\text{Total Assets}}$$

Sales Growth (X5)

Sales growth is calculated using the following formula (Simanjuntak et al., 2017):

$$\text{Sales Growth} = \frac{\text{Sales } (t) - \text{Sales } (t - 1)}{\text{Sales } (t - 1)}$$

Financial Distress (Y)

According to Rudianto (2013:257), the Altman Z-score equation for publicly listed non-manufacturing companies is systematically formulated as follows:

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

Data Analysis Techniques

Descriptive Analysis

Descriptive analysis is a method used to collect, process, and present data in order to provide an overview of the characteristics of the sample used in the study. According to Ghazali (2009), descriptive analysis aims to provide an overview or description of the data for each variable based on the mean, minimum, and maximum values. The dependent variable in this study is Financial Distress, while the independent variables are Liquidity (CR), Company Size, Profitability (ROA), Leverage (DAR), and Sales Growth.

Classical Assumption Tests

A regression model has several basic assumptions that must be met to produce good estimates, commonly known as BLUE (Best Linear Unbiased Estimator). To ensure that the regression model used is significant and representative, it must first satisfy the classical regression assumptions. These tests include normality, multicollinearity, heteroscedasticity, and autocorrelation.

Normality Test

Before conducting data analysis, a normality test is performed. The normality test aims to determine whether the disturbance variables or residuals in the regression model are normally distributed. If this assumption is not met, the statistical test results become invalid, particularly for small sample sizes (Ghozali, 2017:145). Data normality testing is also necessary to ensure the appropriateness of the F and T statistical tests. The normality test is performed on the regression model using the Kolmogorov–Smirnov (K-S) test. In this study, residuals are considered normally distributed if the significance value or Asymp. Sig. (2-tailed) is greater than 0.05 and are considered not normally distributed if the significance value is less than 0.05.

Multicollinearity Test

Ghozali (2016:103) states that the multicollinearity test is used to determine whether there is a correlation among independent variables in the regression model. Multicollinearity can be identified when such correlations occur. A good regression model should not show correlations among its independent variables. Therefore, the independent variables used are expected to explain the dependent variable more accurately. The presence or absence of multicollinearity is tested using the VIF (Variance Inflation Factor) method, with the criterion that $VIF > 10$ indicates a multicollinearity problem, while $VIF \leq 10$ indicates no multicollinearity problem.

Heteroscedasticity Test

The heteroscedasticity test is conducted to determine whether there is unequal variance of residuals from one observation to another (Ghozali, 2017:85). If the residual variance remains constant from one observation to another, the condition is referred to as homoscedasticity. A good regression model should not experience heteroscedasticity because, if heteroscedasticity occurs, the model is considered less efficient. Heteroscedasticity is tested using the Glejser test, which regresses each independent variable against the absolute residual value as the dependent variable. A residual is the difference between the observed and predicted values, while absolute refers to the absolute value. If an independent variable statistically significantly affects the dependent variable in the heteroscedasticity test, this indicates heteroscedasticity in the regression model. If the Glejser test shows a significance level greater than 0.05, it can be concluded that there is no heteroscedasticity. A significance probability above the 5% confidence level (0.05) indicates that there is no heteroscedasticity problem (Ghozali, 2016:134).

Autocorrelation Test

According to Ghozali (2017:121), the autocorrelation test aims to determine whether there is a correlation in a linear regression model between the disturbance error at period t and the error at period $t-1$ (the previous period). If residuals in a particular period are correlated with residuals in the previous period, an autocorrelation problem exists. Autocorrelation can be diagnosed by examining the Durbin–Watson statistic for first-order autocorrelation, which requires an intercept in the regression model and no additional variables among the independent variables (Ghozali, 2016:107). Autocorrelation occurs when consecutive observations over time are related to one another. Autocorrelation can be detected using the criteria that a DW value below -2 indicates positive autocorrelation, a DW value between -2 and $+2$ indicates no autocorrelation, and a DW value above $+2$ indicates negative autocorrelation.

Hypothesis Testing

Hypothesis testing is a procedure that produces a decision to accept or reject a hypothesis. The research hypotheses are tested using the coefficient of determination (R^2), F-test, T-test, and multiple linear regression analysis to determine the significant effects of the independent variables on the dependent variable.

Coefficient of Determination Test (R^2)

The coefficient of determination indicates how much of the variation in the dependent variable Y can be explained by the linear influence of variable X . The coefficient of determination ranges from 0 to 1 ($0 \leq R^2 \leq 1$). If R^2 equals 0, the independent variables (X) have no relationship with the dependent variable (Y). If R^2 equals 1, the regression line formed can predict the dependent variable (Y) perfectly. The closer the value is to 1, the stronger the influence of the independent variables on the dependent variable that can be explained by the model.

Simultaneous Significance Test (F-Test)

According to Ghozali (2016), "The F-test is used to show whether all independent variables included in the model jointly influence the dependent variable." The test is conducted at a significance level (α) of 5% or 0.05. To test the validity of the regression coefficients as a whole, the calculated F value is compared with the F-table value at a 5% significance level.

Partial Significance Test (T-Test)

According to Ghozali (2016), the t-statistic test basically shows the extent to which an individual independent variable explains the dependent variable. The test is conducted at a significance level (α) of 5% or 0.05 and with degrees of freedom ($df = (n - k - 1)$). The testing procedure is as follows:

H_0 : the profit and cash flow variables do not have a significant partial effect on the financial distress condition.

H_a : the profit and cash flow variables have a significant partial effect on the financial distress condition.

The testing criterion is determined by comparing t-calculated with t-table: if t-calculated < t-table or Sig. > 0.05, H_0 is accepted; and if t-calculated > t-table or Sig. < 0.05, H_a is accepted.

Multiple Linear Regression Analysis

Multiple linear regression analysis is used in this study to predict the condition of the dependent variable when two or more independent variables are manipulated as predictor factors. Multiple regression analysis is performed when there are at least two independent variables (Sugiyono, 2016:211). The effects of liquidity, company size, profitability, leverage, and sales growth on Financial Distress are analyzed using multiple regression, and hypothesis testing is performed using the following formula:

$$Y = a + b_1x_1 + b_2x_2 + b_3x_3 + b_4x_4 + b_5x_5 + e$$

RESULTS AND DISCUSSION

Descriptive Analysis

Descriptive analysis and the frequency distribution of the research model can be seen in Table 2.

Table 2. Descriptive Analysis

	Mean	Minimum	Maximum
<i>Current Ratio</i>	1.166638	0.035838	4.238073
<i>Company Size</i>	24.242642	14.246918	31.209737
<i>Return On Asset (ROA)</i>	-0.037879	-1.132690	0.183064
<i>Debt to Asset Ratio (DAR)</i>	0.458403	0.044064	1.086284
<i>Sales Growth</i>	0.448762	-0.985299	15.250455
<i>Financial Distress</i>	0.068506	-14.303358	23.439401

Source: Processed Data, 2025

Current Ratio

The mean value for the Current Ratio variable is 1.166638. The lowest Current Ratio occurred in 2021 for PT Citra Putra Realty, at 0.035838, while the highest Current Ratio occurred in 2021 for Hotel Sahid Jaya Tbk, at 4.238073.

Company Size

The mean value for the company size variable is 24.242642. The lowest company size occurred in 2024 for PT Graha Andrasentra Propertindo Tbk, at 14.246918, while the highest company size occurred in 2024 for MNC Tourism Indonesia Tbk, at 31.209737.

Return on Assets (ROA)

The mean value for the Return on Assets (ROA) variable is -0.037879. The lowest Return on Assets occurred in 2023 for Pembangunan Graha Lestari Indah Tbk, at -1.132690, while the highest Return on Assets occurred in 2024 for Panorama Sentrawisata Tbk, at 0.183064.

Debt to Assets Ratio (DAR)

The mean value for the Debt to Assets Ratio (DAR) variable is 0.458403. The lowest Debt to Assets Ratio (DAR) occurred in 2023 for PT Eastparc Hotel Tbk, at 0.044064, while the highest Debt to Assets Ratio (DAR) occurred in 2024 for PT Bukit Uluwatu Villa Tbk, at 1.086284.

Sales Growth

The mean value for the sales growth variable is 0.448762. The lowest sales growth occurred in 2020 for PT Anugerah Kagum Karya Utama Tbk, at -0.985299, while the highest sales growth occurred in 2021 for Destinasi Tirta Nusantara Tbk, at 15.250455.

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Financial Distress

The mean value for the Financial Distress variable is 0.068506. The lowest Financial Distress occurred in 2023 for Pembangunan Graha Lestari Indah Tbk, at -14.303358, while the highest Financial Distress occurred in 2023 for Eastparch Hotel Tbk, at 23.439401.

Hypothesis Testing

Hypothesis testing was conducted to ensure that the linear regression model used in the study could be statistically tested appropriately. The testing includes the Coefficient of Determination (R^2), Simultaneous Significance Test (F-Test), Partial Significance Test (T-Test), and multiple linear regression analysis as part of the procedures required before drawing conclusions regarding the proposed hypotheses.

Multicollinearity Test

The multicollinearity test results show that the VIF values for the independent variables consisting of Current Ratio, Company Size, Return on Assets, Debt to Assets Ratio, and Sales Growth are <10 and the Tolerance values are >0.1 , indicating that there is no indication of multicollinearity.

Coefficient of Determination Test (R^2)

The Adjusted R Square value for Current Ratio, Company Size, Return on Assets, Debt to Assets Ratio, and Sales Growth in relation to Financial Distress is 0.705, or 70.5%, while the remaining 29.5% is explained by other variables not examined in this study.

Simultaneous Significance Test (F-Test)

The simultaneous significance test (F-test) shows an F value of 55.368 with a significance value of 0.000, where the calculated F is greater than the F-table value ($55.368 > 2.3$) and the significance value is $0.000 < 0.05$; therefore, the research model is considered appropriate for use.

Partial Significance Test (T-Test)**Effect of Current Ratio on Financial Distress**

Based on the t-test results, the Current Ratio has a calculated t value of 5.104 with a significance value of 0.000. The calculated t value is greater than the t-table value of 1.981, so H_0 is accepted and H_1 is rejected. This is supported by the significance value of 0.000, which is less than $\alpha = 0.05$, and a regression coefficient of 0.704, indicating a positive direction. The test results conclude that Current Ratio has a positive and significant effect on Financial Distress in hotel, tourism, and restaurant subsector companies listed on the Indonesia Stock Exchange (IDX) in 2020–2024.

Effect of Company Size on Financial Distress

Based on the t-test results, Company Size has a calculated t value of -0.071 with a significance value of 0.944. The calculated t value is smaller than the t-table value of 1.981, so H_0 is accepted and H_2 is rejected. This is supported by the significance value of 0.944, which is greater than $\alpha = 0.05$, and a regression coefficient of -0.002, indicating a negative direction. The test results conclude that Company size has negative, but insignificant effect on Financial Distress in hotel, tourism, and restaurant subsector companies listed on the Indonesia Stock Exchange (IDX) in 2020–2024.

Effect of Return on Assets on Financial Distress

Based on the t-test results, Return on Assets has a calculated t value of 16.186 with a significance value of 0.000. The calculated t value is greater than the t-table value of 1.981, so H_0 is accepted and H_3 is rejected. This is supported by the significance value of 0.000, which is less than $\alpha = 0.05$, and a regression coefficient of 13.552, indicating a positive direction. The test results conclude that Return on Assets has a positive and significant effect on Financial Distress in hotel, tourism, and restaurant subsector companies listed on the Indonesia Stock Exchange (IDX) in 2020–2024.

Effect of Debt to Assets Ratio on Financial Distress

Based on the t-test results, Debt to Assets Ratio has a calculated t value of -29.305 with a significance value of 0.000. The calculated t value is smaller than the t-table value of 1.981, so H_0 is accepted and H_4 is rejected. This is supported by the significance value of 0.000, which is less than $\alpha = 0.05$, and a regression coefficient of -15.345, indicating a negative direction. The test results conclude that Debt to Assets Ratio does not have a negative and significant effect on Financial Distress in hotel, tourism, and restaurant subsector companies listed on the Indonesia Stock Exchange (IDX) in 2020–2024.

Effect of Sales Growth on Financial Distress

Based on the t-test results, Sales Growth has a calculated t value of 1.849 with a significance value of 0.067. The calculated t value is smaller than the t-table value of 1.981, so H_0 is accepted and H_5 is rejected. This is supported by the significance value of 0.067, which is greater than $\alpha = 0.05$, and a regression coefficient of 0.105, indicating a positive direction. The test results conclude that Sales Growth has positive and insignificant effect on Financial Distress in hotel, tourism, and restaurant subsector companies listed on the Indonesia Stock Exchange (IDX) in 2020–2024.

Multiple Linear Regression Analysis

Based on the multiple linear regression equation table, the values in column B are interpreted as follows: the first row represents the constant (a), while the subsequent rows represent the coefficients of the independent variables. Based on Table 3, the regression model used is as follows.

Table 3. Multiple Linear Regression Analysis Results

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
(Constant)	6.789	.714			9.509	.000
Current Ratio	.704	.138	.127		5.104	.000
Company Size	-.002	.025	-.002		-.071	.944
Return On Asset (ROA)	13.552	.837	.400		16.186	.000
Debt to Asset Ratio (DAR)	-15.345	.524	-.767		-29.305	.000
Sales Growth	.105	.057	.046		1.849	.067

a. Dependent Variable : Financial Distress

Source: Processed Data, 2025

$$\text{Financial Distress (Y)} = 6,789 + 0,704 \text{ CR} - 0,002 \text{ SIZE} + 13,552 \text{ ROA} - 15,345 \text{ DAR} + 0,105 \text{ SG}$$

Constant

A constant of 6.789 indicates that if the independent variables (Current Ratio, Company Size, Return on Assets, Debt to Assets Ratio, and Sales Growth) are assumed to remain unchanged (constant), the value of Y (Financial Distress) is 6.789.

Coefficient of Current Ratio (X1)

The coefficient of the Current Ratio (X1) is 0.704, with a positive regression coefficient. This indicates that an increase in the Current Ratio will increase the Financial Distress value (and vice versa). If the Current Ratio increases by 1, Financial Distress will increase by 0.704, assuming that the other independent variables remain constant.

Coefficient of Company Size (X2)

The coefficient of Company Size (X2) is -0.002, with a negative regression coefficient. This indicates that an increase in Company Size will decrease the Financial Distress value (and vice versa). If Company Size increases by 1, Financial Distress will decrease by 0.002, assuming that the other independent variables remain constant.

Coefficient of Return on Assets (X3)

The coefficient of Return on Assets (X3) is 13.552, with a positive regression coefficient. This indicates that an increase in Return on Assets will increase the Financial Distress value (and vice versa). If Return on Assets increases by 1, Financial Distress will increase by 13.552, assuming that the other independent variables remain constant.

Coefficient of Debt to Assets Ratio (X4)

The coefficient of Debt to Assets Ratio (X4) is -15.345, with a negative regression coefficient. This indicates that an increase in Debt to Assets Ratio will decrease the Financial Distress value (and vice versa). If Debt to Assets Ratio increases by 1, Financial Distress will decrease by 15.345, assuming that the other independent variables remain constant.

Coefficient of Sales Growth (X5)

The coefficient of Sales Growth (X5) is 0.105, with a positive regression coefficient. This indicates that an increase in Sales Growth will increase the Financial Distress value (and vice versa). If Sales Growth increases by 1, Financial Distress will increase by 0.105, assuming that the other independent variables remain constant.

Predicting Financial Distress through Financial Performance Indicators: Evidence From Hotel, Tourism, and Restaurant Companies Listed on The Indonesia Stock Exchange (Natania Robinar, Muhammad Firmansyah, and Stanislaw Flejterski)

RESULTS AND DISCUSSION

Effect of Current Ratio on Financial Distress

Identifying the relationship between Current Ratio and Financial Distress is important for understanding a company's financial stability because the adequacy of current assets can affect the risk of the company entering a distress condition. This indicates that a higher Current Ratio can affect the level of Financial Distress because, conceptually, the Current Ratio reflects the company's ability to meet short-term financial obligations on time, thereby providing a positive signal to potential investors. An improvement in the Current Ratio also contributes to the long-term stability of the company's financial condition (sustainable development), because this information can increase investor confidence and strengthen the company's ability to maintain its financial condition, thereby reducing the potential for Financial Distress.

In line with Signalling Theory, companies with a high Current Ratio can provide a positive signal regarding a company's financial condition. A high Current Ratio indicates that the company has sufficient current assets to meet its short-term obligations, thereby reflecting better financial stability and reducing the likelihood of Financial Distress. This is also consistent with Muhajir and Triyono (2010), who explain that the higher the Current Ratio, the better the company's ability to meet short-term obligations, ultimately reducing the likelihood of Financial Distress. Based on the t-statistical test, Current Ratio has a positive and significant effect on Financial Distress in hotel, tourism, and restaurant subsector companies; therefore, H_0 is accepted and H_1 is rejected. A high Current Ratio needs to be analyzed by considering the quality and efficiency of the current assets owned by the company. An increase in current assets that is not accompanied by an increase in operational activities, profit-generating capacity, or cash flow does not necessarily provide a positive signal regarding the company's Financial Distress. This result is consistent with the studies of Soheil Kazemian et al. (2017), I Gusti Agung Ayu Pritha Cinantya and Ni Ketut Lely Aryani Merkusiwati (2015), Nurisntha Handayani (2020), and Muhammad Juhari (2018), which state that Current Ratio has an effect on Financial Distress.

Effect of Company Size on Financial Distress

Analysis of the relationship between company size and financial distress is important to determine whether the resources owned by a company can reduce the potential for financial difficulties. Company size is the amount of assets owned during a particular period, represented by total assets, where larger companies generally have greater capacity and willingness to use loan-based financing than smaller companies. Nevertheless, company size cannot be used as the sole indicator for determining the level of Financial Distress because both large and small companies tend to prioritize internal financing as a safer source before using external financing or debt.

In addition, unstable economic conditions cause each company to adopt different financing policies, both in the short and long term. Large-scale companies do have easier access to capital markets, providing financial flexibility and the ability to obtain larger amounts of funding. However, other factors such as business prospects, management quality, operational efficiency, and industry conditions also play important roles in influencing Financial Distress. Thus, the size of a company does not directly determine the level of Financial Distress when other supporting variables are not favorable. Based on the t-statistical test, Company Size does not have a negative or significant effect on Financial Distress in hotel, tourism, and restaurant subsector companies; therefore, H_0 is accepted and H_2 is rejected. This result is consistent with the study by I Gusti Agung Ayu Pritha Cinantya and Ni Ketut Lely Aryani Merkusiwati (2015), which found that Company Size has no effect on Financial Distress.

Effect of Return on Assets on Financial Distress

Analysis of the relationship between Return on Assets (ROA) and Financial Distress is important to determine the extent to which a company's ability to generate profits from its total assets affects the potential for financial difficulties. A high Return on Assets indicates that the company is able to manage its assets efficiently to generate profits, so its performance is considered better. The higher the ROA, the stronger the company's ability to generate profits from its total assets, resulting in greater financial stability and a lower risk of Financial Distress. This is consistent with signalling theory, in which increased profitability provides a positive signal to investors regarding the company's prospects and reflects its ability to maintain financial health. Thus, high ROA indicates good company performance and is an important indicator for reducing the likelihood of Financial Distress.

Based on the t-statistical test, Return on Assets (ROA) has a positive and significant effect on Financial Distress in hotel, tourism, and restaurant subsector companies; therefore, H_0 is accepted and H_3 is rejected. Only ROA is not sufficient to provide a comprehensive picture of a company's overall financial distress. Investors need to consider ROA alongside liquidity, leverage, cash flow, and other financial indicators when assessing the potential for Financial Distress. Thus, these empirical findings indicate that the relationship between profitability and Financial Distress may differ from theoretical expectations depending on the characteristics of the subsector and the research period observed. This result is consistent with the study by Lisa Yulita Suot, Rosalina A.M. Koleangan, and Indrei Debbie Palandeng (2020), which found that Return on Assets has a significant effect on the company's financial condition.

Effect of Debt to Assets Ratio on Financial Distress

Analysis of the relationship between Debt to Assets Ratio (DAR) and Financial Distress is important to determine the extent to which a company's dependence on debt-based financing can affect the potential for financial difficulties. The condition indicates that a low Debt to Assets Ratio (DAR) means the company is not dependent on debt to finance its assets and therefore does not directly affect the level of Financial Distress. Based on the research data, changes in debt usage do not necessarily cause significant changes in the level of Financial Distress.

Based on the t-statistical test, Debt to Assets Ratio (DAR) negative but insignificant effect on Financial Distress in hotel, tourism, and restaurant subsector companies; therefore, H_0 is accepted and H_4 is rejected. This result is consistent with Dewi et al. (2019) and I Gusti Agung Ayu Pritha Cinantya and Ni Ketut Lely Aryani Merkusiwati (2015), who found that Debt to Assets Ratio (DAR) does not have a negative and significant effect on Financial Distress.

Effect of Sales Growth on Financial Distress

Analysis of the relationship between sales growth and Financial Distress is important to determine whether improvements in a company's sales performance can reduce the potential for financial distress. The inconsistency between the research results and the theory may be caused by the fact that increasing sales growth does not always encourage a company to increase its use of debt as a source of financing. Therefore, high sales growth does not directly affect the level of Financial Distress. This indicates that even when sales increase, companies do not tend to increase the amount of borrowing, so Sales Growth does not affect Financial Distress.

Based on the t-statistical test, Sales Growth does not have a positive or significant effect on Financial Distress in hotel, tourism, and restaurant subsector companies; therefore, H_0 is accepted and H_5 is rejected.

CONCLUSION

Based on the results and discussion, it can be concluded that: (1) Liquidity (Current Ratio) (X1) has a positive and significant effect on Financial Distress in hotel, tourism, and restaurant subsector companies listed on the Indonesia Stock Exchange (IDX) during 2020–2024. (2) Company Size (X2) does not have a negative or significant effect on Financial Distress in hotel, tourism, and restaurant subsector companies listed on the Indonesia Stock Exchange (IDX) during 2020–2024. (3) Profitability (Return on Assets) (X3) has a positive and significant effect on Financial Distress in hotel, tourism, and restaurant subsector companies listed on the Indonesia Stock Exchange (IDX) during 2020–2024. (4) Leverage (Debt to Assets Ratio) (X4) has negative but insignificant effect on Financial Distress in hotel, tourism, and restaurant subsector companies listed on the Indonesia Stock Exchange (IDX) during 2020–2024. (5) Sales Growth has a positive but insignificant effect on Financial Distress in hotel, tourism, and restaurant subsector companies listed on the Indonesia Stock Exchange (IDX) during 2020–2024.

Based on the research conducted, there are several limitations. This study uses only five independent variables, namely Liquidity (Current Ratio), Company Size, Profitability (Return on Assets), Leverage (Debt to Assets Ratio), and Sales Growth, as well as one dependent variable, namely Financial Distress. In addition, the research period covers only five years, from 2020–2024, resulting in a limited amount of data and providing a less comprehensive representation of company growth from year to year.

The findings of this study provide several implications for management, investors, and future researchers. For management, the significant positive effects of Current Ratio and Return on Assets on Financial Distress suggest that these indicators should be monitored carefully and should not be interpreted solely as measures of financial health. Management should focus on the effective utilization of current assets and assets in generating sustainable operating performance and cash flows.

For investors, the findings imply that Current Ratio and Return on Assets should be assessed together with other financial indicators when evaluating a company's financial condition and the potential risk of Financial Distress. Investors should not rely on a single financial ratio when making investment decisions.

For future researchers, this study provides an opportunity to incorporate additional financial and non-financial variables, extend the observation period, and examine other sectors or subsectors to obtain broader and more comprehensive evidence regarding the determinants of Financial Distress.

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