



The Effect of *Leverage, Sales Growth, and Corporate Governance* on *Financial Distress in Property and Real Estate Sector Companies Listed on the IDX for the 2020-2024 Period*

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Abstract: This study aims to examine the magnitude of the effect of leverage, sales growth, and corporate governance on financial distress in property and real estate sector companies listed on the Indonesia Stock Exchange during the 2020–2024 period. This research employs a quantitative approach using numerical data, starting from data collection to the presentation of research results, derived from secondary data in the form of companies' financial statements for the 2020–2024 period. The sample consists of nine companies. Data analysis techniques include descriptive statistical analysis, classical assumption tests, panel data regression analysis, model selection tests using the Chow test, Hausman test, and Lagrange Multiplier test, hypothesis testing, and coefficient of determination analysis, conducted using EViews version 13. Based on the model selection results, the Random Effect Model is applied in this study. The findings indicate that, partially, leverage does not have a significant effect on financial distress, with a significance value of 0.7096 and a t-statistic of -0.374990 . Sales growth has a significant effect on financial distress, with a significance value of 0.0023 and a t-statistic of 3.245622, indicating that changes in sales growth influence the financial distress condition of companies. Meanwhile, corporate governance does not have a significant effect on financial distress, with a significance value of 0.0924 and a t-statistic of 1.722942. Simultaneously, leverage, sales growth, and corporate governance have a significant effect on financial distress, with a significance value of 0.003637 and an F-statistic of 5.265885.

Keywords: Corporate Governance; Financial Distress; Leverage; Random Effects Model; Sales Growth.

1. INTRODUCTION

The *property and real estate* sector is one of the strategic sectors in the national economy because it plays a role in providing basic needs of the community and encouraging long-term investment growth. This sector has capital-intensive business characteristics and is highly dependent on external financing, making it sensitive to changes in macroeconomic conditions such as slowing economic growth and pressure on people's purchasing power. In recent years, especially in the post-pandemic period, a number of companies in the *property and real estate* sector have shown a decline in financial performance marked by a decline in net profit and an increase in long-term liabilities. This condition indicates an increase in the risk of *financial distress* in companies in the *property and real estate* sector, so an empirical study is needed to identify the factors that affect the occurrence of *financial distress* in the sector.

Financial distress is a condition of declining the company's financial health that occurred before bankruptcy, which is characterized by the company's inability to fulfill its financial obligations in a sustainable manner. This condition can have an impact on disruption of operational activities, decreased investor confidence, and reduced company value. Research

by Dirman (2020) and Wijaya and Melly (2024) explains that *financial distress* is not only influenced by the company's operational performance, but also by the funding structure and the effectiveness of the company's management. Therefore, *financial distress* is an important issue to be researched, especially in sectors that have a relatively high level of financial risk such as *property and real estate*.

One of the factors that is suspected to affect *financial distress* is leverage. Leverage reflects the extent to which a company uses debt to finance its operational activities and investments. The use of high debt can increase interest costs and the risk of default, thus potentially increasing the likelihood of *financial distress*. Research by Ma'arif and Rahayu (2019) and Wijaya and Suhendah (2023) found that leverage has a positive effect on *financial distress*. However, Susanto et al. reported different results. (2025) which states that leverage has no significant effect on *financial distress*. The difference in the results of the study shows that the effect of leverage on *financial distress* is still inconsistent and requires further testing.

Another factor that is suspected to affect *financial distress* is *sales growth*. *Sales growth* reflects the company's ability to increase revenue from period to period and is an indicator of the success of the company's operational strategy (Aji et al., 2025; Al-Amin et al., 2023; Al-Amin & Andespa, 2022; Amin et al., 2023; Asbullah et al., 2023; Doni et al., 2022; Febrianti et al., 2023; Muhajirin et al., 2026; Sabri et al., 2023). High sales growth is expected to increase cash flow and strengthen the company's financial condition, thereby reducing the risk of *financial distress*. Research by Suwarno and Putri (2022) and Delia et al. (2024) found that *sales growth* has a negative effect on *financial distress*. However, the research of Pane et al. (2023) and Alfiani et al. (2023) shows that *sales growth* does not have a significant effect on *financial distress*. The difference in these findings indicates that the role of *sales growth* in explaining *financial distress* is still inconsistent.

In addition to financial factors, *the corporate governance mechanism* is also seen as playing an important role in preventing *financial distress*. *Corporate governance* aims to increase the effectiveness of supervision and reduce agency conflicts between management and company owners. One of the *corporate governance mechanisms* that is often used in research is the proportion of independent commissioners. Febriyanti and Khalifaturafi'ah (2023) and Rendragraha and Santoso (2024) found that *the corporate governance mechanism* has a negative effect on *financial distress*. However, different results were shown by Zuhairoh et al. (2025) which states that some *corporate governance mechanisms* do not have a significant effect on *financial distress*. This shows that there is a research gap related to the effectiveness of *corporate governance* in minimizing the risk of *financial distress*.

Based on the *state of the art* of previous research, there are still inconsistencies in research results regarding the influence of leverage, *sales growth*, and *corporate governance* on *financial distress*, especially in the *property and real estate* sectors. In addition, most previous research has not specifically examined the condition of companies in the post-pandemic period characterized by sustained economic pressures. Therefore, this study aims to analyze the influence of leverage, *sales growth*, and *corporate governance* on *financial distress* in *property and real estate sector companies* listed on the Indonesia Stock Exchange for the 2020–2024 period. This research is expected to make an empirical contribution in enriching the literature related to *financial distress* and become a consideration for management and investors in decision-making.

2. LITERATURE REVIEW

Agency Theory

Agency theory was introduced by Jensen and Meckling (1976) to explain the contractual relationship between the principal as the owner of the company and the agent as the party authorized in the management of the company. The separation between ownership and control creates a potential agency problem due to information asymmetry, where agents have greater access to information than principals so they have the opportunity to act opportunistically and incur agency costs (Subroto & Endaryati, 2024).

From the perspective of agency theory, financial distress can arise due to weak mechanisms to supervise agent behavior. Based on the basic assumption of agency theory that individuals are self-interested, have limited rationality, and tend to avoid risk, managers have the potential to make inefficient financial decisions, such as high-risk policies or manipulation of financial statements, especially in conditions of financial stress, which can ultimately worsen the company's financial condition and increase the risk of financial distress (Purba, 2023).

Therefore, the implementation of good corporate governance is an important mechanism in minimizing agency conflicts. Effective governance through transparency, independent oversight, and an appropriate incentive system can align the interests between principals and agents and suppress opportunistic management behavior, thus playing a role in preventing financial distress (Fiolina & Yuyetta, 2024; Kalbuana et al., 2023).

Trade Off Theory

Trade Off Theory was introduced by Modigliani and Miller (1963) as a development of modern capital structure theory that places funding decisions as strategic decisions that have

direct implications for the value of the company. In this framework, capital structure is not only seen as an effort to obtain a source of funds, but as a result of a balance between funding cost efficiency, financial risk, and the long-term sustainability of the company (Nurjannah et al., 2022).

Normatively, Trade Off Theory explains that the use of debt provides economic benefits in the form of *tax shields* because interest expenses can reduce taxes payable. As long as the tax benefits outweigh the costs and risks incurred, the use of debt can still increase the value of the company. Therefore, the goal of capital structure is not just to minimize capital costs, but to maximize the value of the company through efficient and measurable funding composition arrangements (Mahmudi & Khaerunnisa, 2024).

However, this theory also asserts that excessive increase in debt will increase financial risk, bankruptcy costs, interest expenses, and decrease the flexibility and stability of a company's liquidity. High financial pressure can disrupt operational performance and reduce the value of the company, potentially triggering *financial distress* if the use of debt has exceeded the optimal limit (Azzahra et al., 2025).

Thus, Trade Off Theory provides a theoretical basis that companies must manage their capital structure prudently and proportionately. The balance between the benefits and risks of using debt is a key factor in maintaining financial health, minimizing the risk of *financial distress*, and supporting the achievement of company value in the long term (Nurjannah et al., 2022).

Signaling Theory

Signal theory was introduced by Spence (1973) to explain how internal parties who have more complete information (insiders) convey signals to external parties (outsiders) to reduce information asymmetry. In the context of the company, management has more in-depth knowledge of the company's condition and prospects than investors, so it is necessary to convey credible signals so that the market can objectively assess the company's performance and quality (Subroto & Endaryati, 2024).

The signals conveyed by management can be in the form of financial statements, dividend policies, profitability levels, and sales growth, which reflect the company's financial condition and future prospects. Signal theory assumes that companies with good performance and prospects will tend to send positive signals to the market to differentiate themselves from underperforming companies, as only financially healthy companies can afford the cost of sending such signals (Goh, 2023).

On the other hand, companies that are under financial stress tend to have difficulty maintaining positive signals on an ongoing basis. Mismatches between the signals conveyed and the actual condition of the company, including through information manipulation, can lower investor confidence and reduce market support, thereby ultimately increasing the risk of *financial distress*.

Financial Distress

Financial distress is a condition of declining a company's financial performance that occurs before the bankruptcy or liquidation phase. If this condition is not handled immediately, it can have serious consequences, such as a decrease in shareholder confidence leading to the bankruptcy of the company. Financial distress is generally caused by the company's inability to manage and maintain the stability of its financial performance, resulting in operational losses and net losses in the current period (Ramadhan & Nurani, 2025). This condition reflects a crisis of corporate financial health, where long-term working capital and assets are insufficient to meet short-term liabilities due to poor cash flow, overspending, or limited external funding (Goh, 2023).

The financial difficulties experienced by companies are influenced by two main factors, namely internal factors and external factors. Internal factors are related to the ability of the company's management to manage resources and operations effectively, while external factors generally come from macroeconomic conditions. Junaeni stated that financial difficulties can be identified through balance sheet analysis, total assets, total liabilities, income statements, and cash flow statements. Financial distress is then measured using a financial hardship prediction model compiled based on a combination of various corporate financial ratios (Abadi & Misidawati, 2023). One of the indicators used is the Grover G-Score, which was developed as an improvement of the Altman Z-Score model to predict the bankruptcy condition of a company (Hadityo & Indrawati, 2024).

$$G\text{-Score} = 1.650 X_1 + 3.404 X_2 + 0.016 ROA + 0.057$$

Dimana:

$X_1 = \text{Working capital/Total assets}$

$X_2 = \text{Net profit before interest and tax/Total assets}$

$X_3 = \text{Return on assets (ROA)}$

Keterangan:

$G\text{-Score} \leq -0,02$ (keadaan bangkrut)

$G\text{-Score} \geq 0,01$ (tidak bangkrut).

Leverage

The solvency ratio or leverage ratio indicates the company's ability to fulfill all its obligations, both short-term and long-term obligations. The size of this ratio is determined by the amount of debt the company has and the assets or equity it owns. In practical calculation, if a company faces a high risk of loss, this condition reflects a high level of leverage, but the company also has the opportunity to obtain a high rate of return. On the other hand, if the risk of loss is relatively low, it indicates that the company has a low level of leverage, but the chances of generating returns are also smaller. This condition illustrates the relationship between the level of risk and the rate of return faced by the company. Therefore, financial managers are required to be able to control the level of leverage optimally by paying attention to the balance between the returns generated and the financial risks borne by the company. (Astuti et al., 2021). In addition, DER can show possible financial risks, The higher the value of the DER obtained, the higher the risk. companies find financial difficulties or even bankruptcy (Praditya & Devy, 2024)

The following formula to measure the size of *the debt to equity ratio* (DER) is as follows: (Febriana et al., 2021)

$$\text{Debt to Equity Ratio (DER)} = \frac{\text{Total Utang}}{\text{Total Ekuitas}} \times 100\%$$

Sales Growth

Menurut Novi Puji Rahayu, pertumbuhan penjualan merupakan peningkatan volume penjualan pada periode berikutnya yang diukur berdasarkan volume penjualan pada periode sebelumnya. Peningkatan penjualan mencerminkan kemampuan perusahaan dalam menghasilkan laba yang lebih besar sehingga menciptakan kestabilan penjualan. Kondisi tersebut akan mempermudah perusahaan dalam memperoleh pendanaan dan mendukung peningkatan aktivitas operasional. Selanjutnya, Delia Mulyawati menyatakan bahwa pertumbuhan penjualan yang stabil memberikan tingkat keamanan yang lebih tinggi dalam memperoleh pinjaman serta memungkinkan perusahaan menanggung beban tetap yang lebih besar dibandingkan dengan kondisi penjualan yang tidak stabil (Hidayat, 2022).

Sales growth merupakan kenaikan penjualan dari tahun ke tahun yang mencerminkan keberhasilan perusahaan dalam menjalankan strategi, di mana semakin tinggi tingkat pertumbuhan penjualan menunjukkan kondisi keuangan yang semakin baik. Perusahaan dengan sales growth yang tinggi memiliki kemungkinan lebih kecil mengalami *financial distress*, sedangkan semakin rendah sales growth maka semakin besar peluang perusahaan berada dalam kondisi kesulitan keuangan (Muslimin & Bahri, 2022).

Secara matematis, sales growth dirumuskan sebagai berikut:(Azhar Afiary et al., 2024)

$$SG_t = \frac{S_t - S_{t-1}}{S_{t-1}} \times 100\%$$

Where :

SGt = *Sales Growth* pada periode

Sales t = penjualan tahun ini

Sales t-1 = penjualan tahun lalu

Corporate Governance

Corporate governance merupakan upaya dalam mengarahkan dan mengendalikan organisasi dengan menyeimbangkan kepentingan seluruh pemangku kepentingan. Penerapannya sering kali berkaitan dengan penyelesaian konflik kepentingan serta memastikan perusahaan dikelola secara baik melalui penerapan proses, prosedur, dan kebijakan yang berlandaskan prinsip transparansi dan akuntabilitas. Tata kelola perusahaan juga menegaskan bahwa organisasi memiliki tanggung jawab hukum dan moral terhadap pemegang saham serta pemangku kepentingan lainnya, sehingga pengelolaan perusahaan harus dilakukan sesuai dengan ketentuan peraturan perundang-undangan. Selain itu, tata kelola perusahaan menekankan pentingnya efisiensi ekonomi dalam pengelolaan organisasi, mengingat perusahaan didirikan untuk memperoleh keuntungan, sehingga pencapaian profitabilitas dan pendapatan menjadi tujuan utama yang harus diupayakan.(Hidayat, 2024; Sudarmanto et al., 2021).

Komisaris independen diukur dengan menentukan presentase jumlah komisaris independen sebagai berikut: (Liyanto & Anam, 2019).

$$\text{Proporsi Komisaris Independen} = \frac{\text{Jumlah Komisaris Independen}}{\text{Total Dewan Komisaris}} \times 100\%$$

Hipotesis

The Effect of *Leverage on Financial Distress*

Leverage is a ratio used to measure a company's ability to meet short-term and long-term obligations. The use of high debt can put companies in an unhealthy financial condition because it increases difficulties in debt repayment, so that if it takes place sustainably, it can trigger *financial distress* due to the company's inability to meet its operational needs and

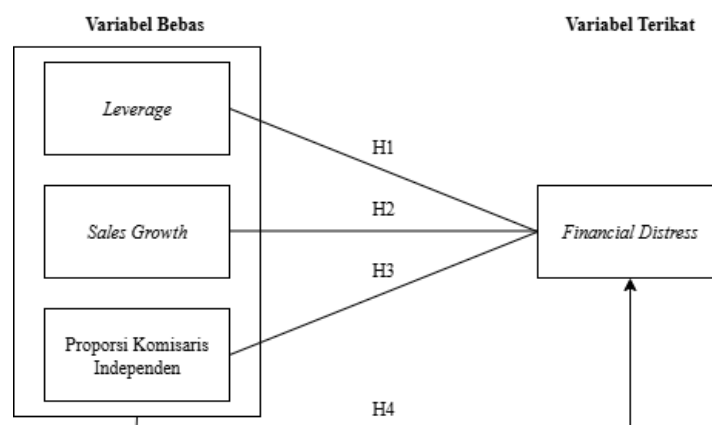
financial obligations. The higher the leverage level, the greater the interest burden that the company must bear, so that the profit earned is allocated more for debt and interest payments. This condition causes a reduction in shareholder rights because profits are not distributed as dividends, but are used as debt repayment reserves, which ultimately puts the company in a state of financial hardship that leads to *financial distress* (Wijaya & Suhendah, 2023).

The Influence of Sales Growth with *Financial Distress*

Sales growth is a ratio used to predict future increase in company revenue sourced from the sale of products and services. In the perspective of agency theory, sales growth reflects the performance of management as an agent in managing operational activities and executing sales strategies, where increased sales growth indicates that management has carried out its duties well. Various empirical studies show that sales growth has a negative effect on *financial distress*, so the higher the sales growth, the less likely the company to experience *financial distress*, while low sales growth increases the probability of the company being in this condition (Oktaviani & Lisiantara, 2022).

The Influence of Corporate Governance on *Financial Distress*

Corporate Governance (Proportion of independent commissioners) is part of the board of commissioners which acts as an independent supervisor in supervising the activities and performance of the company's management. Research by Yudha and Fuad and Rahmawati shows that the proportion of independent commissioners has a negative effect on *financial distress*, which indicates that the greater the number of independent commissioners in the board structure, the more effective the supervisory mechanism for management. The role of supervision helps ensure that operational activities run optimally to generate profits and minimize conflicts of interest, so as to reduce the risk of companies experiencing *financial distress* (Rivandi et al., 2024).



Based on the explanation that has been presented, the research hypotheses proposed include:

(H1) Leverage affects financial distress

(H2) Sales growth affects financial distress

(H3) Corporate Governance affects financial distress

(H4) Leverage, Sales growth, Corporate Governance simultaneously affect financial distress

3. RESEARCH METHODS

This research is included in the type of quantitative research, which is a research approach that is carried out systematically and structured to examine phenomena and causal relationships between the variables studied. Quantitative research focuses on the use of numerical data analyzed with statistical techniques to test hypotheses and answer research problems objectively (Sahir, 2021). The data used in this study is secondary data, namely data that has been available and published by other parties for certain purposes so that it can be reused in research. The research data was obtained from the official website of the Indonesia Stock Exchange www.idx.co.id as well as from the official website of each company that was the object of the research (Sahir, 2021).

In quantitative research, a sample is part of a population that has certain characteristics and is considered to be able to represent the entire population. If the population is too large so that it is not possible to conduct a thorough study due to time, cost, and energy limitations, sampling is carried out as a methodological solution (Sahir, 2021). This study uses the purposive sampling method, which is a sample determination technique based on certain criteria or considerations set by the researcher in accordance with the research objectives.

Through a selection process that was carried out gradually and carefully, starting from the review of completeness of data to administrative verification, a number of companies were obtained that met all the research criteria. These companies had complete financial reports, were available during the observation period, and did not experience a lack of data on the variables used in this study.

4. RESULTS AND DISCUSSION

Research Results

Descriptive Statistical Analysis

Descriptive statistics are used to describe the variables in the study. Descriptive analysis was carried out to find out the picture of the data to be analyzed. Table 1 shows the descriptive statistical results of the variables in this study information about the descriptive statistics include: minimum, maximum, mean, and standard deviation. Descriptive statistics for the variables used in this study.

Table 1 Descriptive Statistical Test Results.

	FD_Y	DER_X1	SG_X2	PKI_X3
Mean	0.477481	0.954502	0.122812	0.467407
Median	0.465108	0.949868	0.056644	0.400000
Maximum	0.851016	1.809463	1.556574	0.750000
Minimum	0.002924	0.313438	-0.745072	0.333333
Std. Dev.	0.234163	0.451248	0.479063	0.122472
Skewness	-0.127024	0.235185	1.071349	0.929524
Kurtosis	1.898040	1.903548	4.455724	3.158229
Jarque-Bera	2.397855	2.668980	12.58178	6.527050
Probability	0.301517	0.263292	0.001853	0.038253
Sum	21.48667	42.95259	5.526531	21.03333
Sum Sq. Dev.	2.412620	8.959474	10.09804	0.659975
Observations	45	45	45	45

Source: Eviews 13 Output Data Processed 2026

This study uses four variables, namely *financial distthesis* (FD) as a dependent variable, as well as *leverage* proxied with Debt to Equity Ratio (DER), Sales Growth (SG), and proportion of independent commissioners (PKI) as independent variables. The PKI variables in this study are part of *corporate governance*. The number of data that can be processed according to the *purposive sampling* criteria set is 45 data. From the results of the descriptive statistical analysis in the table above, the researcher can draw the following conclusions:

- The first variable, namely *Financial Distress* (Y), reached a minimum value of 0.002924 and a maximum value of 0.851016. The overall mean value of *financial distress* reached 0.477481 with a standard deviation of 0.234163.
- The second variable, namely *Leverage* (X1) reaches a minimum value of 0.313438 and a maximum value of 1.809463. The overall *mean value of leverage* reaches

0.954502 with a standard deviation of 0.451248.

- c. The third variable, namely *Sales Growth* (X2), reached a minimum value of -0.745072 and a maximum value of 1.556574. The overall *mean value of sales growth* reached 0.122812 with a standard deviation of 0.479063.
- d. The fourth variable, namely *Corporate Governance* (X3), reached a minimum value of 0.333333 and a maximum value of 0.750000. The overall mean value of *corporate governance* reached 0.467407 with a standard deviation of 0.122472.

Panel Data Regression Model Selection

Basically, the three techniques (models) of panel data estimation can be selected according to the circumstances of the research, judging from the number of individual banks and their research variables. There are three tests to choose the panel data estimation technique. The Chow test is used to choose between the Common Effect method or *the fixed effect* method. The Hausman test is used to choose between *the fixed effect* method or *the random effect* method. The Lagrange Multiplier (LM) test is used to choose between *the common effect* method or *the random effect* method.

Uji Chow (F Test)

The probability value for the *cross-section* F, if the value of prob. $F > 0.05$ then the selected model is *a common effect*, but the opposite if the value of prob. $F < 0.05$ then the selected model is *a fixed effect*.

Tabel 2 Chow Test (F Test).

Redundant Fixed Effects Tests			
Equation: MODEL_FEM			
Test cross-section fixed effects			
Effects Test	Statistic	d.f.	Prob.
Cross-section F	13.081314	(8,33)	0.0000
Cross-section Chi-square	64.269468	8	0.0000

Source: Eviews 13 Output Data Processed 2026

Based on table 2 above, the prob. $< \alpha$ value is $0.000 < 0.05$, so it can be concluded that the more appropriate model is the *fixed effect*.

Uji Hausman Test

The probability value for *cross-section is random*, if the prob. value > 0.05 then the selected model is *a random effect*, but vice versa if the prob. value < 0.05 then the selected model is *Fixed Effect*.

Tabel 3 Uji Hausman Test.

Correlated Random Effects - Hausman Test

Equation: MODEL_REM

Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	1.812543	3	0.6122

Source: Eviews 13 Output Data Processed 2026

Based on table 3 above, the value of prob. $> \alpha$ is $0.6122 > 0.05$ so that it can be concluded that the more appropriate model is a *random effect*.

Uji Langrange Multiplier Test.

The probability value for *cross-section random* or *common effect* (OLS) is the most appropriate, if the prob. value > 0.05 then the selected model is *common effect*, but vice versa if the prob. value is < 0.05 then the selected model is a *random effect*.

Table 4 Uji Langrange Multiplier Test.

Lagrange Multiplier Tests for Random Effects

Null hypotheses: No effects

Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	38.42506 (0.0000)	1.350486 (0.2452)	39.77555 (0.0000)
Honda	6.198795 (0.0000)	-1.162104 (0.8774)	3.561478 (0.0002)
King-Wu	6.198795 (0.0000)	-1.162104 (0.8774)	2.630022 (0.0043)
Standardized Honda	7.530179 (0.0000)	-0.947517 (0.8283)	1.555533 (0.0599)
Standardized King-Wu	7.530179 (0.0000)	-0.947517 (0.8283)	0.550127 (0.2911)
Gourieroux, et al.	--	--	38.42506 (0.0000)

Source: Eviews 13 Output Data Processed 2026

Based on table 4 above, the prob value. Breush-Pagan (BP) $< \alpha$ 0.0000 $<$ 0.05 so it can be concluded that the more appropriate model to choose is *the random effect*.

Classic Assumption Test

A classical assumption test is performed to ensure that the OLS regression model is feasible to use. This test includes normality, multicollinearity, heteroscedasticity, and autocorrelation tests (Basuki & Prawoto, 2023).

Normality Test

Data Calculation and testing of this study using the Eviews program, normality detection can be carried out using if it is significant $>$ 0.05, then the sample distribution is normal. The following are the results of the normality testing of the data in the study :

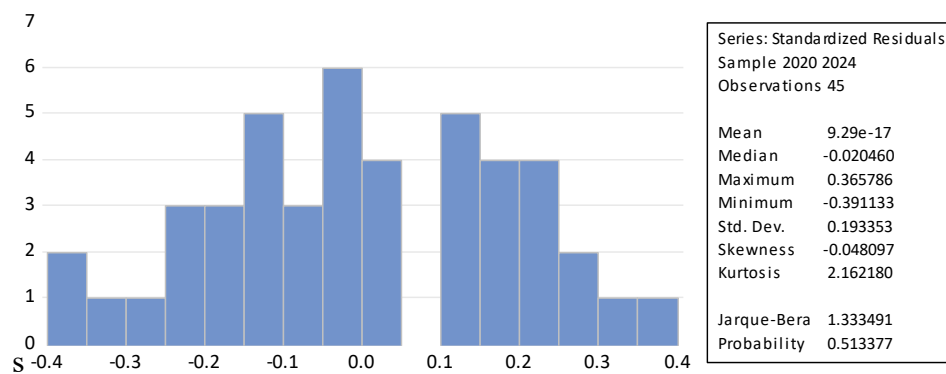


Figure 1 Normality Test.

Source: Eviews 13 Output Data Processed 2026

Based on Figure 1, residual normality testing was carried out using the Jarque-Bera (JB) test on *standardized residuals* with a total of 45 observations. This result shows a Probability value (Prob.JB) of 0.513377. This value is greater than the significance level (α) of 0.05, so H_0 is accepted. Thus it can be concluded that the residual regression model is normally distributed.

Multicollinearity Test

The Multicollinearity test aims to test whether the regression model has a correlation or relationship between independent variables. A good regression model should have no correlation between independent variables. A good regression model is one that does not have multicollinearity. The following are the results of the multicollinearity test in this study :

Table 5 Multicollinearity Test.

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.015589	19.96319	
DER_X1	0.003936	5.595912	1.003575
SG_X2	0.003487	1.069370	1.002021
PKI_X3	0.053329	15.92140	1.001584

Source: Eviews 13 Output Data Processed 2026

From the test results in table 5 above, it can be seen that the VIF value < 10 , namely *leverage* (DER) of the VIF value of 1.003575, *sales growth* (SG) of the VIF value of 1.002021 and *corporate governance* (PKI) of the VIF value of 1.001584, so it can be concluded that there are no symptoms of multicollinearity.

Heteroscedasticity Test

The heteroscedasticity test can be seen that Prob. greater than alpha 0.5 (5%), it means that heteroscedasticity does not occur, whereas if Prob. Less than alpha 0.5 (5%) means heteroscedasticity occurs. In testing heteroscedasticity in this study, the Glejser Test was used.

Table 6 Heteroscedasticity Test.

F-statistic	0.406856	Prob. F(3,41)	0.7489
Obs*R-squared	1.300920	Prob. Chi-Square(3)	0.7289
Scaled explained SS	1.047945	Prob. Chi-Square(3)	0.7897

Source: Eviews 13 Output Data Processed 2026

Based on the results of the test of table 6 heteroscedasticity using the Glejser Test above, it can be concluded that the *Pro.Chi-square* value of 0.7289 indicates greater than α 0.05, which can be concluded that there are no symptoms of heteroscedasticity.

Autocorrelation Test

The autocorrelation test aims to test whether in the linear regression model there is a correlation between the disruptive error in the t-period and the disruptive error in the t-1 period. This study uses the Durbin–Watson (DW) test, with the following test results :

Table 7 Autocorrelation Test.

Weighted Statistics			
R-squared	0.278139	Mean dependent var	0.107643
Adjusted R-squared	0.225320	S.D. dependent var	0.114541
S.E. of regression	0.100815	Sum squared resid	0.416708
F-statistic	5.265885	Durbin-Watson stat	2.080472
Prob(F-statistic)	0.003637		

Source: Eviews 13 Output Data Processed 2026

Based on the results of the test table 7, the autocorrelation was obtained with a Durbin–Watson (DW) value of 2.080472. With the number of observations $n = 45$ and the number of independent variables $k = 3$, then based on the Durbin–Watson table at a significance level of 5%, a lower limit value (DL) of 1.38 and an upper limit (DU) of 1.67 was obtained. Furthermore, the value of $4 - DU$ of 2.33 and $4 - DL$ of 2.62 is calculated as the upper limit for decision-making. The test results showed that the Durbin–Watson value was in the range of $1.67 < 2.080472 < 2.33$, so that in accordance with the Durbin–Watson criterion, it can be concluded that the regression model does not autocorrelation.

Model Regresi Data Panel

The analysis used in this study is panel data regression, which is a combination of cross section and time series data. Panel data regression was used to determine the influence of leverage, sales growth, and corporate governance on financial distress. Based on the results of model selection, this study uses a random effect model.

Table 8 Panel Data Results.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.214049	0.197975	1.081193	0.2859
DER_X1	-0.027432	0.073154	-0.374990	0.7096
SG_X2	0.106171	0.032712	3.245622	0.0023
PKI_X3	0.591726	0.343440	1.722942	0.0924

Source: Eviews 13 Output Data Processed 2026

From table 8 above, the data regression results of the regression equation panel that were formed are:

$$Y = 0.214409 - 0.027432 X_1 + 0.108171 X_2 + 0.059172 X_3$$

Thus, it can be explained that:

- The constant shows that if all independent variables, namely *leverage* (X_1), *sales growth* (X_2), and *corporate governance* (X_3), are valued at 0, then the *level of financial distress* (Y) is at 0.214409, assuming that other variables that are not studied are considered fixed.
- The value of *the leverage* coefficient is negative of -0.027432 , which means that if *the leverage* increases by 1 unit, then *the financial distress* will decrease by 0.027432 units, assuming other variables are considered constant.

- c. The value of the sales growth *variable coefficient* is 0.108171, which means that if *sales growth* increases by 1 unit, then *financial distress* will increase by 0.108171 units, assuming other variables are considered constant.
- d. The value of the sales growth *variable coefficient* is 0.108171, which means that if *sales growth* increases by 1 unit, then *financial distress* will increase by 0.108171 units, assuming other variables are considered constant.

Hypothesis Test Testing

Partial Test (t-test)

Table 9 Partial Test (t-test).

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.214049	0.197975	1.081193	0.2859
DER_X1	-0.027432	0.073154	-0.374990	0.7096
SG_X2	0.106171	0.032712	3.245622	0.0023
PKI_X3	0.591726	0.343440	1.722942	0.0924

Source: Eviews 13 Output Data Processed 2026

Based on the results of the Partial Test (t-test) presented in Table 9, it can be known the influence of each independent variable on *financial distress* as a dependent variable at a significance level of 0.05. The test was carried out in table 4.10 by comparing the *t-calculated* value with *the t-table* of 2.01954 ($\alpha = 5\%$, $df = 41$) and by paying attention to the probability value. It can therefore be concluded that:

- a. The *leverage* variable (X1) shows a *t-calculated* value of 0.375493 with a probability value of 0.7096, which is greater than 0.05. Since the *t-calculated* value is smaller than *the t-table* ($0.375493 \leq 2.01954$) and the probability value is greater than 0.05, H_0 is accepted and H_1 is rejected. Thus, it can be concluded that leverage partially has no significant effect on *financial distress*.
- b. The *sales growth* variable (X2) has a *t-calculated* value of 3.245682 with a probability value of 0.0023, which is smaller than 0.05. A *t-count* value greater than *the t-table* ($3.245682 > 2.01954$) indicates that H_0 is rejected and H_1 is accepted. Therefore, it can be concluded that *sales growth* partially has a significant effect on *financial distress*.
- c. The *corporate governance* variable (X3) shows a *t-calculated* value of 1.722842 with a probability value of 0.0924, which is greater than 0.05. Since *the value of t-count* is smaller than *that of t-table* ($1.722842 \leq 2.01954$), H_0 is accepted and H_1 is rejected. Thus, the *corporate governance* variable partially does not have a significant effect on *financial distress*.

Simultaneous Test (F Test)**Table 10** Test F (Simultaneous).

Weighted Statistics			
R-squared	0.278139	Mean dependent var	0.107643
Adjusted R-squared	0.225320	S.D. dependent var	0.114541
S.E. of regression	0.100815	Sum squared resid	0.416708
F-statistic	5.265885	Durbin-Watson stat	2.080472
Prob(F-statistic)	0.003637		

Source: Eviews 13 Output Data Processed 2026

Based on the results of table 10 above, the F-calculation value is 5.265885, while the F-table value at the significance level of $\alpha = 5\%$ is 2.83. Thus, $F\text{-count} > F\text{-table}$ ($5.265885 > 2.83$). In addition, the probability value (*Prob F-statistic*) of 0.003637 is smaller than the significance level of 0.05. Therefore, H_0 is rejected. These results show that all independent variables in the model together (simultaneously) have a significant influence on the dependent variables. Thus, regression models are feasible and can be used to predict dependent variables because independent variables have been shown to explain significant variations in bound variables.

Coefficient of Determination Test (R²)

A determination coefficient (R^2) test was performed to find out how much the regression model was able to explain the variation of dependent variables. The value of R^2 is in the range of 0 to 1, where the value that is getting closer to 1 indicates that the independent variable is increasingly able to explain the changes that occur in the dependent variable.

Table 11 Coefficient Determination Test.

Weighted Statistics			
R-squared	0.278139	Mean dependent var	0.107643
Adjusted R-squared	0.225320	S.D. dependent var	0.114541
S.E. of regression	0.100815	Sum squared resid	0.416708
F-statistic	5.265885	Durbin-Watson stat	2.080472
Prob(F-statistic)	0.003637		

Sumber: Data Output Eviews 13 diolah 2026

Based on table 11 of the panel data regression results, the R-square value is 0.225320 or 22.5320%. This shows that the ability of *the variables of leverage, sales growth, and corporate governance* in explaining the variation of *financial distress* variables is 22.5320%. In other words, this model still has limited ability to explain changes in dependent variables. The rest, which is 77.4680%, is explained by other factors outside the research model

that are not included in the regression equation.

Discussion

The Effect of *Leverage* on *Financial Distress*

Based on the results of the hypothesis test that has been carried out, the *leverage variable obtained a t-calculated value* of 0.375493 with a significance level of 0.7096. The significance value is greater than 0.05 and the *t-calculated value* is smaller than *the t-table* of 2.01954, so the decision taken is H_0 accepted and H_a rejected. Thus, it can be concluded that leverage has no effect on *financial distress* in companies in *the property and real estate* sector. These results show that high or low levels of corporate debt do not directly determine financial *distress conditions*, because in the *property and real estate* sector, the use of debt is a common characteristic in long-term project financing supported by tangible assets of large value as collateral. As long as the company is able to manage its cash flow and funding structure well, a high level of leverage does not necessarily increase the risk of *financial distress*.

The results of this study are also supported by Kemala Indah Sari and Putri Dwi Wahyuni (2023) who show that the *leverage variable* does not have a significant effect on financial distress, with a significance value of $0.812 > 0.05$. These results indicate that the level of use of corporate debt does not directly increase the risk of financial difficulties as long as the company is able to manage its liabilities properly. The results of this study are also supported by Jumariah, Mukhzarudfa, and Fitriani Mansur (2025) also found that leverage does not have a significant effect on *financial distress*, which is shown by t-statistics of $1.527 < t\text{-table}$ of 1.973 and $\text{sig. } 0.129 > 0.05$. These findings suggest that although companies have a high level of leverage, these conditions do not necessarily reflect the company's inability to maintain financial stability. The results of this study are also supported by Samuel Ekawira Theopratama and Nurnainun Bangun (2025) who stated that leverage does not have a significant effect on *financial distress*, there is a regression coefficient of -0.100937 and profitability of 0.0985 means a leverage variable ($0.0985 > 0.05$). The research explains that debt that is used productively can actually support the company's operational activities and does not necessarily increase the risk of *financial distress*.

The insignificance of the influence of leverage on *financial distress* can be caused by several factors, including:

- a. A high level of *leverage* does not necessarily reflect a company's inability to meet its financial obligations.
- b. Companies with large debts generally have stricter financial supervision from creditors.

- c. The risk of *financial distress* is more influenced by the company's ability to generate profits and maintain cash flow compared to the level of leverage.
- d. Effective debt management can help companies maintain financial stability and avoid *financial distress*.

The Effect of *Sales Growth* on *Financial Distress*

Based on the results of the partial hypothesis test, *the sales growth* variable showed a significant influence on *financial distress* in companies in *the property and real estate* sector. This is reflected in the t-calculated value of 3.245682 which is greater than the t-table of 2.01954 and the probability value of 0.0023 which is below the significance level of 0.05, so that the null hypothesis is rejected and the alternative hypothesis is accepted. These findings indicate that the level of sales growth has an important role in explaining the company's financial difficulties, where changes in *sales growth* significantly affect the company's ability to maintain financial stability and avoid *financial distress*. Thus, *sales growth* can be used as one of the relevant indicators of operational performance in assessing *financial distress* risk in *the property and real estate sector*.

The results of this study are also supported by Alfiani et al., (2023) stating that *sales growth* has a positive and significant effect on *financial distress* in manufacturing companies listed on the Indonesia Stock Exchange for the 2019–2021 period, which is evidenced by a significance value of 0.0000 which is smaller than 0.05. It shows that higher *sales growth* does not automatically reflect the company's good financial condition, because even though sales growth is high, if not balanced with efficient operational expense control in the sales achievement process, this condition can actually increase the risk of *financial distress* significantly. The results of this study are also supported by Kadek Bagus Krishna Dwipayana and Made Reina Candradewi (2024) stating that *sales growth* has a regression coefficient value of -0.036 and a significance of 0.003 which is less than 0.05 so that H1 is accepted. showing that the company's ability to carry out marketing and innovation strategies for its company has been successful so that the sales of products produced by the company are high and the resulting profit is getting bigger.

This is in line with the agency's theory regarding the existence of agents (managers) in the company who have the task of innovating to maintain the sustainability of the company through the development of the company's operational strategy in accordance with the agreed contract. The increase in the company's profit shows the company's management's efforts in the welfare of shareholders and all forms of decisions taken by the management have been carefully carried out so that the company does not experience turmoil. Such conditions make

the company avoid financial difficulties.

The results of this study are also supported by Lidia Alvionika Nadapdap and Shadrina Hazmi (2024) stating that *sales growth* obtained a significant value of $0.003 < 0.05$ with a negative coefficient value, it can be interpreted that if the company's sales growth increases, the value of *financial distress* decreases. This result shows the direction of the negative influence on the independent variable on the dependent variable, which means that the relationship between *sales growth* and *financial distress* has the opposite direction. This shows that if *sales growth* increases, financial distress will decrease and vice versa if *sales growth* decreases, *financial distress will increase*.

The Influence of Corporate Governance on Financial Distress

Based on the results of the hypothesis test that has been carried out, *the corporate governance* variable shows a *t-calculated* value of 1.722842 with a probability value of 0.0924, which is greater than 0.05. Since *the value of t-count* is smaller than *that of t-table* ($1.722842 \leq 2.01954$), H_0 is accepted and H_1 is rejected. Thus, *the corporate governance* variable partially does not have a significant effect on *financial distress*. These findings indicate that the *corporate governance* mechanism used has not played an effective role as a determining factor in reducing or increasing the risk of *financial distress*, so that the effect is partially insignificant in the research model in the *property and real estate sector*.

The results of this study are also supported by Novita Dwi Damayanti and Rohmawati Kusumaningtias (2020) stating that Independent Commissioners obtained a significant value of $0.444 > 0.05$, partially having no significant effect on *financial distress*. The results of this study cannot support *the agency theory* which states that independent commissioners in companies as one of the *corporate governance* are able to reduce *agency problems*. This is because the existence of independent commissioners in the company is believed to be able to reduce the presence of *assymetric information* that can trigger the company to be in a *state of financial distress*. The results of this study are also supported by Agustin and Andryanto (2023) stating that *corporate governance*, one of which is the Independent Commissioner, obtained a significant value of $0.1619 > 0.05$, partially does not have a significant effect on *financial distress*. This is because external commissioners cannot provide a strong monitoring role to improve the company's results and save from *financial distress*.

The results of this study are also supported by Kurnia and Astuti (2023) stating that the Proportion of Independent Commissioners variable has a negative coefficient of -3.438 . This means that companies with a larger proportion of Independent Commissioners are likely to experience a decrease in the level of *financial distress* or the risk of financial difficulties is

getting smaller. However, the variable of the Proportion of Independent Commissioners has a significance value of $0.135 > 0.05$, so statistically the influence is not significant. Thus, the proportion of Independent Commissioners and the financial distress condition of the company indicates that the existence of the Independent Commissioner has not functioned optimally as an effective supervisory mechanism in mitigating or preventing the occurrence of *financial distress* in the company.

The insignificance of the influence of *corporate governance* on *financial distress* can be caused by several factors, including:

- a. The implementation of *corporate governance* mechanisms in companies has not fully reflected the effectiveness of management supervision and control, so its existence has not been able to directly reduce the risk of *financial distress*.
- b. The supervisory function of corporate governance bodies, such as the board of commissioners or independent commissioners, is often a formality to meet regulatory requirements, so that its effect on the company's financial condition is less optimal.
- c. Financial distress *conditions* are more influenced by the company's financial fundamentals, such as *profitability*, *liquidity*, and ability to generate cash flow, compared to the *corporate governance* mechanisms applied.
- d. The difference in the quality of *corporate governance* implementation between companies causes the impact on *financial distress* to be inconsistent, so statistically the effect is not statistically significant in the research model.

Influence of Leverage, Sales Growth, and Corporate Governance on Financial Distress

The results of the study show that leverage, *sales growth*, and *corporate governance* together have a significant effect on *financial distress*. This is evidenced by a significance value of 0.003637 which is smaller than 0.05, so the null hypothesis is rejected. These findings indicate that the company's *financial distress* condition is not only influenced by one factor, but is the result of a combination of the company's funding structure, the company's ability to increase sales, and the implementation of corporate governance. Therefore, these three variables need to be considered simultaneously in assessing the risk of the company's financial difficulties. In addition, the results of the simultaneous test showed an F-calculated value of 5.265885 which was greater than the F-table of 2.69, which further strengthens the evidence that leverage, *sales growth*, and *corporate governance* have a significant influence on *financial distress*. Based on the results of the test, it can be concluded that the three independent variables have an important role in explaining the variation in *financial distress* conditions in companies in the *property and real estate* sector during the 2020–2024 period. This shows that proper

debt management, maintained sales growth, and the simultaneous implementation of adequate corporate governance can help companies maintain financial stability and reduce the risk of *financial distress*.

5. CONCLUSION

Based on the results of the analysis that has been carried out, this study aims to determine the influence of leverage, sales growth, and corporate governance on financial distress conditions in companies in *the property and real estate* sectors. The results of the study show that each variable has a different influence on the company's financial distress condition.

The results of the study show that leverage does not have a significant effect on financial distress. These findings indicate that the level of corporate debt utilization is not yet the main factor that directly determines the condition of financial difficulties. This condition shows that the company is still able to manage its financial obligations well, so that high or low leverage does not directly encourage financial distress.

Furthermore, the results of the study show that sales growth has a significant effect on financial distress. This indicates that sales growth has an important role in determining the company's financial condition. Companies with good sales growth tend to have a greater ability to maintain financial stability and avoid financial distress, while companies with low sales growth are more prone to financial difficulties.

Meanwhile, the results of the study show that corporate governance does not have a significant effect on financial distress. These findings indicate that the corporate governance mechanism implemented has not been able to partially affect financial distress conditions. This can be caused by the implementation of corporate governance that has not been running optimally, so its existence has not been able to have a real impact on preventing the company's financial difficulties.

Based on simultaneous testing, the results of the study show that leverage, sales growth, and corporate governance together have a significant effect on financial distress. This shows that although not all variables individually have an effect, the combination of these three variables is able to explain the company's financial distress condition more comprehensively. Overall, the results of this study confirm that sales growth is the factor that plays the most role in partially influencing financial distress, while leverage and corporate governance do not show individual influences. However, the three variables still have a contribution when analyzed together in explaining the financial distress conditions in companies in the *property and real estate* sector during the study period.

Suggestions

Based on the results of the research, discussion, and conclusions that have been described, the researcher provides some suggestions as follows:

For the next researcher, it is recommended to develop the research by adding variables that are more actual and relevant in explaining financial distress, such as enterprise risk management (ERM), cash holding, earnings management, investment inefficiency, business risk, and corporate life cycle. In addition, further research can expand the number of samples and observation periods, as well as develop models by including moderation or mediation variables so that the research results are more robust and comprehensive.

For the Company, especially the property and real estate sector, it is expected to be able to manage the capital structure optimally so that the use of debt does not increase the risk of financial distress. Companies also need to maintain sustainable sales growth by controlling operational costs efficiently, as well as increasing the effectiveness of corporate governance implementations, especially in the management supervision function, to support financial stability.

For investors, the results of this research can be used as a consideration in making investment decisions by paying attention to financial indicators related to financial distress, especially sales growth. Investors are advised to conduct a thorough analysis of the company's financial statements and condition so that investment risks can be minimized.

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