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The Effect of *Sales Growth* and Capital Structure on *Financial Distress* in Food and Beverage Sub-Sector Companies Listed on ISSI in 2021-2024

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ABSTRACT

This study aims to analyze the effects of sales growth and capital structure on financial distress among food and beverage subsector companies listed on the Indonesian Stock Exchange (ISSI) for the 2021-2024 period. This study uses a quantitative, secondary-data approach, analyzing company financial reports using panel dain EViews version 13. This study used a purposive sampling technique, yielding a sample of 35 companies and 140 observations. The results show that sales growth has a significant positive effect on financial distress, as proxied by the Grover Score, while capital structure has a significant negative effect on financial distress. Simultaneously, sales growth and capital structure have a significant effect on financial distress. The conclusion of this study confirms that increasing sales growth and appropriate capital structure management play a crucial role in minimizing the risk of financial distress. The implications of these findings suggest that food and beverage subsector companies need to pay attention to sales performance and optimal funding policies to ensure their financial stability.

1. Introduction

The increasingly dynamic business world requires companies to adapt to maintain business continuity and compete. The implementation of the right strategy is an important factor in achieving the company's main goals, namely increasing profits and revenue, which is highly dependent on the effectiveness of operational management. However, not all

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companies can achieve this due to challenges such as fierce competition, limited resources, changing consumer preferences, and managerial weaknesses. This condition increases the risk of *financial distress*, which, if not managed, can have a serious impact on business continuity [1]

The manufacturing industry sector, especially the food and beverage subsector, has a strategic role in the Indonesian economy. This subsector contributes significantly to Gross Domestic Product (GDP) and is relatively resilient to economic pressures, including post-COVID-19 pandemic. Despite this, companies in this subsector still face challenges, such as fluctuations in demand, rising production costs, and inflationary pressures, which can affect the company's financial performance and competitiveness [2]

On the capital market side, the food and beverage subsector also has relevance through the involvement of several issuers in the Indonesian Sharia Stock Index (ISSI). ISSI covers all sharia-based stocks listed on the Indonesia Stock Exchange (IDX) and is an indicator of the performance of the sharia capital market [3] However, involvement in ISSI does not automatically guarantee stable financial conditions. Based on the Grover Score for the 2021–2024 period, several food and beverage subsector companies continue to show indications of *financial distress*, thus emphasizing the need to pay attention to internal company factors that affect financial health, can be seen in Table 1.

Table 1. *Sales growth*, Capital structure, and *financial distress* of food and beverage sub-sector companies (2021–2024)

No	Company Code	Year	Sales Growth	Capital Structure	Financial Distress
1.	ANDI	2021	0,331	0,936	0,158294829
		2022	-0,082	0,861	0,120828123
		2023	-0,308	1,069	-0,576010541
		2024	-0,105	1,191	-0,101458503
2.	AISA	2021	0,185	1,113	-0,35209522
		2022	0,212	1,348	-0,24476458
		2023	-0,075	0,911	0,103248851
		2024	0,127	0,878	0,320262044
3.	FOOD	2021	-0,03	1,435	-0,260284284
		2022	-0,05	1,455	-0,867349838
		2023	-0,108	1,38	-1,694723695
		2024	0,061	-23,62	-2,332594873
4.	GZCO	2021	0,738	0,891	0,020079387
		2022	-0,215	0,775	0,117813106
		2023	0,342	0,813	0,23010757
		2024	0,081	0,884	-0,024715067
5.	WMUU	2021	1,689	0,882	0,814295728
		2022	-0,205	1,263	-0,020875051
		2023	-0,863	1,526	0,016040845
		2024	0,123	1,789	-0,09242568

Source: Data processed from IDX financial statements (2021-2024)

Based on data from companies in the Food and Beverage subsector, sales growth and capital structure are not always in line with *the company's financial distress* as measured using

the Grover Score. In theory, increased *sales growth* should strengthen *financial distress*, while declining sales or unhealthy capital structure can increase the risk of *financial distress*.

However, some companies point to a gap between theory and reality. PT. Widodo Makmur Unggas Tbk (WMUU) recorded positive *sales growth* in several periods, but financial health remained fluctuating or in the *distress category*, showing that an increase in sales alone is not always enough to maintain financial conditions. On the contrary, PT. FKS Food Sejahtera Tbk (AISA) also experienced a gap at the beginning of the period, with *sales growth* increasing but financial health remaining in *the distress* category before improving in the following period.

PT. The Food Indonesia (FOOD) Center shows more extreme conditions, where although the capital structure has relatively declined between 2022 and 2023, financial health remains in the distress category, signaling serious financial pressure. On the contrary, PT. Widodo Makmur Unggas Tbk (WMUU) actually experienced an increase in its capital structure during the same period, yet the company remained healthy, contrary to the theory that an increase in capital structure should increase the risk of *distress*.

This phenomenon confirms that not all increases in *sales growth* or capital structure theoretically have a direct impact on financial health. This shows that the effectiveness of financial management and operational strategies plays an important role, and some companies are more susceptible to *financial distress*.

One of the main factors that can cause *financial distress* is *sales growth*, a ratio used to assess a company's ability to increase sales revenue over time. Positive and consistent *sales growth* reflects good operational performance, while negative sales growth can signal a decline in competitiveness or problems with the company's management.

Sales growth is also an important indicator that can be used to predict the company's future prospects and development [4] Furthermore, the stability of sales growth contributes to reducing financial distress risks, as it supports increased cash flow, profitability, and the company's competitive position. This makes *sales growth* a measure that reflects the company's capacity to survive and develop in the midst of industrial competition, as well as showing the company's effectiveness in maintaining and increasing market share, especially when the economy and the industrial sector as a whole are growing [5]

The second factor that affects *financial distress* is the capital structure. The capital structure shows the comparison between the company's capital and the borrowed capital it uses to finance its assets. Capital generally comes from retained earnings and owners' deposits, while loan capital can be short- or long-term debt. The high proportion of debt in the capital structure will increase interest expense and payment obligations, thereby reducing the company's financial flexibility. This condition ultimately increases the risk of *financial distress* if the company is unable to meet its financial obligations. Thus, the capital structure is one of the important factors that need to be considered in maintaining the company's financial stability [6]

Based on research conducted by Rochendi & Nuryaman, it was found that *sales growth* has a positive effect on *financial distress* [7] However, different results shown by Cyntara & Apriwandi actually found that *sales growth* had no effect on *financial distress* [8] The same thing also happens with the variable capital structure. Rahma & Dillak's research found that capital structure has a positive effect on *financial distress* [9] Meanwhile, research conducted by Oktoviana & Rahma actually shows that capital structure has a negative effect on *financial distress* [10]

The differences in findings indicate an inconsistency in previous research results, so this topic warrants further investigation, especially in companies in the food and beverage subsector. Thus, this study aims to provide empirical evidence related to "The Influence *of Sales Growth*, Capital Structure on *Financial Distress* in Food and Beverage Sub-Sector Companies Listed in the Indonesian Sharia Stock Index in 2021-2024".

Literature Review

Signal Theory

Signalling Theory, introduced by Spence, explains how information is exchanged between company management and investors in the capital market, assuming management has more complete information than outsiders [11] The main function of this theory is to reduce information asymmetry and minimize investor uncertainty, while increasing credibility and trust in the company's performance and strategy [12] The signals conveyed can be in the form of accounting or non-accounting information. Accounting information is reflected in financial statements, profit announcements, and dividend policies, while non-accounting

signals include investment plans, promotional strategies, corporate actions, and management reports related to the realization of company goals. This signal is not only a medium of communication but also distinguishes a well-performing company from its competitors [13]

In this study, signal theory is used to explain the role of *sales growth* and capital structure as indicators of financial conditions that affect *financial distress risk*. *Increased sales growth* signals positive business prospects, while a decline indicates the risk of *financial distress*. A healthy capital structure indicates optimal funding management, while a high debt ratio is a negative signal that increases the likelihood of *financial distress*. These two variables are important to understand the relationship between the company's financial condition and the potential risk *of financial distress*.

Financial Distress

Financial distress or financial difficulties is the stage of declining financial conditions experienced by a company before reaching bankruptcy. This condition arises when a company is unable to fulfill its obligations, and if left unaddressed, it can lead to bankruptcy [14] The cause of *financial distress* can come from general, external, or internal factors of the company. Common factors include macroeconomic conditions such as inflation, interest rates, exchange rates, social and technological changes, and government policies that affect financial performance. External factors include customers, creditors, and business competition, which affect the company's revenue and cash flow. Meanwhile, internal factors include inefficient management, excessive credit, and employee or management abuse of authority, all of which negatively impact financial conditions. *Financial distress* can be identified through financial indicators, including decreases in operating or net profit, difficulty meeting short-term obligations, high fixed costs, high debt ratios, and sustained declines in sales [15].

Sales Growth

Sales growth reflects a company's ability to maintain and improve its economic position by increasing year-over-year sales. A high *sales growth* rate indicates the success of business strategies, healthy financial conditions, and a reduced risk of *financial distress*. Conversely, declining *sales growth* can signal potential financial problems as revenue and cash flow decline. This sales growth is an important indicator of the company's operational performance and a positive signal to investors regarding business prospects.

Capital Structure

Capital structure is the composition of the company's funding derived from debt and its own capital. The capital structure is a balance between long-term debt and the company's own capital. Decisions regarding capital structure are very important because they relate to the risk and the level of return expected by shareholders [16] The main objective of the capital structure is to optimize the combination of debt and equity. A company's decision on its capital structure includes selecting capital structure targets, determining the average maturity of its debt, and choosing the specific type of financing used at any given time. As with operational decisions, managers need to design capital structure decisions to maximize the company's intrinsic value. In other words, the capital structure is a mixture of financial resources used to finance a company's operations, both from equity and debt [17].

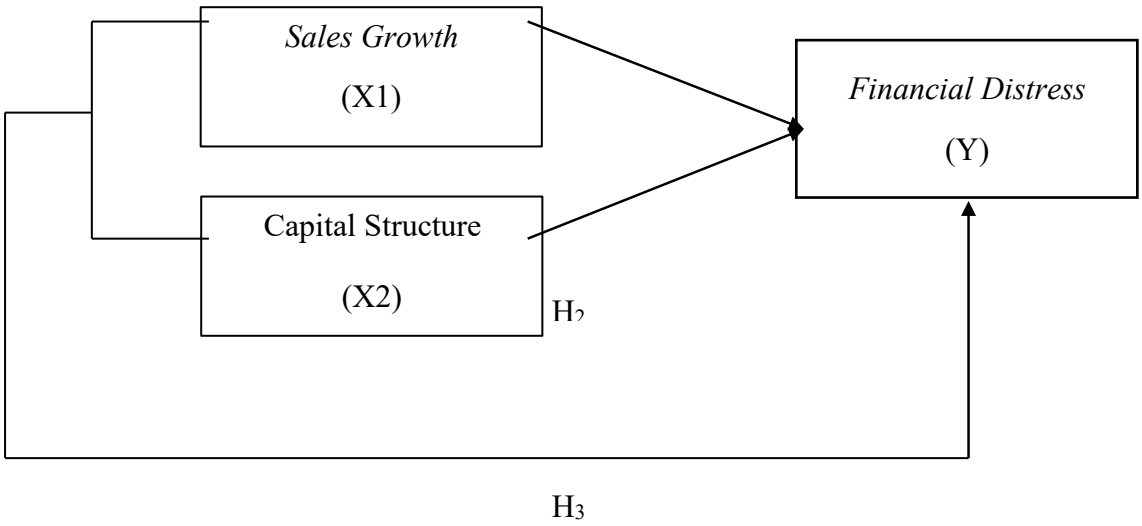


Figure 1. Frame of mind

Based on the framework of thinking and problem formulation, the hypothesis of this study is:

H1: *Sales Growth* Affects *Financial Distress* in Food and Beverage Sub-Sector Companies Listed on the Indonesian Sharia Stock Index (ISSI) in 2021-2024.

H2: Capital structure affects *financial distress among food and beverage subsector companieslisted on the Indonesian Sharia Stock Index (ISSI) during 2021-2024.*

H3: *Sales growth* and capital structure simultaneously affect *financial distress* in food and beverage sub-sector companies listed on the Indonesian Sharia Stock Index (ISSI) in 2021-2024.

2. Method

This study is quantitative research that uses testing the panel data regression hypothesis with the Random Effect Model (REM) research model. This research uses data obtained through the Indonesia Stock Exchange website. Based on the criteria that have been set, the population used in this study is Food and Beverage Sub-Sector Companies registered with ISSI in 2021-2024 so that 148 observations were obtained. Then the detection and elimination of outlier data 8 data observations or 2 samples was carried out using observation of the extreme deviation standard value through z-score. Observation units located at the threshold are considered to have the potential to disrupt the normal distribution of data and the validity of regression results. In the end, 35 sample companies were obtained with 140 units of observation data for analysis, can be seen in Table 2.

Table 2. Sample determinant criteria

Yes	Sample Criteria	Company Accumulation
1.	Food and beverage sub-sector companies listed on the Indonesian Sharia Stock Index (ISSI) during the 2021-2024 research period	63
2.	Companies that are not consistently listed on the Indonesian Sharia Stock Index (ISSI) during the 2021-2024 period.	(22)
3.	Companies that do not publish financial statements on the Indonesia Stock Exchange consecutively from 2021-2024	(2)
4.	Companies that do not present financial statements using rupiah during the 2021-2024 period	(2)
5.	Outlier Company Data	(2)
6.	Number of Company samples after Outlier	35
7.	Research year	5
8.	Final amount of research data for 2021-2024	140

This study uses *financial distress* as a dependent variable with *the measurement of Grover Score*. Independent variables consisting of *sales growth* and capital structure can be seen in Table 3.

Table 3. Variable operational definition

No	Variabel	Definition	Indicator	Scale
1.	*Financial Distress*	*Financial Distress* is an early sign of financial problems that arise when a	G= 1,650 X1 + 3,404 X2 - 0,016 (ROA) + 0,057	Racing

		company is unable to meet its obligations.		
2.	*Sales Growth*	*Sales Growth* is the increase in sales from year to year.	$Sales\ Growth = \frac{Sales\ (t\ ) - Sales\ (t-1)}{sales\ (t-1)}$	Racing
3.	Capital Structure	The capital structure is a balance between the amount of long-term debt and the company's own capital.	$DER = \frac{Total\ Utang}{Total\ Ekuitas}$	Racing

The approach used is quantitative with panel data regression analysis, which combines *time series* and *cross section data.* Data were processed using *eviews* 13. This research began with testing the selection of panel data regression models to determine the most appropriate model between *Common Effect, Fixed Effect,* and *Random Effect*. After the best model is determined, a classical assumption test is carried out, which includes normality, multicollinearity, heteroscedasticity, and autocorrelation tests. This test aims to ensure that the regression model used meets the basic assumptions to produce unbiased and efficient estimates. Furthermore, panel data regression analysis was used to test the influence of independent variables, namely *sales growth* and capital structure, on dependent variables in the form of *financial distress*. The analysis results provide information on the magnitude of each independent variable's influence on *the company's financial distress*. The next stage is hypothesis testing, which is carried out using the t-test to determine the partial effect, the F-test to determine the simultaneous effect, and the analysis of the determination coefficient (R^2) to assess the ability of the independent variables to explain the variation in the dependent variables.

3. Results and Discussion

3.1. Descriptive Analysis

Descriptive Statistical Test is used to describe a data seen from the average value, standard deviation, range, maximum, and minimum, can be seen in Table 4. The purpose of this test is to describe the overall sample that has been selected and in accordance with the criteria studied [18].

Table 4. Descriptive test results

	X1	X2	Y
Mean	0.126730	0.689247	0.806671
Median	0.097100	0.685100	0.738100
Maximum	1.688800	3.275000	1.841400
Minimum	-0.863000	0.063900	-0.576000
Std. Dev.	0.274216	0.489298	0.506400
Skewness	1.782300	1.338061	0.099037
Kurtosis	13.18645	7.311673	2.651152
Jarque-Bera	679.4087	150.2209	0.938750
Probability	0.000000	0.000000	0.625393
Sum	17.74220	96.49460	112.9339
Sum Sq. Dev.	10.45205	33.27831	35.64535
Observations	140	140	140

Based on the results of descriptive statistics, *financial distress* (Y) proxied with *the Grover Score* had an average value of 0.8067, with a maximum value of 1.8414 and a minimum value of -0.5760, which shows a variation in financial conditions between sample companies. The *sales growth* variable (X1) has an average value of 0.1267, with a minimum value of -0.8630 and a maximum value of 1.6888, reflecting the difference in sales growth rates between companies. Meanwhile, the variable capital structure (X2) proxied by the Debt-to-Equity Ratio (DER) has an average value of 0.6892, with a minimum value of 0.0639 and a maximum of 3.2750. The variation in the value of each variable shows differences in the company's financial characteristics and policies, which has the potential to affect the level of vulnerability of the company to *financial distress*.

3.2. Panel data regression model selection test

3.2.1. Chow test

The Chow test is carried out to compare or choose which model is best between *the common effect model* or *the fixed effect model*. Decision making by looking at the probability value (p) for *Cross-Section* F. If the value of $p > 0.05$, then the chosen model is the *common effect model*. But if $p < 0.05$ then the chosen model is the *fixed effect model*.

Table 5. Chow test results

Redundant Fixed Effects Tests Equation: FEM Test cross-section fixed effects			
Effects Test	Statistic	d.f.	Prob.
Cross-section F	19.389208	(34,103)	0.0000
Cross-section Chi-square	280.213275	34	0.0000

Based on the chow test table 5 above, both the *Cross Section* F and *Chi square Probability values* are smaller than the Alpha 0.05 which is 0.0000 so that it rejects the null hypothesis. So, showing *a fixed effect*, the best model to use is a model using *the fixed effect*

model method. Based on the results of the selected chow test is a *fixed effect model*, then the test is continued to the hausman test.

3.2.2. Hausman test

The Hausman test is carried out to compare or choose which model is best between *fixed effect models* or *random effect models,* can be seen in Table 6. Decision-making by looking at the probability value (p) for *Cross-Section* F. If the p value > 0.05, then the selected model is a *random effect model*. But if p < 0.05 then the chosen model is the *fixed effect model*.

Table 6. Hausman test results

Correlated Random Effects - Hausman Test Equation: REM Test cross-section random effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	4.578005	2	0.1014

Based on the results of the thirst test in table 4.7 above, it shows that the *probability value of random cross section* is smaller than the significance value, which is 0.1014 > 0.05. Thus, the appropriate and best regression model to be used in this study is *the random effect model* (REM).

3.2.3. Lagrange Test Multiplier

The LM (Lagrange Multiplier) test was carried out to find out *that the random effect model* was better than *the Common effect* model and was also used to ensure that *the Random effect model* or *Common effect* model was inconsistent in the previous test. Decision making by looking at the *probability value* (p) *Cross section* for *Breusch-Pagan*. If the p value > 0.05, then the selected model is the *common effect model*. But if p < 0.05 then the chosen model is a *random effect model*, can be seen in Table 7.

Table 7. Lagrange multiplier test results

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	133.4308	1.027689	134.4585
	(0.0000)	(0.3107)	(0.0000)

From the results of the *Lagrange Multipliner* Test (LM Test), the *Prob. Breusch-Pagan* of 0.0000 < 0.05, the best model for this study is *the Random Effect Model* (REM).

3.3. Panel data regression analysis result

The regression test of panel data in this study uses *the Random Effect Model* (REM) as a regression estimation model, aiming to determine the relationship between independent variables consisting of *Sales Growth* and *Capital Structure* to the bound variable, namely *Financial Distress* of Food and Beverage Sub-Sector companies. The results of *the Random Effect Model* (REM) regression are shown in table 8 below:

Table 8. *Random effect model*

Dependent Variable: Y
Method: Panel EGLS (Cross-section random effects)
Date: 01/20/26 Time: 21:21
Sample: 2021 2024
Periods included: 4
Cross-sections included: 35
Total panel (balanced) observations: 140
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.129004	0.075339	14.98557	0.0000
X1	0.222931	0.052110	4.278119	0.0000
X2	-0.508650	0.067244	-7.564265	0.0000

Based on table 8, the regression equations used in this study are as follows.

$$FD = 1.129004 + 0.222931 - 0.508650 + \varepsilon \quad (1)$$

Based on the regression Equation (1), it can be interpreted as follows.

1. The Constant value obtained is 1.129004 which means that if *the Sales Growth* and *Capital Structure* are 0 (constant), then the company's Grover score is at 1.129004.
2. The value of the *Sales Growth* regression coefficient (X1) has a positive value (+) of 0.222931, which indicates that if every increase *in Sales Growth* is 1 percent, the Grover score value will also increase by 0.222931, which means that there is a decrease *in the risk of financial distress of the company by* 0.222931 assuming that other variables are constant.
3. The value of the regression coefficient of Capital Structure (X2) is negative (-) of -0.508650, which indicates that if the capital structure increases by one percent,

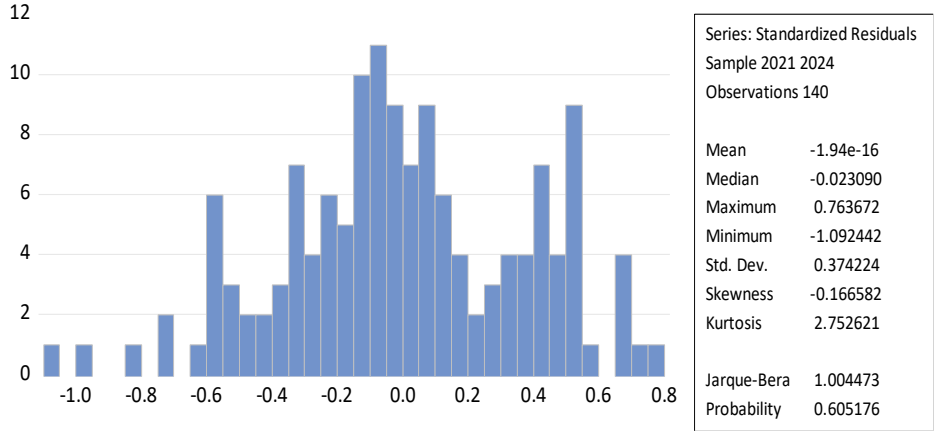
the value of the Grover score will decrease by 0.508650 which means that there is an increase in the risk of *financial distress* of the company by 0.508650 assuming other variables remain.

3.4. Classic Assumption Test

3.4.1. Normality

The normality test is used to test whether the model in regression, a dependent and independent variable has a normal distribution or not. This study applied the Jarque-Bera (J-B) test for normality testing. The decision was made based on the probability value from the J-B statistics: [19] The presumption of normality is considered fulfilled if the probability ≥ 0.05. Conversely, the presumption of normality is not met if the probability < 0.05.

Table 9. Normality test results



In the table 9, the results of the normality test are using Jarque-Bera (J-B) statistics. The probability value is 0.605176 where the value indicates that this data is normally distributed.

3.4.2. Multikolinearitas

The purpose of the multicollinearity test is to find out whether there is a correlation between independent variables in the regression model as seen from the VIF (Variance Inflation Factor) value and *the Tolerance* value. If the value of VIF ≤ is 10, then it can be interpreted that multicollinearity does not occur in the regression model. The following are the results of the multicollinearity test presented in table 10.

Table 10. Multicollinearity test results

Variance Inflation Factors
Date: 01/29/26 Time: 20:25
Sample: 1 140
Included observations: 140

	Coefficient	Uncentered	Centered
Variable	Variance	VIF	VIF
C	0.003155	3.326092	NA
	Coefficient	Uncentered	Centered
X1	0.012779	1.222104	1.005746
X2	0.004014	3.015788	1.005746

Based on the multicollinearity test presented in table 4.9 above, the Centered VIF value of all independent variables <10, so it can be concluded that the regression model does not contain the problem of multicollinearity.

3.4.3. Heterokedasticity Test

The heterokedasticity test intends to test whether there is a similarity of variance from one observation to another. If the probability value in Obs*R-Squared > of the significance value (0.05), then in a regression model there is no heteroskedasticity. The results of the heterokedasticity test are shown in the following table 11:

Table 11. Heterokedasticity test results

Heteroskedasticity Test: Breusch-Pagan-Godfrey			
Null hypothesis: Homoskedasticity			
F-statistic	0.620170	Prob. F(2,137)	0.5394
Obs*R-squared	1.256128	Prob. Chi-Square(2)	0.5336
Scaled explained SS	1.060298	Prob. Chi-Square(2)	0.5885

Based on the results of the heterokedasticity test above, it shows that the value of probability *chi-square* pada Obs*R-Squared sebesar 0,5336 > 0,05. So, it can be concluded that there is no heterokedasticity in the regression model tested.

3.4.4. Autocorrelation Test

Autocorrelation is the correlative relationship between one observation and another in a series of data arranged in a time series. The existence of autocorrelation results in hypothesis testing results using t-tests and f-tests being inaccurate or misleading [20].

Table 12. Autocorrelation test

	Weighted Statistics		
R-squared	0.368458	Mean dependent var	0.179754
Adjusted R-squared	0.359238	S.D. dependent var	0.194816
S.E. of regression	0.155946	Sum squared resid	3.331705
F-statistic	39.96469	Durbin-Watson stat	1.978803
Prob(F-statistic)	0.000000		

The autocorrelation test in the table 12 used the Durbin–Watson (DW) test. Based on the results of the panel regression model estimation with the REM model, the Durbin–Watson value of 1.978803 was obtained. With several observations of 140 and several independent variables of 2, at a significance level of 5%, the lower limit (dL) and upper limit (dU) values (dU) of Durbin–Watson were obtained of around 1.65 and 1.70 respectively. Thus, the value of 4 − dU is about 2.30. The test results showed that the Durbin–Watson value was in the range: dU < DW < 4 – dU 1.70 < 1.978803 < 2.30. Based on the Durbin–Watson test's decision-making criteria, this condition shows that there is no autocorrelation.

Table 13. Hasil uji parsial (uji T)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.129004	0.075339	14.98557	0.0000
X1	0.222931	0.052110	4.278119	0.0000
X2	-0.508650	0.067244	-7.564265	0.0000

Based on table 13 above, the following conclusions are obtained: Variable *Sales Growth*. Based on the results of the t-test, the calculated t-value was 4.278119, while the t-table value was 1.97730. Because the t-value is greater than the t-table (4.278119 > 1.97730), and the probability value of 0.0000 is less than 0.05, it can be concluded that X1 has a positive and significant effect on *financial distress* proxied by *the Grover Score*. Thus, H1 is accepted.

Capital Structure Variables Based on the results of the t-statistical test, the t-calculated value was -7.564265, while the t-table value was 1.97730. The t-calculated value is greater than the t-table, and the probability value of 0.0000 is less than 0.05. This shows that X2 has a negative and significant effect on *financial distress*. Thus, H2 is accepted.

3.4.5. Statistical Test F

The F test is used to find out whether all the independent variables contained in the model have a simultaneous effect (the same variable) on the dependent variable. This test is shown by the criterion: if Fcal > Ftable and the probability value < 0.05, then the variable is simultaneously free to affect the bound variable. However, if Fcal < Ftable and the probability

value is> 0.05, then the free variable has no effect on the bound variable. The results of the simultaneous tests can be seen in Table 14 as follows:

Table 14. F test results

	Weighted Statistics		
R-squared	0.368458	Mean dependent var	0.179754
Adjusted R-squared	0.359238	S.D. dependent var	0.194816
S.E. of regression	0.155946	Sum squared resid	3.331705
F-statistic	39.96469	Durbin-Watson stat	1.978803
Prob(F-statistic)	0.000000		

Based on the results of the F test in table 4.12 above, when viewed from the probability value, the number is 0.0000 which means it is smaller than the significance value (0.05). Therefore, it can be concluded that *the variables of sales growth* and capital structure together have a significant influence on *financial distress*

3.4.6. Coefficient of Determination Test (R2)

The determination coefficient (R2) test was carried out with the aim of measuring how far the model was able to explain the bound variables [21]The coefficient of determination can be seen in table 15 below:

Table 15. Determination coefficient table

	Weighted Statistics		
R-squared	0.368458	Mean dependent var	0.179754
Adjusted R-squared	0.359238	S.D. dependent var	0.194816
S.E. of regression	0.155946	Sum squared resid	3.331705
F-statistic	39.96469	Durbin-Watson stat	1.978803
Prob(F-statistic)	0.000000		

Based on Table 15 above, the adjusted R-Squared (R2) value is 0.359238. The results showed that 35.92% of the independent variables' ability to explain their influence on the dependent variables, and as many as 64.08% of the independent variables could not explain their influence on the dependent variables or could be explained by other variables.

3.5. Discussion

This study raises two independent variables, namely *Sales Growth* (X1) and Capital Structure (X2), on *Financial Distress,* with the following results:

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

The results of the study show that sales growth has a significant effect on financial distress, which is proxied by *a G-Score. This is evidenced by the significant value of the t-test, which* is 0.0000, meaning that the significant value is 0.0000 < 0.05. This indicates that

increased *sales growth* has an important role in influencing the Company's financial condition. Thus, *sales growth* can serve as one indicator in assessing the Company's financial condition.

The positive sales growth coefficient indicates that higher *sales growth* will increase the value of the grover score. The *higher G-Score reflects the Company's increasingly healthy financial condition, so the Company's risk of financial distress* is decreasing. This condition shows that increased *sales growth* can improve the Company's financial performance.

The results of this study are in line with the research conducted by Lise Rosmawati Rochendi and Nuryaman, which stated that *sales growth* has a significant effect on *financial distress* [7] This shows that *sales growth* is an important factor that can reflect the Company's financial condition, and that changes in sales growth affect the potential for the Company to experience *financial distress.* However, the results of this study are not in line with Cyntara and Apriwandi's research, which states that *sales growth* has no effect on *financial distress* [8] .

3.7. The Influence of Capital Structure on *Financial Distress*

The results of this study show that the capital structure has a significant effect on *financial distress, which is proxied by the Gaver score*, as evidenced by the significant value of the t-test is 0.0000, meaning that the significant value is 0.0000 < 0.05. This shows that the Company's funding policy plays an important role in shaping its financial condition.

The negative capital structure coefficient indicates that an increase in the capital structure will lower the *G-Score*. The decrease in the value of the grover score indicates that the Company's financial condition is deteriorating, thereby increasing the risk of financial distress. This suggests that an unoptimally managed capital structure can increase the company's financial pressure.

The results of this study are in line with the research of Nabila Habiba Rahma and Vaya Juliana Dillak, who stated that *financial distress* is influenced by capital structure [9] If the company has a DER score that is well above average, it can cause the institution to experience financial distress and indicate future liquidation disruptions. However, the results of the study are not in line with Leli Dewi Oktaviana's research, which states that capital structure has no effect on *financial distress* [10].

3.8. The Influence of *Sales Growth* and Capital Structure on *Financial Distress*

The study finds that sales growth and capital structure significantly affect *financial distress*. This is supported by the probability value of 0.0000, which is smaller than the

significance value of 0.05, and by the F-calculation value being larger than the F-table value (39.96469 > 3.06). So, it can be concluded that *the variables of sales growth and* capital structure together have a significant influence on *financial distress*. It can be concluded that the independent variables are simultaneously significant in affecting the dependent variables. *Sales growth* and capital structure can affect *financial distress* by 35.92% and as much as 64.08% is explained by other variables outside the study.

4. Conclusion

This study aims to determine the influence of *sales growth* and capital structure on *financial distress*. This study uses a sample of food and beverage sub-sector companies listed in the Sharia Stock Index during the 2021-2024 period. The following are the conclusions obtained in this study: *Sales Growth* has a significant effect on *Financial Distress* as proxied by the Grover Score in Food and Beverage Sub-Sector Companies listed on the Sharia Stock Index (ISSI) during the 2021-2024 period. Capital Structure has a Significant Effect on *Financial Distress* as proxied by the Grover Score in Food and Beverage Sub-Sector Companies listed on the Sharia Stock Index (ISSI) during the 2021-2024 period.

Sales Growth and Capital Structure simultaneously have a significant effect on *Financial Distress* in Food and Beverage Sub-Sector Companies listed on Sharia Stock Indices (ISSI) during the 2021-2024 period

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