The Effect Of Company Size, Leverage Profitability, Liquidity, And Efficiency On Financial Distress

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Abstract

The purpose of this study is to analyze the effect of company size, leverage, profitability, liquidity, and efficiency on financial distress (an empirical study of property and real estate companies listed on the IDX in 2021-2024). This study uses a quantitative method. The type of data used in this study is secondary data. The data source comes from the official IDX website. The data collection techniques used in this study include literature review and documentary analysis. The data analysis techniques employed in this study include hypothesis testing, multiple regression analysis, coefficient of determination testing, F-test, t-test, classical assumption testing, normality testing, multicollinearity testing, autocorrelation testing, and heteroskedasticity testing. The results of this study indicate that company size does not have a significant effect on financial distress. Leverage has a significant effect on financial distress. Profitability has a significant effect on financial distress. Liquidity does not have a significant effect on financial distress. Efficiency does not have a significant effect on financial distress.

Keywords: *Company Size; Leverage; Profitability; Liquidity; Efficiency*

Introduction

The property and real estate sector plays a crucial role in driving the economy. It not only contributes to employment and investment but also significantly impacts overall economic growth. However, due to the capital-intensive nature of this industry—where companies often rely on large amounts of debt to finance long-term projects—this sector is particularly vulnerable to financial instability. When financial distress occurs, the effects extend beyond company management and shareholders, impacting employees, suppliers, customers, and investors alike. Therefore, understanding the factors that contribute to financial distress is essential for making strategic decisions that can mitigate risk and safeguard the interests of all stakeholders (Hakim et al., 2021).

In today's era of globalization, businesses face increasing pressure to stay competitive—not only at the national level but also on the global stage. The open market system means companies must go beyond local rivals and face competition from international players (Runis et al., 2021). With the global economy evolving rapidly year after year, companies must continuously seek strategies to maintain and enhance their competitive edge (Munawar, 2019).

At its core, a company exists to generate profit. However, sustainability is just as important. Businesses must ensure they can continue operations over the long term, which brings into focus the principle of *going concern*. This assumption implies that a company is expected to operate continuously into the foreseeable future and not face liquidation in

the near term (Dirman, 2020). The ability of management to uphold this going concern is key to avoiding financial distress and, ultimately, bankruptcy.

A company is said to be in financial distress when it can no longer meet its debt obligations as they fall due. This failure often leads to bankruptcy if not resolved in time. Fortunately, financial distress can often be detected early through the analysis of a company's financial statements. These reports provide critical insights into a firm's financial health, performance, and trends—information that is essential for decision-making. Developing financial distress prediction models is thus important, as it allows companies to take preventative measures and reduce the risk of collapse (Saputri & Santoso, 2023).

Despite its challenges, the property sector in Indonesia continues to offer promising growth opportunities. These prospects are attractive not only to local players but also to foreign investors, whose participation can inject capital into the economy and help further develop the real estate industry in Indonesia (Fatimah & Jariah, 2024).

However, the aftermath of the COVID-19 pandemic has intensified competition among companies. This heightened competition has pushed many businesses into financial turmoil. If such financial crises are prolonged and left unmanaged, they can result in bankruptcy (Imronudin et al., 2023). A growing number of companies in the property sector have faced *delisting*—the removal of a company's shares from the stock exchange due to failure to meet regulatory standards (Dirman, 2020).

Between 2017 and 2021, the Indonesia Stock Exchange (IDX) saw five property and real estate companies delisted. In 2017, Lamacitra Nusantara Tbk was removed. By 2019, Ciputra Surya Tbk and Ciputra Property Tbk merged into PT Ciputra Development Tbk. Truba Alam Manunggal Engineering followed in 2018, and Danayasa Arthatama Tbk was delisted in 2020. These instances reflect the growing risks faced by firms in the sector that are still publicly traded.

One of the most effective ways to predict and address financial distress is by examining a company's financial performance. Financial statements are more than just records; they are decision-making tools used by investors, regulators, and managers alike (Syuhada et al., 2020). They offer the data needed to identify early warning signs and take timely action.

Theoritical Framework

Signaling Theory

Signaling theory, first introduced by Spence (1973), suggests that information owners—typically companies—send out signals to outside parties, especially investors, to communicate their internal conditions. These signals may come in the form of financial reports or other disclosures and are intended to help investors assess the company's prospects. According to Brigham and Houston (as cited in Nigam et al., 2021), signaling theory highlights how management's outlook on a company's future growth can influence how investors respond to that company.

Investors, in turn, interpret this information and categorize it as either a positive signal (*good news*) or a negative one (*bad news*). When the message is perceived as positive, it typically leads to favorable investor responses, helping distinguish high-quality firms from others. As a result, the company may benefit from rising stock prices and an increase in overall firm value (Yulaeli, 2022).

Financial Distress

Financial distress refers to a state in which a company is facing financial or liquidity challenges that may lead to bankruptcy. According to Platt and Platt (as cited in Lisiantara & Febriana, 2018), financial distress typically occurs when a company can no longer meet its financial obligations or fund ongoing operations due to insufficient resources (Oktaria et al., 2021).

Early signs of financial distress often appear when a company struggles to meet its payment schedule or when cash flow projections suggest future payment failures (Masdupi et al., 2018). Companies in this condition often show signs such as slow growth, declining profitability, fewer fixed assets, and unusually high inventory levels—characteristics that set them apart from financially healthy firms (Adityaningrum et al., 2024).

Company Size

Company size refers to the scale and scope of an organization's operations, often reflected in its human and financial resources. It is also linked to the productivity or output achieved by individuals or teams within the firm while operating under legal and ethical standards (Rivai & Basri, 2004). Mangkunegara (2001) defines it more specifically in terms of the volume of work or tasks completed by staff. Moerdiyanti (as cited in Meliana et al., 2022) views company size as the outcome of business processes that require the sacrifice of multiple resources—especially human capital and financial assets—to produce value and achieve organizational goals.

Leverage

Leverage describes the extent to which a company uses borrowed funds to finance its operations and investments. Maryam (as cited in Hidayat et al., 2024) explains leverage as the use of assets or funds that carry fixed costs, such as interest payments. While debt can help a company grow, excessive debt—known as *extreme leverage*—can be risky and lead to financial strain (Saputri & Santoso, 2023). Leverage can also indicate a company's capacity to enhance shareholder returns by using fixed-cost funding. Moreover, it serves as a tool to assess whether a company can meet both its short-term and long-term liabilities in the event of dissolution (Adityaningrum et al., 2024).

Profitability

Profitability reflects a company's ability to generate income using the resources at its disposal. According to Sutrisno (2009), it measures how efficiently a company uses its capital to earn profits. Similarly, Harahap (as cited in Agatharuna & Suriawinata, 2025) describes profitability as the outcome of a company's overall capabilities—ranging from sales and cash management to human capital and branch networks. Brigham and Houston (2009) see profitability as the ultimate result of various decisions and policies implemented by management, highlighting its strategic significance.

Liquidity

Liquidity refers to a company's ability to meet its short-term obligations. Sugeng (as cited in Runis et al., 2021) defines it as the capacity to settle debts due within one year, as well as to fund day-to-day operational needs—such as paying salaries, purchasing raw materials, and acquiring equipment. Fatimah and Jariah (2024) further clarify that liquidity includes a firm's ability to pay off immediate liabilities like taxes, trade payables, and dividends, ensuring smooth operations and financial health in the short term.

Efficiency

Efficiency is the ability to perform tasks correctly and effectively without wasting time, effort, or resources. Mulyamah (1987) defines it as the comparison between planned input usage and actual consumption, while Hasibuan (1984) explains it as achieving optimal results with limited resources. In essence, efficiency is about maximizing output with minimal input, ensuring that every resource—whether time, money, or labor—is used to its best potential (Munawar, 2019).
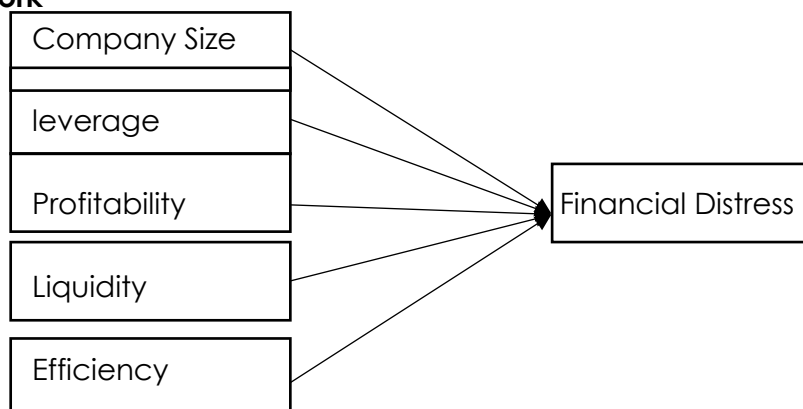
Research Framework

Figure 1 Research Framework

Methods

This study employs a quantitative research method. The data used in this study is secondary data. The data sources are obtained from the official website of the Indonesia Stock Exchange (IDX) at www.idx.co.id. This data is in the form of cross-sectional and time series data.

The population of this study consists of all companies operating in the property and real estate sector during the period 2021-2024 that are listed on the Indonesia Stock Exchange. The sampling method from the existing population is based on the following criteria:

1. Property and real estate companies listed on the Indonesia Stock Exchange during the period 2021-2024.
2. Property and real estate companies that published annual reports for the period 2021-2024 consecutively on the Indonesia Stock Exchange.
3. Property and real estate companies that published annual reports using the rupiah as the unit of currency.

The data collection technique in this study uses literature review and documentation study methods. The data analysis technique in this study uses hypothesis testing, multiple regression analysis, coefficient of determination testing, F-test, t-test, classical assumption testing, normality testing, multicollinearity testing, autocorrelation testing, and heteroscedasticity testing.

Result and Discussion

Research Data

This study will discuss the influence of Company Size, Leverage, Profitability, Liquidity, and Efficiency on Financial Distress in Property and Real Estate Companies listed on the IDX from 2021 to 2024. The population of this study consists of the annual reports of property and real estate companies listed on the IDX from 2021 to 2024. The data was obtained from the official website of the Indonesia Stock Exchange at www.idx.co.id.

Population and Sample

The population in this study consists of all property and real estate companies, totaling 65 companies. The sample in this study consists of 20 companies with 80 data points between 2021-2024. The sampling method used in this study is purposive sampling, which means there are certain criteria that must be met for selection. Forty-five companies were excluded from this study because they did not meet the criteria for purposive sampling.

Table 1. Purposive Sampling

No	Description	Quantity
1	Number of properties and real estate listed on the Indonesia Stock Exchange during the period 2021-2024	65
2	Property and real estate companies that published their annual reports for the 2021-2024 period consecutively on the Indonesia Stock Exchange	-45
3	Property and real estate companies that publish annual reports using the rupiah as their currency unit	-0
	Total Companies	**20**
	Total Sample = (n x research period) = 20 X 4	80
	Outlier	-11
	Final Sample	**69**

Source: Processed Secondary Data, 2025

Descriptive Statistical Analysis

The statistical description in this study will provide an overview of the amount of data to be used in the study and can show the minimum value, maximum value, mean value, median value, and standard deviation of each variable to be studied. The results of this descriptive statistical analysis are as follows:

Table 2. Descriptive Statistical Analysis

	N	Minimum	Maximum	Mean	Std. Deviation
Company Size	69	25,235	31,196	28,128	1,643
Leverage	69	0,067	1,159	0,375	0,212
Profitability	69	0,056	0,155	0,034	0,032
Liquidity	69	0,005	9,691	3,303	2,314
Efficiency	69	-0,800	1,600	0,093	0,480
Financial Distress	69	-3,290	9,128	2,558	2,134
Valid N (listwise)	69				

Source: Processed Secondary Data, 2025

a. The company size variable has a minimum value of 25.235 and a maximum of 31.196, indicating variation in company scale. The average value of 28.128 indicates that most companies are medium to large in scale. The standard deviation value of 1.643 indicates that the distribution of company sizes is not too far from the average.

b. The minimum leverage variable value of 0.067 indicates that there are companies that hardly use debt, while the maximum value of 1.159 indicates companies with debt greater than their assets. The average leverage of 0.375 indicates that the companies in the sample have a capital structure dominated by equity. The standard deviation of 0.212 indicates moderate variation in debt usage among companies.

c. The profitability variable has a minimum of 0.056 and a maximum of 0.155, reflecting that all companies in the sample still report profits, albeit at relatively low levels. The average profitability of 0.034 or 3.4% indicates that profit efficiency is not yet optimal. The small standard deviation value (0.032) shows that profitability values among companies tend to be homogeneous.

d. The liquidity variable has a minimum value of 0.005, indicating that there are companies in a highly illiquid condition, while the maximum value of 9.691 indicates companies with current assets nearly 10 times their current liabilities. The average value of 3.303 means that, in general, companies have good liquidity. However, the standard deviation of 2.314 indicates significant variation in liquidity among companies.

e. The efficiency variable has a minimum value of -0.800, indicating that some companies are inefficient or incurring losses, while the maximum value of 1.600 indicates companies with very high efficiency. The average value of 0.093 indicates that most companies still have low efficiency. The standard deviation of 0.480 indicates significant efficiency disparities among companies.

f. The financial distress variable has a minimum value of -3.290, indicating very poor financial conditions or severe distress, while the maximum value of 9.128 reflects very healthy financial conditions. The average value of 2.558 is in the gray area, which is a condition that does not indicate distress but is not yet completely safe. The standard deviation of 2.134 shows that there is significant variation in the level of financial health among companies in the sample.

Classical Assumption Test

The classical assumption test is conducted to test the regression model. The classical assumption test is a statement that can be used to analyze multiple linear regression. The classical assumption test consists of a normality test, a multicollinearity test, and a heteroscedasticity test.

Normality Test

The normality test aims to test whether the variables used in the study are normally distributed or not. The normality test used in this study is the Kolmogorov-Smirnov Test method.

Table 3. Kolmogorov Smirnov Normality Test

Test Score	Test Requirements	Description
0,295	> 0,05	Normal

Source: Processed Secondary Data, 2025

The test results show a significance value of 0.295. Based on the decision-making rules, if the significance value (Sig.) is greater than 0.05, the data is considered to be normally distributed. Since the Sig. value in this test result is 0.295, which is greater than 0.05, it can be concluded that the data in this study is normally distributed. Thus, the data can be further analyzed using parametric statistical methods.

Multicollinearity Test

The multicollinearity test is used to test whether there is correlation between independent variables in a regression model. This study was examined based on the Tolerance Value and Variance Inflation Factor (VIF). The following are the results of the Multicollinearity Test in the table below.

Table 4. Multicollinearity Test Results

Variable	Tolerance	VIF	Description
Company Size (X1)	0,857	1,167	Not multicollinearity
Leverage (X2)	0,770	1,299	Not multicollinearity
Profitability (X3)	0,812	1,232	Not multicollinearity
Liquidity (X4)	0,817	1,224	Not multicollinearity
Efficiency (X5)	0,961	1,041	Not multicollinearity

Source: Processed Secondary Data, 2025

In the test results provided, the three independent variables of Company Size (X1), Leverage (X2), Profitability (X3), Liquidity (X4), and Efficiency (X5) did not show significant multicollinearity. This can be seen from the relatively high Tolerance values (> 0.100) and low Variance Inflation Factor (VIF) values (< 10,000) for each variable.

Heteroscedasticity Test

The heteroscedasticity test is used to determine whether there is unequal variance in the residuals from one observation to another within the regression model. The results of the heteroscedasticity test were obtained using Spearman's rank correlation with the following results:

Table 5. Heteroscedasticity Test Results

Variable	Sig value	Description
Company Size (X1)	0,743	Homocedasticity
Leverage (X2)	0,091	Homocedasticity
Profitability (X3)	0,858	Homocedasticity
Liquidity (X4)	0,555	Homocedasticity
Efficiency (X5)	0,092	Homocedasticity

Source: Processed Secondary Data, 2025

In this case, the test used is the Spearman's rank test, which measures the relationship between the independent variables and the model residuals. Based on the test results, the significance values for the five independent variables, namely Company Size (X1), Leverage (X2), Profitability (X3), Liquidity (X4), and Efficiency (X5), are all greater than 0.05. Therefore, it can be concluded that this regression model exhibits homoscedasticity, meaning that the error variance is relatively consistent across the entire range of independent variable values, and there are no issues of heteroscedasticity in the model.

Autocorrelation Test

Autocorrelation is the correlation of error components based on time order (in time series data) or spatial order (in cross-sectional data), or correlation with itself. The purpose is to test whether there is a correlation between the disturbance error at period t and the disturbance error at period t-1 in the linear regression model. In this case, the run test is used to detect autocorrelation. The results of the autocorrelation test are as follows.

Table 6. Autocorrelation Test Results

Run Test Value	Criteria	Description
0,715	> 0,05	Not Autocorrelation

Source: Processed Secondary Data, 2025

Based on Table 4, a Run Test value of 0.715 was obtained. This value was compared with the significance criterion > 0.05. Since the value of 0.715 is greater than 0.05, it can be concluded that there is no autocorrelation in the regression model used. Thus, the classical assumption regarding residual independence has been fulfilled, so that the regression model is suitable for use in further analysis...

Multiple Linear Regression Analysis

Multiple linear regression analysis is used to analyze the relationship between the variables of Profitability, Leverage, and Firm Size on Firm Value. Based on the calculations, the following results were obtained:

Table 7. Results of Linear Regression Analysis

Variable	B	Std. Error
Constants	5,255	2,182
Company Size (X1)	0,014	0,077
Leverage (X2)	-9,591	0,625
Profitability (X3)	13,187	4,027
Liquidity (X4)	0,009	0,056
Efficiency (X5)	0,327	0,247

Source: Processed Secondary Data, 2025

$$FD = 5{,}255\alpha + 0{,}0144UP - 9{,}591LV + 13{,}187PB + 0{,}009L + 0{,}327EF + e$$

a. The constant value is 5.255. This indicates that if Company Size, Profitability, Leverage, Liquidity, and Efficiency remain unchanged (constant), then the value of the Company Value variable is 5.255.

b. The regression coefficient for Profitability is 0.014. This indicates that every one-unit increase in Company Size will increase Financial Distress by 0.014, assuming all other variables remain constant. This suggests that company size has a positive relationship with financial distress.

c. The regression coefficient for Leverage is -9.591. This indicates that every one-unit increase in Leverage will decrease Financial Distress by 9.591, assuming all other variables remain constant. This means that the higher the leverage, the lower the financial distress.

d. The regression coefficient for Profitability is 13.187. This indicates that an increase in Profitability by one unit will increase Financial Distress by 13.187, assuming other variables remain constant. This indicates that profitability has a positive relationship with financial distress.

e. The regression coefficient for Liquidity is 0.009. This indicates that an increase in Liquidity by one unit will increase Financial Distress by 0.009, assuming other variables remain constant. This indicates that liquidity has a positive relationship with financial distress.

f. The regression coefficient for Efficiency is 0.327. This indicates that every one-unit increase in Efficiency will increase Financial Distress by 0.327, assuming other variables remain constant. This indicates that efficiency has a positive relationship with financial distress.

Hypothesis Testing

t-Test

The t-test essentially shows how much influence one independent variable individually has in explaining the variation in the dependent variable. This t-test aims to determine whether Profitability, Leverage, and Firm Size have an effect on Firm Value. The following are the results of the t-test:

Table 8. Results of the t-Test

Variable	t Calculate	T Table.	Sig.	Description
Company Size (X1)	0,178	1,944	0,859	Not Significantly Influential
Leverage (X2)	15,345	1,944	0,000	Significantly Influential
Profitability (X3)	3,275	1,944	0,002	Significantly Influential
Liquidity (X4)	0,168	1,944	0,867	Not Significantly Influential
Efficiency (X5)	1,321	1,944	0,191	Not Significantly Influential

The explanation of the t-test for each independent variable is as follows:

a. H1 is rejected because based on the t-test results, Company Size does not have a significant effect on Financial Distress. This result differs from the hypothesis formulated by the researcher. The t-test result for Firm Size on Financial Distress is 0.178, meaning 0.178 < 1.944, and the significance level is 0.859 > 0.05.

b. H2 is accepted because based on the t-test results, Leverage has a significant effect on Financial Distress. This result is consistent with the hypothesis formulated by the researcher. The t-test result for Leverage on Financial Distress is 15.345, meaning 15.345 > 1.944 and the significance level is 0.000 < 0.05.

c. H3 is accepted because based on the t-test results, profitability has a significant partial effect on financial distress. This result is in line with the hypothesis formulated by the researcher. The t-test result for profitability on financial distress is 3.275, meaning 3.275 > 1.944, and the significance level is 0.002 < 0.05.

d. H4 is rejected because based on the t-test results, liquidity does not significantly affect financial distress. This result differs from the hypothesis formulated by the researcher. The t-test result for liquidity on financial distress is 0.168, meaning 0.168 < 1.944, and the significance level is 0.867 > 0.05.

e. H5 is rejected because, based on the t-test results, efficiency does not significantly affect financial distress. This result differs from the hypothesis formulated by the researcher. The t-test result for efficiency on financial distress is 1.321, meaning 1.321 < 1.944, and the significance level is 0.191 > 0.05.

F-test

The simultaneous significance test is a test used to determine the simultaneous effect of independent variables, namely company size, leverage, profitability, liquidity, and efficiency, on the dependent variable, namely financial distress. The F test results are viewed in the ANOVA column under "sig." (significance). Using a significance level of 5% (0.05), if the significance probability value is < 0.05, then Ha is accepted, whereas if the significance probability is > 0.05, then Ha is rejected. The following are the F test results:

Table 9. F Test Results

F Calculate	F Table.	Sig.	Description
54,404	2,358	0,000	Simultaneously Influential

Based on the results in Table 7, it was found that Fcount was 54.404 with an Ftable value for 2.358 data samples with a significance of 0.000 < 0.05. From this, it can be concluded that simultaneously, the independent variables have a significant effect on the dependent variable.

Determination Coefficient Test (R²)

The determination coefficient analysis (R Square) is used as a way to determine the extent of the influence of an independent variable on the dependent variable, expressed as a percentage. The R Square value is commonly used to measure the fit or suitability of the regression line. The value of R Square ranges from zero to one; the closer it is to one, the better the model is considered to be. The following are the results of the analysis of the Coefficient of Determination (R Square) test.

Table 10. R Square Results

R	R Square	Adjusted R Square	Std. Error of the Estimate
0,901ᵃ	0,812	0,797	0,96174

The results obtained indicate that the value of the Coefficient of Determination (R Square) is 0.797 or 79.7%, indicating that the independent variables in this study—company size, leverage, profitability, liquidity, and efficiency—can explain 79.7% of the variation in the dependent variable, financial distress, with the remaining 20.3% explained by other variables outside the scope of this study.

Discussion

The Effect of Company Size on Financial Distress

Based on the t-test results above, the calculated t-value is 0.178, meaning that 0.178 < 1.944 and the significance level is 0.859 > 0.05. Therefore, company size does not have a significant effect on financial distress. The results of this study are consistent with the findings of Putri & Ardini (2021), where company size does not have a significant negative effect, meaning that the larger the company, the smaller the likelihood of the company experiencing financial distress.

This finding indicates that the size of the company, typically measured by total assets or the logarithm of total assets, is not the primary determinant of whether a company will face financial difficulties. This may be due to the capital-intensive nature of the real estate industry and its frequent exposure to long business cycles, meaning that company size does not directly reflect financial stability. Additionally, even large companies may still face distress if they are unable to manage debt, cash flow, or investment projects effectively.

The Impact of Leverage on Financial Distress

Based on the results of the t-test above, the calculated t-value is 15.345, meaning 15.345 > 1.944 and significance 0.000 < 0.05. Therefore, leverage has a significant partial effect on financial distress. The results of this study are in line with the results of a study conducted by (Dewi et al., 2019), which found that leverage has a significant effect on financial distress.

Leverage is essential for measuring a company's ability to repay both short-term and long-term debt. This ratio illustrates the relationship between a company's debt and its capital and assets. If this situation is not addressed promptly, the potential for financial distress increases. The relationship with the grand theory in this study is that if a company's assets are financed more by debt, this will create risks in terms of future debt repayment.

The Influence of Profitability on Financial Distress

Based on the t-test results above, the calculated t-value is 3.275, meaning 3.275 > 1.944 and significance 0.002 < 0.05. Thus, profitability partially influences financial distress. The results of this study are in line with (Dewi et al., 2019), where the results of their study show that profitability with ROA has a significant effect on financial distress.

Profitability, as measured by Return on Assets, indicates that the higher the Return on Assets, the better the company's financial performance, as the return rate increases. If ROA increases, it means that the company's profitability increases, so the ultimate impact is an increase in profitability enjoyed by shareholders. The possibility of financial distress will be lower. Conversely, the possibility of financial distress will increase if ROA decreases, indicating poor financial performance where the company is unable to optimize its assets to generate profits, resulting in decreased profitability.

The Effect of Liquidity on Financial Distress

Based on the t-test results above, the calculated t-value is 0.168, meaning 0.168 < 1.944 and significance 0.867 > 0.05. Therefore, liquidity does not significantly affect financial distress. The results of this study align with the research by Fitri & Syamwil (2020), which found that liquidity does not significantly affect financial distress.

In this study, liquidity does not affect financial distress because the current ratio is a measure of short-term liquidity, while financial distress is a long-term prediction. Therefore, companies with a low current ratio are not necessarily categorized as companies experiencing financial distress, and companies with a high current ratio are not necessarily categorized as non-financial distress companies. Therefore, companies must be able to manage their current assets to be used as collateral for their current liabilities so that financial distress does not occur.

The Effect of Efficiency on Financial Distress

Based on the results of the t-test above, the calculated t-value is 1.321, which means 1.321 < 1.944 and significance 0.191 > 0.05. Thus, efficiency does not partially affect financial distress. This research result contradicts that of Nuzurrahma & Fahmi (2022), whose findings indicate that efficiency significantly affects financial distress.

This finding suggests that a company's operational efficiency level, which reflects how well the company utilizes its resources to generate revenue or profit, does not directly influence the likelihood of financial distress. In the context of the property and real estate industry, operational efficiency is often influenced by long-term projects, market fluctuations, and capital-intensive investment policies. Therefore, even if a company demonstrates good operational efficiency, this does not necessarily prevent financial distress if the company faces external obstacles such as project delays, declining sales, or liquidity issues.

Conclusion

Based on the findings of this study, it can be concluded that company size, liquidity, and efficiency do not have a significant impact on financial distress. However, leverage and profitability are shown to significantly influence a company's likelihood of experiencing financial distress. High levels of leverage tend to increase financial risk, while strong profitability appears to help reduce it. This research is not without its limitations. The study focuses solely on companies in the property and real estate sector listed on the Indonesia Stock Exchange (IDX) between 2021 and 2024, making it less applicable to other industries with different financial structures or risk profiles. Furthermore, the analysis only includes five independent variables and relies entirely on secondary data drawn from published financial reports. As a result, the study may not fully reflect the real-world conditions or internal challenges that companies are facing. For future research, it is recommended to expand the scope by exploring other sectors beyond property and real estate. Adding new variables such as institutional ownership, audit quality, or corporate governance could offer deeper insights. Incorporating primary data through interviews or questionnaires would also enhance the richness and accuracy of the findings.

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