

THE EFFECT OF BUSINESS STRATEGY, COMPANY SIZE, AND SALES GROWTH ON FINANCIAL DISTRESS

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Abstract

This study aims to analyze the influence of business strategy, company size, and sales growth on financial distress in infrastructure sector companies listed on the Indonesia Stock Exchange for the 2020–2024 period. Financial distress is measured using the Altman Z-Score model as an indicator of a company's potential financial distress. This study uses a quantitative approach with secondary data obtained from company financial reports through a purposive sampling technique, resulting in 235 observational data. The analytical method used is panel data regression with the help of the E-Views 14 application. Based on the results of model selection through the Chow test, the Hausman test, and the Lagrange Multiplier test, the best model used is the Fixed Effect Model (FEM). The results show that simultaneously, business strategy, company size, and sales growth have a significant effect on financial distress. Partially, business strategy and company size have a significant effect on financial distress, while sales growth does not have a significant effect on financial distress. These results indicate that the right business strategy and large company size can reduce the risk of financial distress, while sales growth does not necessarily reflect a healthy financial condition. This research is expected to provide theoretical contributions to the development of accounting and financial management literature and provide practical considerations for company management in managing financial risk sustainably.

Keywords: Financial Distress, Business Strategy, Company Size, Sales Growth, Altman Z-Score.

1. Introduction

A company's primary goal is to maintain its going concern status amidst increasingly fierce business competition and uncertain economic conditions. One of the threats companies frequently face is financial distress, a state of financial difficulty resulting from the company's inability to meet its short-term and long-term obligations. If this situation is not addressed promptly, it can lead to bankruptcy.

Financial distress is a significant concern in accounting and financial management because it directly impacts investors, managers, and governments in decision-making. This risk can be influenced by various factors, such as business strategy, company size, and sales growth. An appropriate business strategy can help companies manage cash flow, assets, and operational efficiency, thereby mitigating the risk of financial distress. Companies can choose one of three business strategies: a low-cost approach, a differentiation approach, or a focus approach. (Salehi & Arianpoor, 2022) investigated the relationship between business strategy and management engagement. The results showed a negative and significant relationship between an aggressive strategy in the current year and management engagement. Therefore, implementing an aggressive business strategy in the current year and previous years can weaken management

engagement (Thu, 2023). In this study, the business strategy discussed and examined is related to cost leadership. Research results (Fauziah & Herawaty, 2023) indicate that a cost leadership business strategy does not negatively impact bankruptcy risk. Conversely, research (Edelweis & Darmawati, 2025) states that this business strategy negatively impacts financial distress. Implementing appropriate business strategies and effective risk management can strengthen a company's position in the face of economic pressures and market competition, thereby reducing the risk of financial distress.

Company size also reflects a company's ability to maintain financial stability, with larger companies tending to be more resilient in the face of economic pressures. Company size is a scale that can differentiate large and small companies in various ways, including stock market value, total assets, and sales (Andriani et al., 2021). Previous research found that company size influences financial distress (Jaafar et al., 2021). However, different results indicate that company size has no effect on financial distress (Rahma & Dillak, 2021).

Furthermore, sales growth is an important indicator in assessing company performance. However, increased sales do not always guarantee financial health if not accompanied by sound financial management. Sales growth is a growth ratio; it indicates that if sales growth increases, the company is able to achieve its targets due to the increasing sales percentage from year to year (Lestari & Likumahua, 2022). Research conducted by (Saputra & Salim, 2020) shows that sales growth has a negative effect on financial distress. Meanwhile, research conducted by (Dila & Ritonga, 2024) shows that financial distress is not affected by sales growth.

Infrastructure companies listed on the Indonesia Stock Exchange (IDX) play a vital role in supporting national economic growth, as this sector is closely linked to the construction of roads, transportation, energy, telecommunications, and other public facilities. However, the infrastructure sector is also known for its capital-intensive funding structure and dependence on external financing. This situation makes companies vulnerable to financial distress, particularly during economic downturns, global uncertainty, or changes in government policies regarding investment and project financing. A phenomenon occurring in the infrastructure sector in Indonesia, namely the financial condition of PT Waskita Karya (Persero) Tbk, is currently in a state of dire straits. This state-owned construction company is struggling to repay its debts. Waskita Karya has filed several requests for debt postponement as they mature. Furthermore, the company has had to go back and forth to court to face a series of bankruptcy lawsuits from creditors and vendors (subcontractors). Citing the Interim Consolidated Financial Report published by the company as of June 30, 2023, Waskita Karya's total debt has reached IDR 84.31 trillion. This breakdown consists of IDR 22.79 trillion in short-term debt that must be paid immediately and IDR 61.51 trillion in long-term debt. In addition to debt, the state-owned construction company, headquartered in Cawang, East Jakarta, has also continued to record losses for five consecutive years. (Source: <https://money.kompas.com/read/2023/08/06/193201126/selain-didera-utang-bumn-waskita-juga-rugi-5-tahun-berturut-urut?page=all>).

In its second-quarter 2023 financial report, Waskita Karya also recorded a loss of Rp 2.23 trillion. Previously, the company had not made a single profit since 2019. This means Waskita Karya has posted losses for five consecutive years. The following is a breakdown of Waskita Karya's consecutive losses since 2019, as quoted from the company's published Financial Highlight:

Table 1. Waskita's Financial Losses Data from 2019 to 2023

No.	Year	Loss Amount
1.	2023	IDR 2.23 trillion
2.	2022	IDR 1.88 trillion
3.	2021	IDR 1.09 trillion
4.	2020	IDR 7.35 trillion
5.	2019	IDR 2.12 trillion

Source: Kompas.com (2023)

In infrastructure companies, the risk of financial distress is increasingly high due to the sector's capital-intensive nature and reliance on external financing. Therefore, this study is crucial to analyze the influence of business strategy, company size, and sales growth on financial distress in infrastructure companies listed on the Indonesia Stock Exchange for the 2020–2024 period. The research results are expected to contribute to academic literature and provide practical input for company management in managing financial risks and developing appropriate business strategies to minimize financial pressure.

2. Theoretical Background

2.1. Agency Theory

Agency theory was introduced by Jensen & Meckling (1976). This theory examines the contractual relationship between members of an organization using a model that focuses on two individuals: a principal and an agent, depicting the relationship between the principal and the agent. This theory states that agents will behave in their own self-interest, which may conflict with the interests of the principal. Firm performance by minimizing costs and increasing efficiency is what is desired in this theory's perception. The principal will delegate work to the agent, and the agent is expected to act in the owner's best interests. Agency problems will arise if the interests of the principal and agent are not aligned and the principal does not have sufficient information to accurately assess the agent's behavior. Insightful methods for solving research problems can be found in the functions of agency theory (Kalbuana et al., 2022).

2.2. Signaling Theory

Signaling theory suggests that corporate executives have better reports and are required to report to investors (Ross, 1997). Investor confidence depends on the type of reporting provided to companies, particularly published financial statements. To gain investor trust, entities are required to provide clear, accurate, and timely reports that can be compared to similar indicators. Delays in submitting financial reports can erode investor confidence (Muslimin & Bahri, 2023). This signaling theory emphasizes that there is data released by the company to external parties such as investors and other stakeholders to prove that the company is better than other companies (Fauziah & Herawaty, 2023).

2.3. Resource Based View Theory

The Resource-Based View (RBV) concept was first developed as a business development strategy model in the 1950s. The Resource-Based View (RBV) analyzes and interprets organizational resources to understand how organizations achieve sustainable competitive advantage. The RBV focuses on the concept of difficult-to-imitate firm attributes as a source of superior performance and competitive advantage

(Miller, 2019). The RBV theory states that companies can achieve superior performance if they are able to manage their resources well (Wernerfelt, 1984). The main assumption behind this theory is that not all resources are equal, where some of them have VRIN characteristics (valuable, rare, inimitable, and non-substitutable), while others do not meet these criteria (Kaufman, 2015). According to Porter (1980), resources with VRIN criteria can be a source of competitive advantage for companies. Companies that can effectively identify, develop, and manage these resources will be able to build and maintain a strong market position. Sustainable competitive advantage can be achieved when a company is able to utilize its resources and capabilities efficiently, so that it can outperform competitors both in terms of costs and product and service differentiation (Luthan et al., 2025).

2.4. Financial Distress

Financial distress is a condition that occurs when a company experiences difficulties in its operating results and is unable to repay its debts (Akmalia, 2020). A company experiencing declining financial performance means it is unable to meet its obligations promptly. If financial difficulties are not addressed quickly, the company is at risk of bankruptcy. Financial distress is a condition where a company is unable to cover its debts (Rahma & Dillak, 2021).

Financial distress is often associated with bankruptcy, but bankruptcy and financial distress are two different things. A financial emergency is an early sign before an organization goes bankrupt. According to Platt & Platt (2002), a financial crisis is a period in which a company's financial condition deteriorates before liquidation or bankruptcy. Signs of financial distress can be seen in financial performance, as reflected in the company's financial statements. Bankruptcy should be a concern for many business owners, including owners, managers, investors, creditors, business partners, and government agencies. Therefore, bankruptcy prediction should be a preventative measure to mitigate adverse effects and financial setbacks for the company (Syahputri & Yanti, 2022).

2.5. Business Strategy

Business strategy is a company's policy for facing competition and creating competitive advantage through innovation, operational efficiency, and increasing the value of products or services. The right strategy can strengthen a company's market position and improve long-term performance (Fauziah & Herawaty, 2023). Business strategy plays a crucial role in achieving organizational success. Business strategy encompasses the entire process, from strategy formulation, implementation, and evaluation, while strategic planning focuses more on the business strategy formulation stage itself (Pratama et al., 2023).

2.6. Company Size

According to Sri and Agnes (2015), company size can be defined as a measure of a company's size, expressed in total net sales or total assets (Saputra & Salim, 2020). Investors and creditors' reluctance to invest and provide credit to a company can thus prevent financial distress. LN x total assets is a method for calculating company size. A company's large total assets will have a positive impact on the company because, with the collateral of large assets, investors and creditors are happy to invest and provide credit (Muslimin & Bahri, 2023). Company size is a scale that can describe the condition of a

company, whether small or large. A company with large assets indicates a positive relationship with creditors, as it makes it easier for the company to repay future obligations (Nilasari, 2021).

2.7. Sales Growth

Sales growth refers to year-over-year increases in sales. A company is successful in implementing its strategy if its sales growth rate increases (Rahma & Dillak, 2021). A company will avoid this situation if it maintains sound financial health. This situation is less likely to occur if sales growth increases. Conversely, if sales growth decreases, the likelihood of financial distress increases (Muslimin & Bahri, 2023). Achieving a high sales growth rate indicates a company's ability to maintain operational sustainability while generating increasing profits. Companies that achieve positive sales growth demonstrate healthy financial health. However, if sales growth slows or stagnates over a prolonged period, the company could potentially face financial difficulties (Nathania & Vitariamettawati, 2022).

2.8. Hypothesis

2.8.1. The Influence of Business Strategy, Company Size and Sales Growth on Financial Distress

Business strategy is a company's policy for facing competition and creating competitive advantage through innovation, operational efficiency, and increasing the value of products or services. The right strategy can strengthen a company's market position and improve long-term performance (Fauziah & Herawaty, 2023).

Bryan et al. (2013) and Chang et al. (2015) demonstrated a positive relationship between cost leadership and productivity, implying that as cost leadership increases, productivity also increases. Therefore, companies will perform better and reduce the risk of financial constraints. Research by Dalwai & Salehi (2021) and Thu (2023) indicates that companies implementing a cost leadership strategy significantly improve financial performance (as indicated by an increase in the Z-Score) and mitigate the risk of bankruptcy (Larasati & Mawardi, 2024).

Company size is cited as a determinant of financial structure in nearly every study, for a number of different reasons. Company size can determine the ease with which a company can obtain funds from capital markets and its bargaining power in financial contracts. Larger companies typically have access to various forms of debt financing, including more favorable special offers than smaller companies. The larger the amount of money involved, the more likely it is that contracts can be tailored to the preferences of both parties, rather than using standard debt contracts. Company size can be defined as a measure of a company's size, expressed in terms of total net sales or total assets (Hasnawati & Sawir, 2015). Company size is a measure of a company's total assets. According to research (Saputra & Salim, 2020), company size has no effect on financial distress.

Sales growth reflects a company's capabilities over a period. High sales levels indicate a company's success in implementing its strategy. Sales growth has no impact on financial distress. Research by Saputra & Salim (2020) found that sales growth has no effect on financial distress. Meanwhile, Nathania & Vitariamettawati (2022) found that sales growth has a negative impact on financial distress.

H1: It is suspected that business strategy, company size and sales growth have an effect on financial distress.

2.8.2. The Influence of Business Strategy on Financial Distress

Business strategies such as differentiation and low-cost strategies have been proven to provide competitiveness and efficiency, impacting financial stability (Thu, 2023). Business strategy plays a crucial role in achieving organizational success. Business strategy encompasses the entire process, from strategy formulation, implementation, and evaluation, while strategic planning focuses more on the business strategy formulation stage itself (Pratama et al., 2023).

Cost leadership strategy is part of a productivity-oriented business strategy by implementing efficient costs and optimizing assets to achieve maximum output levels (Agustia et al., 2020). Research shows that companies implementing a cost leadership strategy significantly improve financial performance (as indicated by an increase in the Z-Score) and are able to mitigate the risk of bankruptcy. Previous research indicates that business strategy negatively impacts financial distress because it increases a company's competitiveness and resilience to external pressures (Thu, 2023).

Research by Bryan et al. (2013) revealed that business strategy has a positive impact on improving financial performance. Furthermore, research by (Habib, 2023) and (Thu, 2023) revealed that business strategy influences efforts to mitigate the risk of financial distress through Z-Score assessments as a sign of excellent financial performance.

H2: Business strategy is suspected to influence financial distress.

2.8.3. The Effect of Company Size on Financial Distress

Company size is a scale that can describe the condition of a company, both small and large. A company's large assets indicate a positive relationship for creditors, as the company is more easily able to repay future obligations. A proxy for company size is the natural logarithm (Ln) of total assets. A high company size value indicates a high net profit. However, some companies distribute net profits to shareholders. The higher the total assets, the higher the profits distributed to shareholders, while the company receives a smaller share to pay obligations (Muslimin & Bahri, 2023). Research conducted by (Nilasari, 2021) states that company size has a positive effect on financial distress. This is in line with research conducted by (Syuhada et al., 2020), which states that company size has a negative effect on financial distress.

H3: It is suspected that company size has an effect on financial distress.

2.8.4. The Effect of Sales Growth on Financial Distress

Sales growth is a growth ratio; an increasing sales growth percentage from year to year indicates that a company is able to implement and achieve its goals (Lestari & Likumahua, 2022). Research conducted by (Nathania & Vitariamettawati, 2022) indicates that sales growth negatively impacts financial distress. This aligns with research that states sales growth has a positive effect on financial distress. Meanwhile, (Dila & Ritonga, 2024) states that sales growth has no effect on financial distress.

H4: Sales growth is suspected to impact financial distress.

3. Methods

3.1. Research Desain

The nature of this research is quantitative descriptive, namely research that provides an overview or description of data that is carried out in order to determine the existence of a relationship between the independent variable and the dependent variable. The data source taken utilizing secondary data, using secondary data as main data, in accordance

with the data used in this research is documentation techniques, namely data collection techniques by reading, studying and analyzing archives or notes related to research.

3.2. Population and Sample

This research uses empirical research to examine the influence of business strategy, company size, and sales growth on financial distress. The data for this study was collected from infrastructure sector companies listed on the Indonesia Stock Exchange for the 2020-2024 period.

The sampling technique used was purposive sampling. Data collection in this study utilized documentation. The data used was secondary data taken from the official website of the Indonesia Stock Exchange and the official websites of the sample companies.

3.3. Operational Definitions of Variables

3.3.1 Financial Distress

The dependent variable in this study is financial distress, a condition that occurs when a company experiences difficulties in its operating results and is financially unable to repay its debts. The Altman Z-Score model is used in this study to measure the likelihood of a financial crisis (Muigai in (Akmalia, 2020)).

$$\text{Financial Distress} = \text{Z-Score Value}$$
$$Z = 1,2X1 + 1,4X2 + 3,3X3 + 0,6X4 + 1,0X5$$

Description:

X1 = Working capital/Total assets

X2 = Retained earnings/Total assets

X3 = Earnings before interest and taxes (EBIT)/Total assets

X4 = Market value of equity/Total liabilities

X5 = Sales/Total assets

If the Z-score value obtained is less than 1.81, the company is given a score of 0, while if the value exceeds 1.81, the company is given a score of 1. A score of 0 is given to companies experiencing financial distress, while a score of 1 is given to companies that are not experiencing financial distress.

3.3.2 Business Strategy

Business strategy focuses on improving the competitive position of a company's services or goods in specific market segments or industries. Companies need to adopt an appropriate strategic approach that can improve their performance. Companies that successfully implement this strategy will be able to outperform competitors and achieve superior performance. This is because superior performance is strongly linked to a lower risk of bankruptcy, so it is hoped that the successful implementation of one of these strategies can reduce the risk of bankruptcy (Bryan et al., 2013).

3.3.3 Company Size

Company size is a scale that can classify large and small companies in various ways. The formula for calculating company size is as follows (Syuhada et al., 2020):
 $\text{Size} = \text{Ln}(\text{Total Assets})$

3.3.4. Sales growth

Sales growth is an estimate of the increase in sales in the current year compared to the previous year. High sales growth indicates a company's good health. Companies can avoid financial crises by increasing sales profits.

3.4. Data Analysis Techniques

The analysis technique used in this study is quantitative data analysis, aimed at estimating the influence of several independent variables, either jointly or individually, on the dependent variable using multiple regression analysis calculated with E-views software. Descriptive statistical analysis is used to present data in tabular form, including the mean, maximum value, minimum value, and standard deviation (Ghozali, 2018). Three classical assumption tests are conducted. First, the normality test using the One-Sample Kolmogorov-Smirnov test with a significance level of 0.05 determines whether the confounding variables follow a normal distribution, where data is considered normal if the significance value exceeds 0.05. Second, the heteroscedasticity test examines whether there is inequality in residual variance using the Glejser test, where a significance value greater than 0.05 indicates no heteroscedasticity. Third, the autocorrelation test detects correlation between variables using the Durbin-Watson value, with the following criteria: positive autocorrelation if $0 < d < dl$, negative autocorrelation if $4 - dl < d < 4$, and no autocorrelation if $du < d < 4 - du$ (Sujarweni, 2016, p. 232).

The linear regression equation in this study shows that Business Strategy (X1), Company Size (X2), and Sales Growth influence Financial Distress (Y):

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + e$$

Where:

- Y = Financial Distress
- a = Constant
- b = Regression Coefficient
- X₁ = Business Strategy
- X₂ = Company Size
- X₃ = Sales Growth

4. Results and Discussion

4.1 Panel Data Regression Model Test

Table 2. Panel Data Model Selection Results

No.	Test	Test Result	Chi-Square	Selected Model
1.	Chow Test	Prob > 0.05 = CEM	0.0253	FEM
2.	Hausman Test	Prob > 0.05 = REM	0.0110	FEM
3.	Lagrange Multiplier (LM) Test	Prob > 0.05 = CEM	0.0000	REM

Source: Processed data (2026)

Based on the results of the model selection in table 4.7 above, the results of the panel data regression model selection used in this study are the Fix Effect Model (FEM). This is because in the Chow test the prob value is $0.0253 < 0.05$, the Hausman test prob value is $0.0110 < 0.05$, and the p value in the Lagrange multiplier test is $0.0000 < 0.05$. So, it can be concluded that the more appropriate model used in this study is the Fix Effect Model (FEM) and this FEM model can be used further in estimating the variables of business strategy, company size, and sales growth on financial distress.

4.2 Descriptive Statistical Test

Table 3. Descriptive Statistics of Research Variables (2020–2024)

Variable	N	Mean
Financial Distress	235	39,008.4936
Business Strategy	235	3,900,848.864

Variable	N	Mean
Company Size	235	23,012,293.43
Sales Growth	235	37,638,879.53

Source: Processed data (2026)

In table 3, it is known that the number of observations is 235 during 2020 to 2024. Financial Distress (has an average value of 39008.4936 where the maximum value is obtained from PT. Nusa Raya Cipta, Tbk (NRCA) and the minimum value is obtained from Meta Epsi Tbk (MTPS). It is known that Business Strategy has an average of 3900848.864 with the maximum value known from PT. Nusa Raya Cipta, Tbk (NRCA) and Meta Epsi Tbk (MTPS). Company Size has an average value of 23012293.43 with the maximum value known from Telkom Indonesia (Persero), Tbk (TLKM) and the minimum value obtained from Aracord Nusantara Group, Tbk (RONY). Sales growth has an average of 37638879.53 with the maximum value known from Maharaksa Biru Energi, Tbk (OASA) and the minimum value obtained from Meta Epsi, Tbk (MTPS).

4.4. Normality Test

A normality test is performed to determine whether an independent variable, a dependent variable, or both, in a regression model, are normally or non-normally distributed. The data normality test used in this study is the Jarque-Bera (JB) test. If the probability value is greater than the significance value ($\alpha = 0.05$), the data are normally distributed. The results of the normality test are shown below:

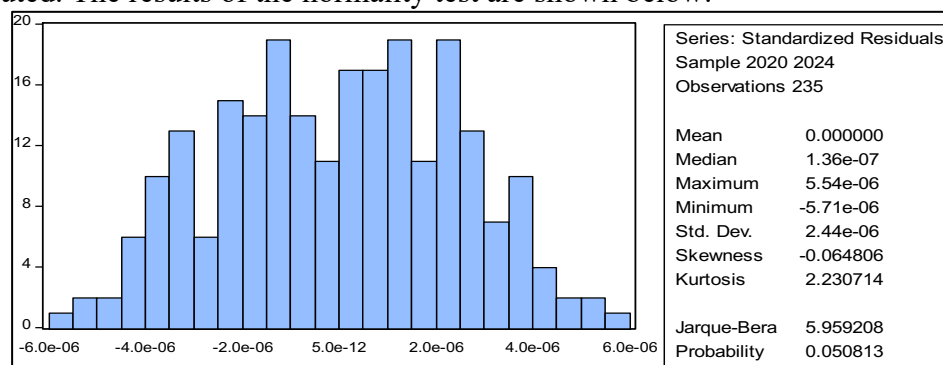


Figure 1. Normality Test Results

Source: Processed data (2026)

Based on Table 4, the results of the normality test show a Jarque-Bera value of 5.959208 and a probability of 0.050813 with a significance level of <0.05 . Thus, it is known that the data is normally distributed.

4.5. Multicollinearity Test

Table 4. Multicollinearity Test Results (Correlation Matrix)

Variable	SB	UP	PP
SB	1.000000	-0.080373	0.058611
UP	-0.080373	1.000000	-0.030144
PP	0.058611	-0.030144	1.000000

Source: Processed data (2026)

Based on table 4, the results of the multicollinearity test show that the correlation coefficient between SB and UP is -0.080373, SB and PP is 0.058611 and UP and PP is -0.030144. It can be seen that the correlation coefficient value of all independent variables

is less than 0.90, which indicates that the research data is free from multicollinearity problems.

4.6. Heteroscedasticity Test

Table 5. Heteroscedasticity Test Results (Glejser Test)

Variable	p-value	Significance Level (α)	Result
Business Strategy	> 0.05	0.05	Free from heteroscedasticity
Company Size	> 0.05	0.05	Free from heteroscedasticity
Sales Growth	> 0.05	0.05	Free from heteroscedasticity

Source: Processed data (2026)

Based on table 5, the results of the heteroscedasticity test show that all variables, namely business strategy, company size and sales growth, show a probability value greater than 5%, so it can be concluded that the regression model is free from heteroscedasticity.

4.7. Autocorrelation Test

Table 6. Autocorrelation Test Results (Durbin-Watson Test)

Durbin-Watson (d)	dl	du	4-dl	4-du	Conclusion
2.396	1.676	1.704	2.324	2.296	No autocorrelation

Source: Processed data (2026)

Based on table 6, the results of the autocorrelation test above show that the D-W value is 2.396. If $0 < d < dl$, where the dl value is 1.676, then $0 < 2.396 > 1.676$, so there is no positive autocorrelation. If $(4-dl) < d < 4$, where (4-dl) is 2.324, then $4-dl < d < 4$, then $2.324 < 2.396 < 4$, so there is no negative autocorrelation. If the d value $> du$ so that $2.396 > 1.704$, then it is stated that there is no autocorrelation. Thus, it can be concluded that there is no autocorrelation in the regression model. The results of multiple regression analysis on panel data:

$$\text{Financial Distress} = -2.98 + 0,99 \text{ (SB)} - 8,220 \text{ (UP)} + 4,39 \text{ (PP)} + e$$

4.8. Hypothesis Testing

Based on the results of table 7, the probability results of the F statistic calculation, with a significance level of 0.000000, which is smaller than 0.05, means that business strategy, company size, and sales growth simultaneously influence financial distress, so it is concluded that H1 is accepted. The t-test results from table 4.12 produce the influence of business strategy on financial distress with a calculated t value of -586289.7 and a significance of 0.0000. indicating that business strategy influences financial distress, so it is concluded that H2 is accepted. This means that the more mature the business strategy, the lower the financial distress or vice versa. This illustrates that a mature strategy is able to control cash flow, budget planning, asset management, thereby reducing risks, especially default on debt. This supports the Resource Based View theory where companies are able to utilize their resources and capabilities efficiently, so they can outperform competitors both in terms of costs and product and service differentiation (Luthan et al., 2025). The results of this study support Dasuki's research (2021); Widjaya & Yuga (2020) state that the more efficient a company is in utilizing assets to generate sales, the better its ESG performance can be. In Resource-Based View Theory (RBV),

cost efficiency resulting from a business strategy/cost leadership creates room for companies to reallocate resources to value-added activities. For example, savings from production efficiency can be diverted to investments in environmentally friendly technologies, employee welfare programs, or more transparent governance systems. Thus, cost leadership is not merely a competitive instrument but also a foundation that enables the achievement of sustainable goals.

The t-value of 2.846303 and a significance level of 0.0049, which is less than 0.05, indicate that company size influences financial distress. Therefore, H3 is accepted. Company size negatively influences financial distress. The greater the assets owned by a company, the lower the financial distress. This supports the signaling theory that company size, which is reflected in the total assets of a company, provides information about its strong internal conditions to face crises. The results of this study also indicate that larger companies tend to have financial stability, making them stronger, thus minimizing the risk of financial distress. These results are also consistent with research by Afridayani (2023) and Dini (2024), which confirms that larger companies are able to reduce risk through business diversification, thus maintaining financial stability even if one business line experiences pressure.

Sales growth on financial distress with a t-value of 1.773995 and a significance level of 0.0777 greater than 0.05, illustrates that sales growth has no effect on financial distress. Therefore, it is concluded that H4 is rejected. High sales growth does not necessarily mean a small burden, so that the resulting profit will be small. This is because the higher or lower the value of sales growth has no effect on companies experiencing financial distress. Companies experiencing a decline in sales will not have a direct impact on financial distress or bankruptcy but will affect the decline in profits, as long as the decline in profits does not exceed the limits set by the company, it will not affect the occurrence of financial distress (Fitri and Dillak, 2020).

5. Conclusion

This study examines the influence of business strategy, company size, and sales growth on financial distress. The data used as samples in this study are the financial reports of infrastructure companies listed on the Indonesia Stock Exchange for the period 2020-2024. Based on the discussion in the previous chapter, the following conclusions can be drawn from this study:

1. Business strategy, company size, and sales growth simultaneously influence financial distress. This indicates that a company's financial distress is not influenced by a single factor, but rather the result of a combination of various factors.
2. Business strategy (X1) influences financial distress. This reflects the importance of business strategy in a company's success. A well-thought-out strategy can control cash flow, budget planning, and asset management, thereby reducing risks, particularly debt default.
3. Company size (X2) influences financial distress. The results of this study indicate that larger companies tend to have greater financial stability, thus improving their ability to become a going concern or minimizing the risk of financial distress.
4. Sales growth (X3) has no effect on financial distress. This shows that high or low sales growth in each period does not always increase or eliminate the possibility of a company experiencing financial distress.

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