(Research) Article

The Influence of Profitability, Liquidity, Leverage, and Firm Size on Financial Distress in Non-Food Retail (2021–2024)

Aisyah Amalia[1]*, Anna Sumaryati[2]

[1-2] Dian Nuswantoro University, Indonesia
* Corresponding Author: 212202204578@mhs.dinus.ac.id[1]

Abstract: The purposes of this study analyze financial distress of non-food retail companies registered on the Indonesia Stock Exchange (IDX) between 2021 to 2024, as impacted by profitability, liquidity, leverage, and firm size. The sample criteria were as follows: (1) companies operating in the non-food retail sector and listed on the IDX during the specified period; (2) companies that consistently presented complete annual financial statements for each year; and (3) companies whose financial statements indicated that they reported a profit in the current year. Purposive sampling was employed to select the sample, resulting in 25 companies with a total of 100 observations. This research employed a quantitative approach using secondary data. The data were analyzed using multiple linear regression in SPSS version 25. The results of the partial test (t-test) revealed that profitability (ROA) and liquidity (CR) had a significant positive effect on financial distress. This suggests that higher profitability and liquidity increase the Altman Z-Score, thereby reducing the risk of a company experiencing financial distress. In contrast, leverage (DAR) and firm size (LN) were found to have no significant effect. These results emphasize the dominant role of internal factors, particularly profitability and liquidity, in shaping the financial condition of non-food retail companies in Indonesia.

Keywords: Financial Distress; Firm Size; Leverage; Liquidity; Profitability.

1. Introduction

Non-food retail sector in Indonesia plays a strategic role in aiding the national economy, particularly through its improvement to Gross Domestic Product (GDP) and job creation. However, in recent years, this sector has shown signs of weakening performance. According to Bank Indonesia data, Real Sales Index (IPR) fell 4,7% on a monthly basis in January 2025, reflecting a slowdown in retail activity after holiday period (Bisnis.com, 2025). This pressure is exacerbated by increase in the Value Added Tax (VAT) rate to 12%, continuing inflationary pressure, and shifts in consumer patterns (Times, 2025).

This slowdown is not only felt by conventional retailers, but also extends to digital commerce or e-commerce sector. Kompas.id (2025) notes that the value of digital commerce transactions in 2025 is estimated to grow by only 0,5%, much lower than 3% growth in previous year. This condition puts significant pressure on the performance of non-food retail companies, as experienced by PT Mitra Adiperkasa Tbk (MAPI), which recorded a slowdown in growth from 34,1% in the first half of 2022 to 15,4% in 2024 (Kompas.id, 2024). These symptoms can be an early sign of financial pressure that has potential to develop into financial distress.

Within the context of finance matter management, financial distress refers to a condition where a company faces liquidity and leverage difficulties, characterized by an inability to meet short-term and long-term duty. If not immediately detected and addressed, this situation risks developing into bankruptcy. An early identification of potential financial

distress is important for company management, investors, and creditors in order to anticipate greater risks. In non-food retail sector, this risk tends to be higher because the nature of this sector is highly influenced by seasonal trends, consumer lifestyle dynamics, and global economic fluctuations (Antara, 2024).

Given conditions, the emphasis of this research is on non-food retail companies included in Consumer Cyclicals sector (Bursa, 2025) and registered with Indonesia Stock Exchange (IDX) . This sector convers various subsectors process was carried out so that only companies that operationally focus on non-food retail were analyzed, including fashion, electronics, and household appliances, this screening process was important so that research sample was appropriate to context and did not mix different industry characteristics.

Previous research highlights that internal aspects such as profitability, liquidity, leverage, and firm size are frequently identified as primary factors influencing financial distress. Profitability reflects a company's capability to generate revenue, while liquidity indicates its capacity to meet short period obligations; leverage describes the grade of dependence on debt-based financing; while firm size is often an indicator a company's ability to withstand economic pressures. These four variables have been widely used as basis for developing predictive models to identify financial distress (Sitorus et al., 2022).

However, empirical findings on four variables have not been consistent. Prastyatini & Novikasari (2023) and Cahyani & Indah (2021) found an significant effect of profitability DAR on financial distress, while Yusnita (2022) and Antoniawati & Purwohandoko (2022) not found that financial distress. A similar pattern was observed for liquidity variable; researchers. Awaliyah & Syahzuni (2025) and Wijaya & Suhendah (2023) prove that there is a significant effect, while Setywati (2021) and Adytia & Nursito (2021) find no evidence of a significant effect. For leverage variable, Baghaskara & Retnani (2023) along with Fitria & Syahrenny (2022) state that there was a significant effect, in contrast to the findings of Letiana & Hartono (2023) and Sitorus et al. (2022) which concluded that there was no feedback. Similarly, regarding firm size, Salim & Dillak (2021) and Jenitia et al. (2024) confirm a significant effect, while Amalina & Trisnaningsih (2023) and Febrian et al. (2024) report insignificant results.

The diversity of the research results shows that a relevant research gap that needs to be studied further, especially in non-food retail sector, which has not been the main focus of previous studies. This sector has its own characteristics that distinguish it from other sectors, such as high volatility, dependence on consumption patterns, and intense competition, the objective of this study is to discuss the financial distress from the power of profitability, liquidity, leverage, and firm size. Non-food retail companies registered on IDX during period 2021-2024. The selection of this time frame intended to reflect post-pandemic conditions and macroeconomic dynamics that emerged during fiscal transition period. Thus, it is hoped that a result of this research can provide relevant academic contributions and practical recommendations for stakeholders in formulating more effective financial risk mitigation policies and strategies.

2. Literature Review
Agency Theory

The concept of Agency theory comes from separations of company ownership owned by the principal with operational management run by agent. Jensen and Meckling (1976) suggest that this connection is formed through a contractual mechanism, where the principal gives authority and resources to the agent to be managed in the interests of the capital owner. In this structure, the agent has responsibility to convey the results of management, one of which is through preparation of financial reports. This report acts as the major instrument in evaluate the condition of company and identifying potential financial risks. If management is able to carry out operational functions efferently and transparently, possibility of financial distress can be minimized (Antoniawati & Purwohandoko, 2022).

In this study, agency theory is relevant to explain the role of firm size. Larger firms generally have more complex governance structures and stronger monitoring mechanisms, which can reduce agency problems and the risk of financial distress. Meanwhile, smaller firm often face limited resources and weaker oversight, making them more vulnerable of financial difficulties (Yulistiyani et al., 2024).

Signalling Theory

The theory of signal was first put forward by Michel Spence. Spence (1973) states that this theory can be used by two parties, namely the source of information and recipient of information. The source of information plays a role in conveying information that will be practiced by recipient. Furthermore, recipient will consider reciprocal actions in accordance with the information signals it has received. Signal theory explains that information conveyed through financial reports aims to provide certain signals to external parties, such as investors. Positive information communicated by company, such as growth prospects or increased profits, can encourage investor confidence and increase the likelihood of them investing. Conversely, negative signals can be lower market perceptions. Therefore, financial reports are important instrument in shaping investors' expectations of company's risk and potential (Hidayat et al., 2021).

This research applies signaling theory to profitability, liquidity, and leverage since these financial indicators serve as signals interpreted by external stakeholders. High profitability provides a positive signal about the company's ability to generate earnings, strong liquidity indicates its capacity to meet short-terms obligation, while high leverage may act as negative signal of heavy debt dependence. These signals help investors and creditors evaluate the like hood of financial distress (Agustin et al., 2025). The framework model is shown below:
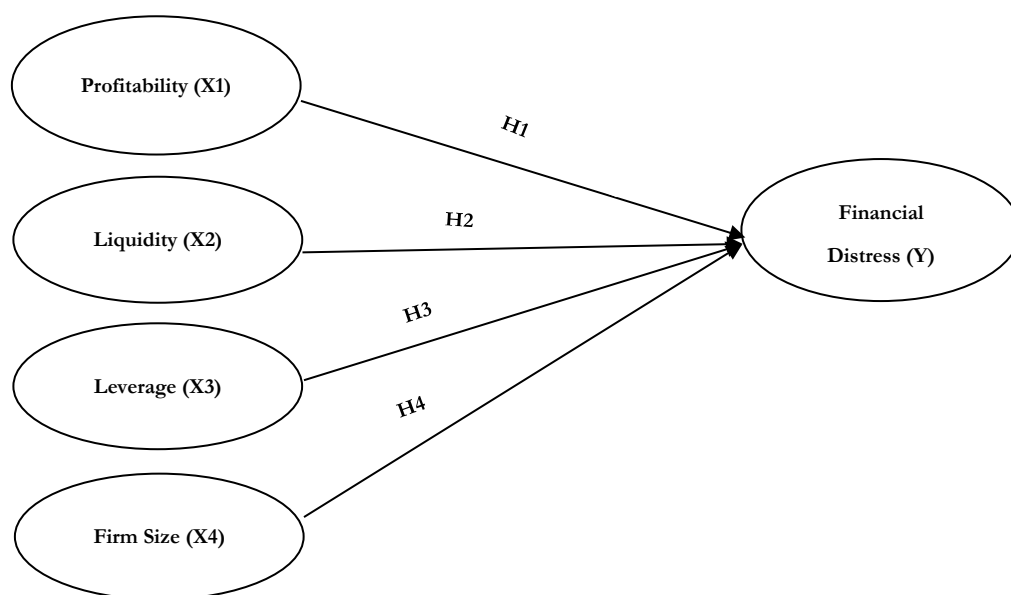

Figure 1. Theoretical Framework.
Source: Research Data (2025)

The Influence of Profitability (ROA) on Financial Distress

In the perspective of signaling theory, profitability functions as a crucial indicator that reflects the company's outcome in the presence of the market. High profitability indicates the company's capacity to produce greater net income, thereby lowering the probability of financial distress and reinforcing investor confidence in business continuity. Conversely, low profitability may be interpreted as a signal of declining operational performance and potential financial risk (Sitorus et al., 2022). This argument is consistent with empirical findings from Prastyatini & Novikasari (2023) and Hertina et al. (2022), who confirmed that profitability has a significant positive effect on financial distress. Further, Al-haddad et al. (2025) provide evidence that family owned firms in Jordan engaging in real earnings manipulations experience lower profitability in subsequent years. Which may associated with a higher risk of financial distress.

H1: There is an impact between Profitability (ROA) on financial distress condition.

The Influence of Liquidity (CR) on Financial Distress

Liquidity demonstrates a company's ability to promptly meet sort-term liability, which reflect prudent financial management. Within signaling theory, higher liquidity is considered a positive signal for external stakeholders, including investors and creditors, as it reduces concerns about possible default (Setywati, 2021). Empirical evidence supports this theorical view is Awaliyah & Syahzuni (2025) reported that liquidity significantly affects financial distress, in line with Wijaya & Suhenda (2023) who also found a significant positive relationship. In addition, Dossa et al. (2024) found that liquidity risk significantly influences firm performance, implying that weak liquidity management can increase the like hood of financial distress in emerging markets.

H2: There is an impact between Liquidity (CR) on financial distress condition.

The Influence of Leverage (DAR) on Financial Distress

Leverage indicates the degree of a company's dependence on debt based financing in its capital structure. A higher proportion of debt to total assets implies a greater risk of financial distress, while from a signaling perspective, this condition sends a negative signal to creditors regarding excessive debt reliance. Thus, leverage becomes a crucial determinant in assessing corporate financial health. Empirical studies reinforce this argument, as Baghaskara & Retnani (2023) and Fitria & Syahrenny (2022), found that leverage exerts a significant positive effect on financial distress. Supporting this, recent evidence from Turkish firms shows that higher leverage deteriorates overall financial performance İlbasmış (2025), which can be potentially increase the like hood of financial distress.

H3: There is an impact between Leverage (DAR) on financial distress condition.

The Influence of Firm Size (LN) on Financial Distress

Firm size is defined as the scale of business entity, which plays an important role in determining resilience under uncertain economic conditions. Smaller firms tend to be more vulnerable, whereas larger firms generally possess stronger financial capacity and adaptability, leading to higher Altman Z-scores that indicate lower risk of financial distress (Salim & Dillak, 2021). From the perspective of agency theory, large firms also have more complex governance and oversight systems, which help minimize agency problems and potential financial distress. Supporting this. Baros et al. (2022) and Prastyatini & Novikasari (2023) reported that firm size has a significant effect on financial distress.

H4: There is an impact between Firm Size (LN) on financial distress condition.

3. Research Method

The research adopts a quantitative research method, where each variable is measured using specific indicators. Profitability (ROA), leverage (DAR), liquidity (Current Ratio), and firm size (natural logarithm of total assets) are treated as independent variables. The dependent variable, financial distress, is examined using the Altman Z-Score model. The writing in this section refers to the framework of Purwaningsih & Safitri (2022), which is then adjusted characteristics of the variables. The formulation of each variable is outlined in the following table:

Table 1. Operationalization Variables

Variable	Measurement	Scale
Profitability	$ROA = \dfrac{Net\ Income}{Total\ Assets}$	Decimal
Liquidity	$CR = \dfrac{Current\ Assets}{Current\ Liabilities}$	Decimal
Leverage	$DAR = \dfrac{Total\ Debt}{Total\ Assets}$	Decimal
Firm Size	$Size = Ln\ (Total\ Asset)$	Decimal
Financial Distress	$Z = 1.2X1 + 1.4X2 + 3.3X3 + 0.6X4 + 1X5$	Decimal
	$X1 = \dfrac{Working\ Capital}{Total\ Assets}$	

Variable	Measurement	Scale
	$X2 = \dfrac{Retained\ Earnings}{Total\ Assets}$	
	$X3 = \dfrac{Earnings\ Before\ Interest\ \&\ Tax\ (EBIT)}{Total\ Assets}$	
	$X4 = \dfrac{Market\ Capitalization}{Total\ Liabilitas}$	
	$X5 = \dfrac{Sales}{Total}$	

Source: Sitorus et al., (2022)

The criteria for sample were formulated by adapting the approach proposed by Utari & Trisnaningsih (2024), which was then aligned with the context of this research. These criteria include the following: 1) The company operates in the non-food retail sector and is listed on the Indonesia Stock Exchange (IDX) during the period 2021 to 2024. 2)The company consistently presents complete annual financial reports for each year in that period. 3) The published financial reports contain information that company earned a profit during the current year in the period.

The population in this research includes all companies listed in the Consumer Cyclicals sector on the Indonesia Stock Exchange (IDX) during the period 2021 to 2024, totaling 167 entities, as recorded in the IDX database for the specified sector and period. From this population, the study applies purposive sampling, a selection technique based on systematically formulated criteria, to determine the research sample. However, given that the main object of the research is non-food retail companies, a further screening process was carried out to exclude companies engaged in the food and beverage sub-sector. Thus, the relevant population consists of companies that sell retail products such as fashion, electronics, cosmetics, and household goods, excluding food products. To clarify this process, three screening stages were carried out, as described in the following table:

Table 2. Stages of Sample Selection for Non-Food Retail Companies Listed on the IDX (2021-2024)

No	Description	Amount
1	Total Companies in the Consumer Cyclicals	167
2	Excluding: Food and beverages sub-industry companies	(95)
3	Remaining non-food retail companies	72
4	Excluded: Companies without complete financial statements & financial reports	(20)
5	Companies with complete financial statements	52
6	Excluded: Companies with no profit during 2021-2024	(27)
7	Final sample used for research	25
Total observations over 4 years (25 x 4)		100

Source: Secondary Data Processed (2025)

Sub-industries considered relevant include Apparel & Textile Retail, Automotive Retail, Clothing, Accessories & Bags, Consumer Electronics, Department Stores, Electronics Retail Footwear, Home Furnishings, Home Improvement Retail, Household Appliances, Housewares & Specialties, and Sports Equipment & Hobbies Goods. With this selection process, the sample used in this research is considered to represent the characteristics of active, relevant non-food retail companies with transparent financial reporting during the research period.

The data sources were obtained from the annual reports and financial statements of companies operating in the non-food retail section that are official listed on the Indonesia Stock Exchange (IDX). All documents were accessed through the official website of the Indonesia Stock Exchange (https://www.idx.co.id/) and/or the official websites of each entity studied.

The entire data analysis process in this research was organized with the objective of determining the extent to which profitability, liquidity, leverage, and firm size contribute to the possibility of financial distress in businesses classified in the non-food retail sector. The data processing and analysis were carried out using Statistical Package for the Social Sciences (SPSS) version 25 software. The series of tests included three main stages, namely: (1)

descriptive analysis, (2) classical assumption testing, and (3) multiple linear regression analysis. This testing structure was designed based on the model used by (Khasanah et al., 2021), which was then adjusted to the characteristics of the variables and the objectives of the analysis in this research.

Multiple Regression Test

The test aims to evaluate the contribution of each independent variable to the dependent variable. For analysis purposes, this research applies a multiple linear regression model using the following equation formulation:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e \quad (1)$$

Explanation: Y represents financial distress, while X1 to X4 each represent profitability, liquidity, leverage, and firm size.

4. Results and Discussion
Descriptive Statistics Analysis

The total data studied consisted of 100 data points obtained from 25 companies over a 4-year research period. The following table shows the lowest, highest, mean, and standard deviation of each variable tested.

Table 3. Descriptive Analysis Test Results.

	N	Minimum	Maximum	Mean	Std. Deviation
Profitability (ROA)	100	-7,36	-1,42	-3,2347	,93791
Liquidity (CR)	100	-,91	2,74	,6158	,61916
Leverage (DAR)	100	-2,23	-,01	-,8222	,41952
Firm Size (LN)	100	3,21	3,43	3,3414	,05470
Financial Distress	100	,17	2,39	1,1775	,41065
Valid N (listwise)	100				

Source: Output SPSS version 25

Profitability (ROA) has a mean value of -3,2347 and a standard deviation of 0,93791. The negative mean value indicates that the average sample company is in a low profitability condition, even tending to experience losses. This indicates that the profits generated have not been able to cover all of company's expenses and costs. This condition can affect management strategies in preparing and disclosing financial reports, especially in providing a transparent picture to external parties, including investors, regarding the challenges faced by company.

Liquidity (CR) has a mean value of 0,6158 and a standard deviation of 0,61916. A mean value of less than 1 indicates that the average current assets of company are lower that its current liabilities. This indicates a relatively low level of liquidity, which has the potential to limit company's ability to pay off its short-term liabilities. Companies with low liquidity levels need to regulate their cash flow more carefully to prevent the risk of payment difficulties.

Leverage (DAR) has a mean value of -0,8222 and standard deviation of 0,41952. This negative value is the result of data transformation and cannot be interpreted directly as the proportion of debt to assets. However, the variation between companies is quite large, indicating differences in the funding structure within the sample. This information is important for people outside company to be able to judge how much debt a company has taken on to cover its day-to-day operations and their operational activities.

Firm size (LN/Size) has a mean value of 3,3414 and a standard deviation of 0,05470. This value indicates that the average company in the sample has a relatively similar asset size, with little variation between companies. A higher LN values reflects a company with greater total assets, which generally has higher operational capacity and competitiveness compared to companies with smaller assets.

Based on the result of the test in Table 3, the result is that Asymp. Sig. (2-tailed) value is 0,000, which is smaller than α (0,05). Therefore, it can be concluded that the research data is normally distributed and suitable for further regression analysis.

Classical Assumption Test

Table 4. Classical Assumption Test Result.

Classical Assumption Test	Test	Criteria	Score	Result Test
Normality Test	Kolmogorov-Smirnov	Sig. > 0,05	Asymp. Sig. = 0.057	Data are normally distributed
Multicollinearity Test	Variance Inflation	Tolerance > 0,10 and VIF < 10	Tolerance > 0,10, VIF < 10 (ROA = 0,910 / 1,091; CR = 0,309 / 3,235; DAR = 0,308 / 3,242; LN = 0,945 / 1,058)	No multicollinearity detected
Autocorrelation Test	Durbin-Watson	Acceptable range: dU = 1,74 to 4-dU = 2,26	DW = 1,258 (initial), DW = 1,970 (after Cochrane-Orcutt)	Issue corrected → No autocorelation
Heteroscedasticity Test	Glejser	Sig. > 0,05 indicates no heteroscedasticity	ROA = 0,545; CR = 0,586 DAR = 0,491; LN = 0,008	No issue for ROA, CR, DAR; heteroscedascity detected for LN, but overall model acceptable

Source: Output SPSS version 25

Table 4 demonstrates that the classical assumption test confirms the regression model satisfies the required criteria. Initially, the residuals were not normally distributed; however, after applying a natural logarithm transformation, the Kolmogorov-Smirnov test yielded an Asymp. Sig. of 0.057 (>0.05), indicating normality. Multicollinearity was not detected, as all tolerance values exceeded 0.10 and all VIF values remained below 10. The Durbin-Watson statistic initially indicated positive autocorrelation (1.258), but this issue was corrected using the Cochrane-Orcutt procedure, which increased the value to 1.970, within the acceptable range between dU (1.74) and 4–dU (2.26). The Glejser test suggested no heteroscedasticity for most variables (Sig. > 0.05), except for firm size (LN). Nevertheless, as the data had been logarithmically transformed and the issue was limited to one variable, the regression model is deemed robust and suitable for further analysis.

Multiple Regression Test

Table 5. Multiple Regression Test Results.

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1,634	2,124		,769	,444
	Profitability (ROA)	,193	,037	,440	5,178	,000
	Liquidity (CR)	,204	,097	,308	2,105	,038
	Leverage (DAR)	-,134	,143	-,137	-,936	,352
	Firm Size (LN)	-,021	,628	-,003	-,033	,974

Source: Output SPSS version 25

As illustrated in Table 5, the outcome of multiple linear regression in this research model produced the following equation:

$$Y = 1.634 + 0.193X1 + 0.204X2 - 0.134X3 - 0.021X4 + e \quad (2)$$

The equation indicates that profitability (ROA) and liquidity (CR) have positive coefficients, this suggests that an increase in these two financial indicators leads to an up going in the financial distress of the business. In contracts, leverage (DAR) and firm size (LN) show negative coefficients, implying that higher values of these variables tend to reduce financial distress. The constant value of 1,634 shows the level of financial distress when all independent variables are equal to zero.

Hypothesis Test
Determination Test

Table 6. Determination Test Result.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,609a	,370	,344	,33263

Source: Output SPSS version 25

The result of the coefficient of determination test (R^2) in Table 6 supports this conclusion. It can be seen that the R Square value is 0,370. This indicates that 37% of the variation in the financial distress variable can be explained by the independent variables, namely Profitability (ROA), Liquidity (CR), Leverage (DAR), and Firm Size (LN). In contrast, the spare 63% is explained by other factors outside this research model. The Adjusted R Square value of 0,344 shows results that have been adjusted for the number of independent variables, thus providing a more accurate picture of the model's predictive ability.

Simultaneous Significance Test (F-Statistic Test)

Table 7. F Test Result.

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6,184	4	1,546	13,974	,000[b]
	Residual	10,511	95	,111		
	Total	16,695	99			

Source: Output SPSS version 25

Based on Table 7, the F_{count} value is 13,974 with a significance value (Sig.) of 0,000. Because F_{count} 13,974 > F_{table} (2,47) and the significance value < 0,05, it can be sum up that the independent variables consisting of Profitability (ROA), Liquidity (CR), Leverage (DAR), and Firm Size (LN) simultaneously have a significant effect on financial distress. Thus, the regression model used in this study is deemed suitable (fit) for use and capable of explaining the relationship between the dependent and independent variables as a whole.

Partial Significance Test (T-Statistic Test)

Table 8. T Test Results.

	Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1,634	2,124		,769	,444
	Profitability (ROA)	,193	,037	,440	5,178	,000
	Liquidity (CR)	,204	,097	,308	2,105	,038
	Leverage (DAR)	-,134	,143	-,137	-,936	,352
	Firm Size (LN)	-,021	,628	-,003	-,033	,974

Source: Output SPSS version 25

The results of the t-test in the table reveal that the Profitability (ROA) variable has a t-value of 5,178 with a significance value of 0,00 (< 0,05), indicating that the Profitability (ROA) variable has a positively significant effect on financial distress. This means that every 1 unit increase in ROA, assuming other variables remain constant, will increase the value of financial distress by 0,193. These result support the hypothesis that profitability affects financial distress, thus accepting H1. Profitability (ROA) has a positive and significant effect on financial distress the results of this study are supported by previous studies conducted by Prastyatini & Novikasari (2023), Cahyani & Indah (2021), and Hertina et al. (2022). In line with signaling theory, profitability acts as a signal to external stakeholders about company's internal condition. A higher ROA is generally perceived as a positive signal of operational capability, yet when linked with financial distress, it may also reflect potential inefficiencies or risk that weaken the sustainability of financial performance.

The t-test result in the table indicates that the Liquidity (CR) variable has a t-value of 2,105 with a significance value of 0,038 (< 0,05), suggesting that the Liquidity (CR) variable exerts a positive and significant influence on financial distress. The regression coefficient of 0,204 indicates that every 1 unit increase in CR, assuming other variables remain constant, will increase the value of financial distress by 0,204. It means that the higher the level of liquidity, the greater potential for changes in financial distress. These results support the hypothesis that liquidity affects financial distress, thus accepting H2. The results of this study are supported by previous studies conducted by Awaliyah & Syahzuni (2025), Wijaya & Suhendah (2023), and Baros et al. (2022) which Liquidity (CR) has positive and significant effects on financial distress. According to signaling theory, liquidity provides an important signal about a company's ability to meet short period obligations. However, when liquidity is

excessively high, it can also signal inefficient asset utilization, which may raise concerns among investors and creditors and increase the perception of financial distress.

The results of the t-test in the table show that Leverage (DAR) variable has a t-value of -0,936 with a significance value of 0,352 (> 0,05), indicating that Leverage (DAR) variable doesn't have a significant effect on financial distress. The negative regression coefficient of -0,314 indicates a negative relationship, but the effect is not statistically strong enough to be considered significant. H3 is rejected becaue these results don't support the hypothesis that leverage affects financial distress,. Leverage (DAR) doesn't have a significant effect on financial distress the results of this study are supported by previous studies conducted by (Letiana & Hartono, 2023); Sitorus et al., 2022); Utari & Trisnaningsih, 2024). This finding suggests that leverage, which is theoretically expected to increase financial risk, may not play a dominant role in determining financial distress, possibly because companies are able to manage their debt effectively or because other factors outside leverage have a stronger influence.

The t-test results in the table show that the Firm Size (LN) variable has a t-value of -0,033 with significance value of 0,974 (> 0,05), indicating that the firm size variable doesn't have a significant effect on financial distress. The negative regression coefficient of -0,021 indicates a negative relationship, but the effect is not statistically strong enough to be considered significant. These results don't support the hypothesis that firm size affects financial distress, so H4 is rejected. Firm Size (LN) doesn't have a significant effect on financial distress the result of this study are supported by previous studies conducted by (Amalina & Trisnaningsih, 2023; Ariyanti & Sopian, 2024; Febrian et al., 2024). From the perspective of agency theory, this result may be clarified the fact that larger firms often face more complex management structures and agency problems, so their size does not guarantee lower financial distress risk.

5. Conclusions

This study investigated the influence of profitability, liquidity, leverage, and firm size on financial distress among non-food retail companies listed on the IDX for the 2021-2024 period. The result show that profitability (ROA) and liquidity (CR) significantly affect financial distress, both displaying a positive relationship. These findings suggest that changes in profitability and liquidity levels can alter the like hood of financial distress. On the other hand, leverage (DAR) and firm size (LN) were found to be insignificant, leading to the rejection of the third and fourth hypotheses.

Overall, the evidence underscores that profitability and liquidity are the dominant factors in predicting financial distress within the non-food retail sector, while leverage and firm size are less decisive. Theoretically, this study enriches the literature on financial distress prediction by highlighting sector specific dynamics. From a practical standpoint, the outcomes offer useful guidance for company management in formulating financial strategies and for investors in assessing potential risk.

Future research is advised to extend the study period, incorporate other internal and external factors such as operating cash flow, ownership structure, and corporate governance practices, and apply alternative analytical method like logistic regression a more comprehensive understanding of the drivers of financial distress across different industries.

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