

THE EFFECT OF SALES GROWTH AND OPERATING CAPACITY ON FINANCIAL DISTRESS (ON COSMETIC COMPANIES LISTED ON THE IDX IN THE PERIOD 2019-2023)

PENGARUH SALES GROWTH DAN OPERATING CAPACITY TERHADAP FINANCIAL DISTRESS (PADA PERUSAHAAN KOSMETIK YANG TERDAFTAR DI BEI PERIODE 2019-2023)

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ABSTRAK

This study aims to analyze the effect of sales growth and operating capacity on financial distress in cosmetic companies listed on the Indonesia Stock Exchange (IDX) during the period 2019-2023. This study also compares the financial condition of companies before and after the COVID-19 pandemic using the Altman Z-Score method to measure the potential for bankruptcy. The results of the study indicate that sales growth has a negative effect on the company's financial condition, while operating capacity as an indicator of asset utilization efficiency also contributes to the risk of financial distress. Comparison of the Altman Z-Score before and after the COVID-19 pandemic revealed no significant differences, where the pandemic worsened the financial condition of most cosmetic companies due to decreased income and changes in people's consumption patterns.

Keywords: Sales growth, Operating Capacity, Financial distress

ABSTRAK

Penelitian ini bertujuan untuk menganalisis pengaruh sales growth dan operating capacity terhadap financial distress pada perusahaan kosmetik yang terdaftar di Bursa Efek Indonesia (BEI) selama periode 2019-2023. Penelitian ini juga membandingkan kondisi keuangan perusahaan sebelum dan sesudah pandemi COVID-19 menggunakan metode Altman Z-Score untuk mengukur potensi kebangkrutan. Hasil penelitian menunjukkan bahwa pertumbuhan penjualan (sales growth) memiliki pengaruh negative terhadap kondisi keuangan perusahaan, Sementara itu, kapasitas operasional (operating capacity) sebagai indikator efisiensi penggunaan aset juga berkontribusi terhadap risiko financial distress. Perbandingan Altman Z-Score sebelum dan sesudah pandemi COVID-19 mengungkapkan tidak adanya perbedaan signifikan, di mana pandemi memperburuk kondisi keuangan sebagian besar perusahaan kosmetik akibat penurunan pendapatan dan perubahan pola konsumsi masyarakat.

Kata kunci : Sales growth, Operating Capacity, Financial distress

1. INTRODUCTION

The cosmetics industry in Indonesia has seen significant growth in recent years, driven by increasing consumer awareness of self-care and beauty. However, increasing competition and challenges from more competitive imported cosmetics products may put many local companies at risk of financial distress. Financial distress is a condition in which a company experiences financial difficulties that can lead to bankruptcy if not handled properly. Therefore, it is important for companies to understand the factors that affect their financial condition, including sales growth And operating capacity.

Sales growth, which reflects the company's ability to increase its sales, plays an important role in maintaining financial health. Previous studies, such as those conducted by Asfali (2019) and Suryani (2020), show that there is a significant relationship between sales growth And financial distress. Besides that, operating capacity, which measures the efficiency of asset use in generating sales, also contributes to risk. financial distress. Research by Yohana and

Nyale (2023) confirms that companies with good operational capacity tend to be better able to avoid financial difficulties.

The COVID-19 pandemic has worsened the financial conditions of many companies, including in the cosmetics sector. Social restrictions and changes in consumer behavior have led to a significant decline in revenue, increasing the risk of financial distress. Therefore, it is important to analyze the influence of sales growth And operating capacity to financial distress in cosmetic companies listed on the Indonesia Stock Exchange (IDX) during the 2019-2023 period.

This study aims to analyze the influence of sales growth And operating capacity to financial distress on cosmetic companies listed on the Indonesia Stock Exchange (IDX) during the period 2019-2023. Using the Altman Z-Score method, this study will also compare the financial conditions of companies before and after the COVID-19 pandemic, to identify whether there is a significant difference in the influence of the two variables on financial distress.

2. LITERATURE REVIEW

Financial distress is a condition in which a company experiences difficulties in meeting its financial obligations. According to Christine et al. (2019), financial distress can be caused by several factors, including lack of capital, high interest rates, and operational losses. Setyowati (2019) added that financial distress can be measured using various indicators, one of which is the Altman Z-Score, which combines financial ratios to provide an overview of the company's potential bankruptcy.

Sales growth is a ratio used to measure a company's ability to increase its sales over time. Kasmir (2015) stated that positive sales growth reflects the company's success in maintaining its economic position. Research by Asfali (2019) shows that there is a significant relationship between sales growth and financial distress, where companies with good sales growth tend to have more stable financial conditions. Conversely, Suryani (2020) found that declining sales growth can increase the risk of financial distress, indicating the importance of effective sales management.

Operating capacity refers to a company's ability to use its assets efficiently in producing products or services. According to Kasmir (2017), operating capacity can be measured through activity ratios, such as Total Asset Turnover (TATO). Hidayat and Wahyu (2014) explain that companies with high operating capacity can generate greater sales, thereby reducing the risk of financial distress. Research by Yohana and Nyale (2023) shows that companies with good operational capacity tend to be better able to avoid financial distress.

The COVID-19 pandemic has had a significant impact on various economic sectors, including the cosmetics industry. The decline in income due to social restrictions and changes in consumer behavior has caused many companies to face the risk of financial distress. Research by Mutmainnah and Nurul Huda (2022) shows that companies that are unable to adapt to market changes during the pandemic experience greater financial difficulties.

Several previous studies have examined the relationship between sales growth, operating capacity, and financial distress. Research by Nurul Delayanti Dwi Oktaviani and G. Anggana Lisiantara (2022) found that profitability and sales growth have a negative effect on financial distress. In addition, research by Cindy Kwok and Nuraininun Bangun (2023) showed that operating capacity has a significant positive effect on financial distress, emphasizing the importance of operational efficiency in maintaining a company's financial health.

Sales growth and operating capacity are important factors that affect financial distress in cosmetic companies. By understanding the relationship between these three variables, companies can formulate better strategies to manage financial risks and improve their performance in a competitive market. This study is expected to contribute to the existing literature and provide insight for company management in making strategic decisions.

3. METHODS

This study is designed to analyze the effect of sales growth and operating capacity on financial distress in cosmetic companies listed on the Indonesia Stock Exchange (IDX) during the period 2019-2023. This study uses a quantitative approach with secondary data analysis. The following are the steps taken in this study:

This research was conducted on cosmetic sub-sector companies listed on the Indonesian Stock Exchange in the period 2019-2023, this type of research uses quantitative methods with descriptive and analytical approaches. The data used are secondary data obtained from the company's annual financial reports. Consisting of 7 cosmetic companies listed on the Indonesian Stock Exchange for the period 2019-2023.

Data collection is done through documentation, namely by downloading annual financial reports from the official website of the Indonesia Stock Exchange (www.idx.co.id). The data collected includes:

- Profit and loss report to calculate sales growth.
- Balance sheet report to calculate total assets and leverage.
- Financial reports to calculate financial distress using the Altman Z-Score.

Which is then analyzed using:

- Descriptive Analysis: Describes the characteristics of the data collected.
- Classical Assumption Test: Includes tests for normality, multicollinearity, heteroscedasticity, and autocorrelation.
- Multiple Regression Analysis: To test the effect of sales growth and operating capacity on financial distress.
- Hypothesis Testing: Using the t-test and F-test to determine the significance of the influence of the independent variable on the dependent variable.

4. RESULTS AND DISCUSSION

Based on the results of research conducted on the influence of sales growth and operating capacity on financial distress in cosmetic companies listed on the Indonesia Stock Exchange (IDX) during the period 2019 - 2023, several significant scientific findings can be concluded.

4.1. Influence of Sales Growth

Research shows that sales growth has a significant negative effect on financial distress. This means that an increase in sales growth can help companies reduce the risk of financial distress. This finding is in line with previous research showing that companies with good sales growth tend to have more stable financial conditions. Increased sales growth contributes to an increase in current assets, which in turn improves the company's ability to meet its financial obligations.

4.2. Influence of Operating Capacity

The results of the study also show that operating capacity has a positive effect on financial distress. This means that companies with high operational capacity, although they can increase production, are also at risk of experiencing financial difficulties if not balanced with effective cost management. This finding supports previous studies stating that inefficient use of assets can increase the risk of financial distress.

4.3. Altman Z-Score Comparison

This study found that there was no significant difference in the Altman Z-Score before and after the COVID-19 pandemic. This shows that even though the pandemic has had a major impact on various economic sectors, the financial distress of cosmetic companies has not

changed significantly. This may be due to changes in consumption patterns that benefit skincare products, which are still in demand by consumers.

Theoretically, the results of this study strengthen the understanding of the relationship between sales growth and operational capacity on the company's financial condition. Previous studies, such as those conducted by Yohana & Nyale (2023), also show that sales growth has a positive effect on the company's financial health. However, this study adds a new dimension by comparing conditions before and after the pandemic, which provides deeper insight into the dynamics of the cosmetics industry in Indonesia.

In terms of quantitative, regression analysis shows that sales growth and operating capacity variables simultaneously have a significant effect on financial distress, with an adjusted R-square value of 85.4%. This shows that the model built is able to explain most of the variations in financial distress of cosmetic companies. Based on these findings, it is suggested that further research explores other variables that may affect financial distress, such as macroeconomic factors and consumer behavior. Broader research with more diverse samples can also provide a more comprehensive picture of the financial condition of companies in the cosmetics sector and other industries. Thus, this study not only contributes to the existing literature but also provides practical guidance for company management in formulating more effective strategies to manage financial risk in the future.

5. CONCLUSIONS

This study aims to analyze the influence of sales growth And operating capacity to financial distress in cosmetic companies listed on the Indonesia Stock Exchange (IDX) during the 2019-2023 period, measured using the Altman Z-Score, which describes the company's potential for bankruptcy. The research results showSales growth negatively affect financial distressStable sales growth helps companies reduce the risk of financial distress.(Tita Safitriawati, 2023)

Operating capacity, as measured by activity ratios such as Total Asset Turnover (TATO), has a positive impact on the company's ability to avoid financial distress. Efficiency in using assets to generate sales is the key to success.(Tita Safitriawati et al, 2023) There is no difference in Altman Z-Score values before and after the pandemic. Before the pandemic, the cosmetics industry experienced rapid growth with high demand, and during the pandemic, women's consumption rates increased rapidly, due to several factors with social restrictions and the use of masks, many consumers consume skin care products. Focusing on skin health is a priority because many people spend more time at home and have the opportunity to take care of themselves.

The advantages of this study are the use of comprehensive data and in-depth analysis of the factors that influence financial distress. However, the shortcomings of this study lie in the limited focus on two independent variables, namely sales growth and operating capacity, without considering other variables that may have an effect. Further research should consider other variables that can affect financial distress, such as macroeconomic factors, consumer behavior, and social aspects that can provide a more holistic picture of the company's financial condition. This research is expected to provide a greater contribution to the understanding of financial management in the cosmetics sector and help companies formulate more effective strategies to manage financial risks in the future.

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