

ABSTRACT

Financial distress is a condition of a company when experiencing financial difficulties characterized by the inability to meet financial obligations both short and long term. This condition can be an early indicator of bankruptcy if not handled with the right steps. Early identification of potential financial distress is important to prevent a greater risk of bankruptcy.

This study aims to analyze the effect of profitability, operating capacity, and firm size on financial distress in textile and garment sub-sector companies listed on the Indonesia Stock Exchange (IDX) in 2019-2023. The method used in this research is quantitative method with secondary data obtained based on financial reports and annual reports of textile and garment sub-sector companies listed on the Indonesia Stock Exchange (IDX) in 2019-2023.

The population in this study consisted of all textile and garment sub-sector companies listed on the IDX in 2019-2023. Sampling in this study adopted a purposive sampling method by considering certain criteria, such as data availability during the study period. Based on these criteria, 20 companies were obtained as samples with an observation period of 5 years.

The analysis method used in this research is descriptive statistical analysis and panel data regression analysis using Eviews 12 software.

The results in this study indicate that simultaneously profitability, operating capacity, and firm size affect financial distress. The firm size variable partially has a positive effect on financial distress. Meanwhile, profitability and operating capacity variables have no effect on financial distress.

The results of this study are expected to be a reference for using different research objects in order to expand the scope of research. It is recommended that future research consider using other variables beyond those that have been used, as well as extending the research period to get more comprehensive results.

Keywords: *financial distress, profitability, operating capacity, and firm size*