SUSTAINABLE : JURNAL AKUNTANSI
Vol. 5, No. 2, November, 2025
http://journal.um-surabaya.ac.id/index.php/sustainable/index
http://doi.org/10.30651/stb.v5i2.26095

E-ISSN : 2807-7318, P-ISSN: 2808-3482

EFFECT OF INDEPENDENT COMMISSIONERS, GROWTH OF SALES, AND LICUIDITY ON FINANCIAL DISTRESS

(Empirical Study of Property and Real Estate Companies Listed on The Indonesia Stock Exchange in 2020-2023)

[1] **Gina Aulia Nissa**, [2] **Rina Yuliastuty Asmara**
[1,2]Dapartment Of Accounting, Faculty of Economy and Business, Universitas Mercu Buana
[1] 43221010113@student.mercubuana.ac.id [2*]rina.yuliastuty@mercubuana.ac.id

ABSTRACT

This study aims to determine the effect of Independent Commissioners, Sales Growth, and Liquidity on Financial distress. The type of research used is quantitative research. The population in this study were Property and Real Estate companies listed on the Indonesia Stock Exchange in 2020-2023. This sampling method was carried out by purposive sampling method and obtained 48 companies, with an observation year of 4 years, so that the total research data was 192. The research method used is causal model research. The type of data used in this study is secondary data. The data analysis method used is multiple linear regression analysis method with the help of IBM SPSS version 25. The results of this study prove that independent commissioners have no significant effect on financial distress, sales growth has no significant effect on financial distrees, but liquidity has a significant effect on financial distress.

Keywords: Financial distress, Independent Commissioner, Sales Growth, Liquidity.

Submitted: May 30,2025
Revised: August 8,2025
Accepted: November 4, 2025

INTRODUCTION

Financial issues are a crucial fundamental aspect of a company's business operations. Healthy finances are an important foundation for business continuity and growth, allowing companies to achieve profit goals. However, not all companies always run smoothly and sometimes experience financial difficulties or financial distress (Stepani and Nugroho 2023).

Financial distress is a problem that is not resolved quickly. Because financial distress requires management to consider further before making decisions, financial distress is dangerous for the company (Akmalia 2020). According to research (Nursidin 2021) financial distress indicates the company's inability to meet its maturing debt payment obligations. Financial distress is important information for companies because companies can anticipate bankruptcy by knowing the conditions.

SUSTAINABLE : JURNAL AKUNTANSI
Vol. 5, No. 2, November, 2025
http://journal.um-surabaya.ac.id/index.php/sustainable/index
http://doi.org/10.30651/stb.v5i2.26095
E-ISSN : 2807-7318, P-ISSN: 2808-3482

In property and real estate companies financial distress occurred at PT Cowell Development Tbk. PT Cowell Development Tbk (COWL) experienced financial difficulties that led to bankruptcy. The decline in sales and profits since 2018 was an early indication of the company's financial problems. The failure to pay debt of Rp 69 billion in 2019 worsened COWL's financial condition. Finally, on July 17, 2020, PT Multi Cakra Kencana Abadi filed for bankruptcy which was granted, so COWL was declared bankrupt.

In addition to PT Cowell Development Tbk, PT Forza Land Indonesia Tbk, Since December 9, 2019, PT Forza Land Indonesia has experienced financial difficulties since 2018 with a decrease in profit of 2.26 billion and in 2019 it fell to 2.36 billion. On September 12, 2022 PT Forza Land Indonesia Tbk was declared bankrupt. The bankruptcy decision stated that FORZ as the respondent did not implement the peace agreement.

Financial distress continues to be a concern in the business and economic world. This condition, characterized by financial difficulties that can threaten the survival of the company, not only impacts the company itself, but also on stakeholders including employees, investors, creditors, and even the economy at large.

Independent commissioners are an important factor in preventing financial distress due to their ability to supervise objectively without being tied to management or company owners. Their presence helps maintain transparency and accountability, especially in financial reports. Effective supervision allows early detection of signs of financial distress, so that companies can take preventive steps. However, the effectiveness of independent commissioners in reducing the risk of financial distress depends on their competence and integrity. Financial Services Authority Regulation No. 33/2014 stipulates that at least one of the two members of the board of commissioners must be independent, and if the board members are more than two, at least 30% must be independent commissioners (Rahardjo 2019).

Another factor that affects financial distress is sales growth. Stable or high sales growth contributes greatly to the company's profitability, so the ability to maintain profits in the future depends heavily on the current level of sales growth. Susetyowati and Handayani's research (2020) shows that sales growth has a positive effect on firm value. Sales growth measures sales performance and is considered good if it produces a positive value when the company is in

Vol. 5, No. 2, November, 2025
http://journal.um-surabaya.ac.id/index.php/sustainable/index
http://doi.org/10.30651/stb.v5i2.26095
E-ISSN : 2807-7318, P-ISSN: 2808-3482

good condition, and most importantly, if sales are going well and consistently, it will produce a negative value indicating good company conditions. An increase in sales growth is also used to estimate future growth (Novianti 2022).

The last factor that affects financial distress is liquidity, which is the company's ability to meet its short-term obligations with current assets such as cash, receivables, and inventory. High liquidity indicates the ability to pay short-term debts without selling fixed assets or increasing borrowings, reflecting healthy financial conditions and smooth operations. Conversely, low liquidity indicates potential difficulty paying liabilities, which can be a major cause of financial distress. The inability to pay debts on time due to a lack of liquid assets can lower the confidence of creditors and investors, worsen financial conditions, and lead to a more serious crisis. In this study, liquidity is measured by Current Ratio. Liquidity reflects the company's effectiveness in using its current assets to cover short-term and long-term liabilities on time. The company is considered liquid if it is able to pay off its short-term obligations when due, and illiquid if it is unable to (Septiani 2019).

LITERATURE REVIEW AND HYPOTHESIS

Agency Theory

Agency Theory observes the dynamics between company management and capital owners. Agent theory was first proposed by Alchian and Demsetz in 1972 and expanded by Jensen and Meckling in 1976 (Tauhid 2024). Jensen said that an agency relationship occurs when one or more people (principal) hire another person (agent) to provide services and then hand over authority in decision making. Principals are shareholders or investors and agents are management who manage the company. Agency theory is a theory that explains the relationship between management and company owners. Company owners always want to know information about company activities, including management activities in terms of operating invested funds. Through the accountability report prepared by the management (agent), the principal will get the information needed and at the same time as a means of assessing the performance carried out by the agent in a certain period.

Vol. 5, No. 2, November, 2025
http://journal.um-surabaya.ac.id/index.php/sustainable/index
http://doi.org/10.30651/stb.v5i2.26095
E-ISSN : 2807-7318, P-ISSN: 2808-3482

In agency theory, it explains the two opposing economic actors, namely the principal and the agent. Agency relationship is a contract where one or more people (principal) give orders to other people (agents) to perform a service on behalf of the principal and authorize the agent to make the best decisions for the principal. In the company, the principal and agent relationship is realized in the relationship between shareholders and managers. Shareholders act as principals and managers are agents. This relationship creates a contract that allows conflicts between shareholders and managers. Managers (agents) as parties who manage the company's daily activities have a lot of internal information compared to company owners or shareholders (principals).

Financial Distress

According to (Goh 2023) financial distress can be interpreted as the company's financial condition in a state of crisis. When the working capital and long-term assets of a company are insufficient to meet its short-term liabilities. Many private companies do not disclose their financial statements to the public, so business information may be the only way to assess the health of their company. Financial distress is a stage of decline in the company's financial condition which, if sustained, can lead to bankruptcy. This condition is characterized by unhealthy company finances and experiencing a crisis. Indicators of financial distress include a decline in company performance, inability to pay obligations, cessation of dividend payments, termination of employment, cash flow and liquidity problems, and other conditions that indicate financial difficulties (Iskandar 2019).

Independent Commissioner

Independent commissioners are bodies within the company, usually part of the board of commissioners, whose members come from outside the company and whose function is to assess the company's performance broadly and as a whole. They must be fully independent and able to resist influence, intervention and pressure from major shareholders who have a vested interest in the transaction. As part of the supervisory organ, independent commissioners are

SUSTAINABLE : JURNAL AKUNTANSI
Vol. 5, No. 2, November, 2025
http://journal.um-surabaya.ac.id/index.php/sustainable/index
http://doi.org/10.30651/stb.v5i2.26095
E-ISSN : 2807-7318, P-ISSN: 2808-3482

expected to have full attention and commitment in carrying out their duties and obligations, and have high knowledge, ability, time, and integrity (Sumani et., 2021:34).

Independent commissioners can act as arbiters in disputes between internal managers and oversee the policies of the board of directors. Independent commissioners are considered the best position to carry out the monitoring function to create companies with good corporate governance functions. The purpose of independent commissioners is explained in the main responsibility to encourage the implementation of good corporate governance principles in the company by empowering the board of commissioners to carry out supervisory duties and provide advice to directors effectively and provide added value to the company.

Sales Growth

According to (Besley and Brigham 2018) companies have the ability to increase revenue through the sale of goods or services, which can increase cash flow and profits states that the sales growth rate reflects the success of the company's strategy. Significant sales growth requires large funds for operations, but allows companies to utilize prospective investments because expected sales are associated with higher profitability. In addition, sales growth helps evaluate business performance, plan strategies, compare with competitors, understand the market, and determine targets and budgets efficiently. According to (Setiawan 2023) sales growth is an indicator that shows how the level of sales changes over time to allow the company to increase its operational capacity shown in the previous period's performance investment, and can be used to predict future growth. Because the greater the sales volume of a company, the faster its growth.

Liquidity

According to (Fahmi 2014) "used to evaluate the organization's ability to meet short-term obligations quickly". Investors will choose companies with a high level of liquidity because they believe that they will be able to return the money they invest as well as the agreed fees when due. According to (Francis Hutabarat 2023) liquidity is the company's ability to meet its short-term obligations, and fulfill short-term obligations in a timely manner. Liquidity is a

E-ISSN : 2807-7318, P-ISSN: 2808-3482

ratio that measures the short-term liquidity ability of a company by looking at its current assets compared to its current debt, which in this case is debt. The current ratio is the ratio between all current assets and current debt. This ratio is used to measure the liquidity state of a company as an indication of its liquidity capabilities (Listyaningsih 2020).

The Influence of Independent Commissioners on Financial Distress

Independent commissioners are part of the board of commissioners who come from outside the company and are tasked with assessing company performance at large. They must be truly independent and able to resist influence or pressure from major shareholders (Sumani, 2021). As a member of the board of commissioners who is not related to the company, independent commissioners oversee the performance of the board of directors independently. The more effective the supervisory duties carried out in supervising managers, the financial performance and the potential use of funds that harm the company in the future can be overcome, so that the impact of financial distress can be prevented.

That the higher the proportion of independent commissioners in the board of commissioners structure, the less likely the company will experience financial distress. This shows that the presence of independent commissioners can strengthen the supervisory function of management, encourage transparency, and ensure more careful and responsible decision making. Independent commissioners who are objective and have no personal interest in the company's internal parties are able to detect and prevent potential financial risks early. This is in line with the results of research conducted by (Mardahlia 2023) which states that independent commissioners have a significant negative effect on financial distress.

H1 : Independent commissioners have a significant negative effect on financial distress.

Effect of Sales Growth on Financial Distress

Sales growth is an important indicator that reflects market acceptance of the company's products or services and can be used to measure sales growth over time (Lifia et al., 2020). The level of sales growth indicates the success of the company's marketing and sales strategy The greater the profit earned from sales, the less likely the company will experience financial

SUSTAINABLE : JURNAL AKUNTANSI
Vol. 5, No. 2, November, 2025
http://journal.um-surabaya.ac.id/index.php/sustainable/index
http://doi.org/10.30651/stb.v5i2.26095
E-ISSN : 2807-7318, P-ISSN: 2808-3482

distress. Thus, high sales growth tends to reduce the risk of financial distress because it increases revenue, strengthens cash flow, and increases the ability to meet financial obligations. Sales growth also reflects stable or increasing market demand, which is a positive indicator for business continuity, so companies with good sales growth have a lower risk of financial distress. This is in line with the results of research conducted by (Gusti et al. 2022) which states that sales growth has a negative effect on financial distress.

H2 : Sales growth has a significant negative effect on financial distress.

Effect of Liquidity on Financial Distress

The liquidity ratio measures the company's ability to meet its short-term obligations on time, especially maturing debt. The higher the company's ability to fund and pay off its short-term obligations (characterized by current assets that are much greater than current debt), the less likely to experience financial distress. High liquidity indicates the company's ability to meet short-term obligations such as debt payments, salaries, and operational costs, reflecting stable financial conditions and the availability of sufficient cash or current assets to support operations. Therefore, companies that are able to maintain their liquidity well tend to avoid financial pressures that can cause financial distress. This is in line with the results of research conducted by Kartika et al., (2019) and Stepani (2023) which state that liquidity has a negative effect on financial distress.

H3 : Liquidity has a negative effect on significant financial distress.

METHOD

This study adopts a quantitative research design using a causal approach to determine whether there is a cause-and-effect relationship between independent variables and a dependent variable. The independent variables examined include independent commissioners, sales growth, and liquidity, while the dependent variable is financial distress. The causal method is particularly suitable for identifying the influence of several factors on financial distress within manufacturing companies. This research follows the framework proposed by

SUSTAINABLE : JURNAL AKUNTANSI
Vol. 5, No. 2, November, 2025
http://journal.um-surabaya.ac.id/index.php/sustainable/index
http://doi.org/10.30651/stb.v5i2.26095
E-ISSN : 2807-7318, P-ISSN: 2808-3482

(Sugiyono 2019), where causality is emphasized to understand how changes in certain financial and governance indicators affect a firm's financial stability.

The operational definitions of the variables are clearly established. Financial distress, the dependent variable, is measured using the Altman Z-score method, which involves five financial ratios: working capital to total assets, retained earnings to total assets, EBIT to total assets, market value of equity to book value of total debt, and sales to total assets. A Z-score below 1.8 indicates bankruptcy, between 1.81 and 2.99 signifies a grey area, and above 2.99 reflects a healthy company. The independent variables include the proportion of independent commissioners on the board, calculated by dividing the number of independent commissioners by the total number of board members sales growth, calculated by the year-over-year percentage increase in sales; and liquidity, measured using the current ratio (current assets divided by current liabilities).

The operationalization of variables is presented in a summarized table format, indicating their dimensions, indicators, and measurement scales—all of which use ratio scales. This structured approach ensures the variables are measurable and align with the research objectives. Each of the independent variables is theoretically linked to the likelihood of financial distress, either through corporate governance practices (independent commissioners), operational performance (sales growth), or financial health (liquidity). The inclusion of these variables reflects an integrative analysis of both financial and governance-based predictors of financial distress.

The population of this study comprises 92 property and real estate companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2023 period. Using purposive sampling, the sample was narrowed to 48 companies that met specific criteria, such as being listed before 2020 and consistently publishing annual reports from 2020 to 2023. The total data points used amount to 192, considering four years of observation. This sampling method ensures data consistency and relevance, targeting firms with complete and comparable financial disclosures for robust analysis.

SUSTAINABLE : JURNAL AKUNTANSI
Vol. 5, No. 2, November, 2025
http://journal.um-surabaya.ac.id/index.php/sustainable/index
http://doi.org/10.30651/stb.v5i2.26095
E-ISSN : 2807-7318, P-ISSN: 2808-3482

RESULT AND DISCUSSION

Result

Descriptive Statistics Test

Tabel 4.1 Descriptive Text

Variable	N	Min	Max	Mean	Std. Deviation
Independent Commissioner	192	0.20	0.80	0.42917	0.124418
Sales Growth	192	-0.95	5.43	0.13521	0.766221
Liquidity	192	0.03	308.79	6.18740	26.364211
Financial Distress	192	0.11	244.99	5.58891	21.310167

Source: Processed data using SPSS 25

- **N = 192** for all variables.
- **Independent Commissioner**: Lowest value is 0.20 (Megapolitan Developments Tbk, 2020–2023; Lippo Karawaci Tbk, 2020); highest is 0.80 (Metropolitan Kentjana Tbk, 2021–2023).
- **Sales Growth**: Lowest is -0.95 (Andalan Perkasa Abadi Tbk, 2020); highest is 5.43 (same firm, 2021).
- **Liquidity**: Ranges from 0.03 (Maha Properti Indonesia Tbk, 2023) to 308.79 (Repower Asia Indonesia Tbk, 2022).
- **Financial Distress**: Ranges from 0.11 (Modernland Realty Tbk, 2020; PP Properti Tbk, 2023) to 244.99 (Repower Asia Indonesia Tbk, 2022).

Normality Test Before Transformation

Tabel 4.2 Normality Test Before Transformation

Statistic	Value
N	192
Mean	0.0000000
Std. Deviation	10.31768544
Absolute Difference	0.308
Positive Difference	0.280
Negative Difference	-0.308
Kolmogorov-Smirnov Test	0.308
Asymp. Sig. (2-tailed)	0.000

Source: Processed data using SPSS 25

E-ISSN : 2807-7318, P-ISSN: 2808-3482

Based on the normality test results listed in Table 4.2, the asymp.sig (2-tailed) value shows 0.000 <0.05. This indicates that the data is not normally distributed. Therefore, action is needed to overcome this problem. One possible solution is to transform the data, which may affect the regression model. In this study, semi-log data transformation (by transforming the dependent variable into natural logarithm form) and two-log data transformation (by transforming the dependent and independent variables into natural logarithm form) will be applied (Vascha, Rahayu, and Sundjoto 2023). In this study, the data transformation treatment uses the natural logarithm (Ln) method on the dependent variable

Normality Test After Semi-Log Transformation

Table 4.3 Normality Test After Semi-Log Transformation

Statistic	Value
N	192
Mean	0.0000000
Std. Deviation	1.07932030
Absolute Difference	0.046
Positive Difference	0.046
Negative Difference	-0.031
Kolmogorov-Smirnov Test	0.046
Asymp. Sig. (2-tailed)	0.200

Source: Processed data using SPSS 25

Based on table 4.3, the results of the normality test using the Kolmogrov-Smirnov test show that the asymp-sig (2-tailed) value of 0.200 is greater than the significant level of 0.05 (0.200> 0.05) which means it can be explained that the data is normally distributed.

Multicollinearity Test

Table 4.4 Multicolinearity Test

Variable	Tolerance	VIF
Independent Commissioner	0.995	1.005
Sales Growth	0.997	1.003
Liquidity	0.994	1.006

Source: Processed data using SPSS 25

The multicollinearity test results show that all independent variables have a tolerance value> 0.10, namely independent commissioners of 0.995, sales growth of 0.997, and liquidity of 0.994. The VIF value is <10, namely independent commissioners of 1.005, sales growth of 1.003, and liquidity of 1.006. Thus it can be determined that there is no correlation between the independent variables. So that the regression model is feasible to use.

Heteroscedasticity Test Before Treatment

Table 4.5 Heteroscedasticity Test Before Treatment

Variable	B	Std. Error	Beta	t	Sig.
(Constant)	1.249	0.182	-	6.852	0.000
Independent Commissioner	-0.930	0.396	-0.168	-2.347	0.020
Sales Growth	-0.075	0.063	-0.085	-1.182	0.239
Liquidity	0.002	0.002	0.085	1.192	0.235

Source: Processed data using SPSS 25

Based on the table above, it can be seen that the results of the heteroscedasticity test show a problem with heteroscedasticity, where the significance value (Sig.) on the independent variable, namely the Independent Commissioner (X1) which shows a Sig value of 0.020 which means <0.05 or 5%.

Heteroscedasticity Test After Treatment

Table 4.6 Heteroscedasticity Test After Treatment

Variable	B	Std. Error	Beta	t	Sig.
(Constant)	0.596	0.221	-	2.697	0.008
Independent Commissioner	0.176	0.475	0.033	0.370	0.712
Sales Growth	-0.038	0.070	-0.048	-0.538	0.591
Liquidity	-0.001	0.002	-0.030	-0.339	0.735

Source: Processed data using SPSS 25

In table 4.6 it can be seen that the significant value on the independent Commissioner after treatment (X1) is 0.712, Sales growth (X2) is 0.591, Liquidity (X3) is 0.735. Of the three variables already have a significance value> 0.05 which means in accordance with the basis for the decision making above, and it can be concluded that there is no heteroscedasticity in the regression model.

Autocorrelation Test

In a linear regression model, the autocorrelation test checks whether there is a correlation between error terms in period *t*and error terms in the previous period (*t-1*).

Autocorrelation Test Results Before Treatment

E-ISSN : 2807-7318, P-ISSN: 2808-3482

Table 4.7 Autocorrelation Test Results Before Treatment

Tabel Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.321	0.103	0.082	0.95704	1.255

Source: Processed data using SPSS 25

The Durbin-Watson value is **1.255**, while with **n = 192** and **k = 4**, the values of **dL = 1.7215**, **dU = 1.8064**, and **4-dU = 2.1936**.

Since **DW (1.255) < dU (1.8064)** and **DW < 4 - dU (2.1936)**, **autocorrelation is present**.

Thus, a **Cochrane-Orcutt** treatment was applied to resolve the autocorrelation issue.

Autocorrelation Test After Cochrane-Orcutt Treatment

Table 4.8: Autocorrelation Test After Cochrane-Orcutt Treatment

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.284	0.080	0.055	0.79512	2.072

Source: Processed data using SPSS 25

After treatment, the DW value is **2.072**, which satisfies **dU (1.8064) < DW (2.072) < 4 - dU (2.1936)**, meaning **no autocorrelation is present** in the model.

Coefficient of Determination (R^2)

The adjusted R^2 value indicates how well the independent variables explain the variance in the dependent variable.

Coefficient of Determination (R^2)

Table 4.9 Coefficient of Determination (R^2)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.284	0.080	0.055	0.79512	2.072

Source: Processed data using SPSS 25

The **Adjusted R^2** is **0.055**, which means **5.5%** of the financial distress variance can be explained by **independent commissioners, sales growth, and liquidity**, while **94.5% is influenced by other variables** not included in this study.

Simultaneous F Test (F-Test)

The F-test checks whether all independent variables jointly affect the dependent variable.

F-Test Results

E-ISSN : 2807-7318, P-ISSN: 2808-3482

Table 4.10 F-Test Results

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	6.025	3	2.008	3.177	0.027
Residual	68.911	109	0.632		
Total	74.936	112			

Source: Processed data using SPSS 25

Since the significance value **0.027 < 0.05**, all independent variables **jointly have a significant effect** on financial distress.

Partial Significance Test (T-Test)

This test checks the individual influence of each independent variable on the dependent variable. **T-Test Results**

Table 4.11 T-Test Results

Model	B	Std. Error	Beta	t	Sig.
(Constant)	0.420	0.284		1.479	0.142
Independent Commissioner	-1.140	0.603	-0.175	-1.890	0.061
Sales Growth	0.057	0.094	0.056	0.605	0.547
Liquidity	0.006	0.002	0.234	2.540	0.013

Source: Processed data using SPSS 25

- **Independent Commissioner**: No significant effect (**$p = 0.061 > 0.05$**)
- **Sales Growth**: No significant effect (**$p = 0.547 > 0.05$**)
- **Liquidity**: Significant **positive** effect (**$p = 0.013 < 0.05$**)

Multiple Linear Regression Analysis

This analysis shows the strength and direction of the relationship between dependent and independent variables.

Multiple Regression Equation

Table 4.12 Multiple Regression Equation

$$Y = 0.420 - 1.140 X_1 + 0.057 X_2 + 0.006 X_3$$

Where:

- **Y** = Financial Distress
- **X_1** = Independent Commissioner
- **X_2** = Sales Growth

SUSTAINABLE : JURNAL AKUNTANSI
Vol. 5, No. 2, November, 2025
http://journal.um-surabaya.ac.id/index.php/sustainable/index
http://doi.org/10.30651/stb.v5i2.26095
E-ISSN : 2807-7318, P-ISSN: 2808-3482

- $\mathbf{X_3}$ = Liquidity

Interpretation:

- **Intercept (0.420)**: If all independent variables are zero, financial distress is 0.420 or 42.0%.
- $\mathbf{X_1}$ **(-1.140)**: A 1% increase in independent commissioners decreases financial distress by 1.14%.
- $\mathbf{X_2}$ **(0.057)**: A 1% increase in sales growth increases financial distress by 5.7%.
- $\mathbf{X_3}$ **(0.006)**: A 1% increase in liquidity increases financial distress by 0.6%.

Discussion

The Influence of Independent Commissioners on Financial Distress

The findings indicate that the role of independent commissioners in preventing financial distress is not yet optimal. Although they are responsible for ensuring compliance and reliable financial reporting, in practice, these duties are often not carried out effectively. In Indonesia, independent commissioners are frequently treated as a formality to meet regulations rather than as a genuine effort to improve corporate governance. This contradicts agency theory, which assumes that their oversight can prevent financial issues. Possible causes include weak authority, lack of competence, or their symbolic presence. The study aligns with (Vascha et al., 2023) who found no significant influence of independent commissioners on financial distress, but contrasts with (Putra et al., 2019) who reported a positive effect.

The Influence of Sales Growth on Financial Distress

The research reveals that sales growth does not significantly affect financial distress. Fluctuating sales growth does not always align with profitability, and companies with strong asset structures can endure financial challenges even when sales decline. This finding is inconsistent with agency theory, which suggests that increasing sales should reflect improved financial management. In some cases, higher sales might not offset high operating costs or debt burdens, maintaining the risk of financial distress. These results support (Muzharoatiningsih

SUSTAINABLE : JURNAL AKUNTANSI
Vol. 5, No. 2, November, 2025
http://journal.um-surabaya.ac.id/index.php/sustainable/index
http://doi.org/10.30651/stb.v5i2.26095
E-ISSN : 2807-7318, P-ISSN: 2808-3482

2022), who found no influence of sales growth on financial distress, but contradict (Wulandari 2019), who reported a negative correlation.

The Influence of Liquidity on Financial Distress

The data shows that liquidity has a significant positive effect on financial distress, meaning that higher liquidity levels may actually increase the likelihood of financial troubles. While liquidity is generally seen as a positive indicator, excessive cash or unused current assets might suggest inefficiency, lack of investment opportunities, or poor operational management. High receivables or inventory levels could indicate collection problems or decreased market demand. This challenges agency theory, which assumes that management will use financial resources efficiently. Instead, easy access to funds might lead to wasteful or opportunistic behavior. These findings are supported by Estuti and Sari (2023) , but differ from (Trisnaningsih 2023), who found no effect of liquidity on financial distress.

CONCLUSSION

Based on the analysis and discussion of the effect of independent commissioners, sales growth, and liquidity on financial distress, it can be concluded that independent commissioners and sales growth have no significant effect on financial distress. Independent commissioners are often ineffective in carrying out their duties, while fluctuations in sales growth are not always in line with increasing profits, and companies with strong asset structures are able to survive. In contrast, liquidity has a significant positive effect on financial distress, where higher levels of liquidity can actually increase the risk of financial distress, which may be caused by idle funds, operational stagnation, lack of investment opportunities, or weak operational management. It is anticipated that this study will contribute significantly in spite of its limitations. The findings of this study should, in theory, provide future researchers with a basis and point of reference for comprehending the factors that contribute to financial difficulty. Practically speaking, this study should give a comprehensive picture of financial distress in the real estate and property sector, assist businesses in understanding their financial situation, and be used as assessment data to enhance financial management. Last but not least, this research should enable the Financial

Services Authority (OJK), legislators, and companies create strategies to avoid financial crisis, which will enhance general economic stability.

REFERENCES

Amalina, Nabilah , Nur, and Nur Trisnaningsih. 2023. "The Effect of Leverage, Liquidity and Company Size on Distress." *Jambura Economic Education Journal* 5:88–99.

Besley, Scott, and Eugene F Brigham. 2020. *Essentials of Managerial Finance*.

Fahmi, Irham. 2021. Financial Statement Analysis.

Francis Hutabarat. 2023. Financial Statement Analysis: Warren Buffett's Perspective. Deepublish.

Goh, Thomas Sumarsan. 2023. Monograph: Financial Distress. Indomedia Pustaka.

Gusti, I, Ayu Prayuningsih, I Dewa, Gusti Ayu, Asri Pramesti, Ni Putu, and Ayu Mirah Mariati. 2022. "The Influence of Profitability, Liquidity, Leverage, Activity Ratios, and Sales Growth on Predicting Financial Distress."

Iskandar, Diah, and Hendi Prihanto. 2019. "Analysis of Financial Performance in Predicting Financial Distress in Mining Companies." *Saudi Journal of Economics and Finance* 03 (12): 601–9. https://doi.org/10.36348/sjef.2019.v03i12.004.

Kartika, Rizky, and Hasanudin. 2019. "Analysis of the Effect of Liquidity, Leverage, Activity, and Profitability on Financial Distress in Public Companies in the Infrastructure, Utilities, and Transportation Sectors for the Period 2011-2015" 15 (January).

Lifia, Sonia, Etty Gurendrawati, and Ahmad Fauzi. 2020. "(Negative Sales Growth) 30298-Article Text-82285-1-10-20221023." Journal of Accounting, Taxation and Auditing 1:179–94.

Listyaningsih, Fransisca. 2020. "Effect Of Company Profitability, Liquidity, And Size On Corporate Value" 2. www.ijmsssr.org.

Mardahlia, Vivi, and Imam Ghozali. 2023. "The Effect of Corporate Governance on Financial Distress (An Empirical Study of Transportation Sub-Sector Companies Listed on the Indonesia Stock Exchange from 2018 to 2021)." Diponegoro Journal of Accounting 12 (3): 1–10. http://ejournal-s1.undip.ac.id/index.php/accounting.

Muzharoatiningsih. 2022. "The Effect of Financial Ratios, Sales Growth, and Size on Financial Distress in the Consumer Goods Industry Sector on the Jakarta Stock Exchange during the Period 2017-2020." Journal of Management Science 10 (3): 747–58.

Novianti, Lely, and Triyani Budyastuti. 2022. "The Effect of Sales Growth, Operating Leverage, and Asset Structure on Capital Structure." Gorontalo Accounting Journal 5 (2): 146. https://doi.org/10.32662/gaj.v5i2.2081.

E-ISSN : 2807-7318, P-ISSN: 2808-3482

Nursidin, M, and M Si. 2021 The Effect of Debt-to-Equity Ratio, Net Profit Margin, and Total Asset Turnover on Financial Distress in Companies Listed on the Jakarta Stock Exchange. Journal of the Ganesha Polytechnic Institution of Medan Juripol. Vol. 4. www.idx.co.id.

Putra, Melyana D, and Muhammad Muslih. 2019. "The Influence of Institutional Ownership, Managerial Ownership, Independent Board of Commissioners, and Audit Committees on Financial Distress." E-Proceeding of Management 6 (2).

Rahardjo, Soemarso Slamet. 2019. Ethics in Business & the Accounting Profession and Corporate Governance.

Septiani, Ni Made Inten, and I Made Dana. 2019. "The Effect of Liquidity, Leverage, and Institutional Ownership on Financial Distress in Property and Real Estate Companies." E-Journal of Management, Udayana University 8 (5): 3110. https://doi.org/10.24843/ejmunud.2019.v08.i05.p19.

Setiawan, Budi, and Ratna Mappanyukki. 2023. "The Effect of Sales Growth, Capital Intensity on Income Tax Expense with Managerial Abilities as a Moderating Variable."

Stepani, Putri Nadia, and Lucky Nugroho. 2023 "The Effect of Profitability, Liquidity, Leverage, and Company Size on Financial Distress in Non-Cyclical Consumer Companies Listed on the Indonesia Stock Exchange for the Period 2019-2021." Journal of Trends Economics and Accounting Research 3 (3): 194–205. https://doi.org/10.47065/jtear.v3i3.551

Sugiyono. 2019 Quantitative, Qualitative, and R&D Research Methods. Alfabeta.

Sumani, Isti Fadah, and Ahmad Roziq. 2021. Good Corporate Governance: Capital Structure and Financial Performance.

Tauhid, Karimah, and ; | Sutisna. 2024. "Literature Study Related to the Role of Agency Theory in the Context of Various Issues in Accounting." Vol. 3.

Vascha, Dio W, Sri Rahayu, and Sundjoto. 2023. "The Influence of Independent Boards of Commissioners, Liquidity, and Financial Distress." Journal of Management 13 (2).

Wulandari, Vony Savrina. 2019. "The Influence of Financial Performance, Sales Growth, and Companies on Financial Distress."