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The Effect of Operating Cash Flow, Operating Capacity and Sales Growth on Financial Distress

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A B S T R A C T
This study aims to examine the effect of operating cash flow, operating capacity, and sales growth on financial distress. The population in this study is all properties & real estate sector companies. The samples in this study were obtained as many as 10 company samples with 5 years of research so that as many 50 research data were obtained. The analysis method used is multiple linear regression using SPSS software version 26. The results showed that operating cash flow has no effect on financial distress, operating capacity has a positive effect on financial distress, and sales growth has no effect on financial distress. Operating cash flow and sales growth do not affect financial distress because the company's operating cash flow and sales growth tend to be small, while operating capacity has a positive effect on financial distress tends to be high because the company's operating capacity tends to be high.

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INTRODUCTION

Thephenomenon that occurs in Indonesia is the delisting of several companies (Syuhada et al., 2020). According to (Permana et al., 2017) in (Syuhada et al., 2020), delisting is when shares listed on the Indonesian Stock Exchange experience a decrease in the criteria so that they do not meet the listing requirements, then the shares can be removed from the listing on the Exchange. After the company is removed from the Indonesia Stock Exchange, the company's obligation to publish financial reports is also deleted (Setyowati & Sari, 2019). For investors, a company that has been delisted from the Indonesia Stock Exchange is synonymous with bankruptcy because the investor has can no longer invest in the company (Setyowati & Sari, 2019). Delisting can be done at the request of the company that issued the shares or at the order of the Indonesian Stock Exchange (Setyowati & Sari, 2019). According to (Prabowo and Wibowo, 2015) (Setyowati & Sari, 2019), delisting by order of the Indonesian Stock Exchange is usually because the company cannot fulfill the obligations and rules that have been set. Many factors have caused companies to be delisted from the Indonesia Stock Exchange, one of which includes a decrease in company performance which is marked by insufficient capital, large debt burdens, and interest (Septiani & Dana, 2019). Another factor is that the company's shares are illiquid, which means that shares are rarely transacted or lack interest (Septiani & Dana, 2019). In 2019, Lamicitra Nusantara Tbk experienced a delisting from the Indonesia Stock Exchange (Syuhada et al., 2020). Several properties & real estate companies have been declared bankrupt, such as Ciputra Property Tbk, Ciputra Surya Tbk, Lamicitri Nusantara Tbk, Truba Alam Manunggal Engineering, Danayasa Arthatama Tbk, and Cowell Development Tbk (Bramantha & Yadnyana, 2022).

This indicates a high threat to the survival of property & real estate companies listed on the Indonesia Stock Exchange. Therefore, investors must be selective when investing in properties & real estate companies. The properties & real estate industry is a very attractive sector to be used as a place for investment (Bramantha & Yadnyana, 2022). However, the properties & real estate industry is difficult to predict because this industry is heavily influenced by the country's economic conditions. In 2018, the property & real estate sector was not in a good and strong condition for growth (Budi & Dillak, 2022). As a result, in 2019 property sales did not increase significantly at all (Budi & Dillak, 2022). One reason the property & real estate sector has not performed well in recent years is the increase in land prices which continue to rise every year due to limited supply and rising stock prices (Budi & Dillak, 2022).According to (Januar et al., 2020), there are two important problems that trigger company bankruptcy, namely internal and external problems. which is growing, so that the profits obtained by the company cannot cover its obligations. Meanwhile, external problems are usually triggered by the uncertain economy in Indonesia and in the world. Economic conditions that always change from time to time have affected company activities and performance, both small companies and large companies (Syuhada et al., 2020). Company competition with one another is also unavoidable, causing the costs incurred by the company to be higher, this condition will affect the company. This is a risk for a company experiencing financial difficulties and even bankruptcy if the company is not ready to face the conditions that are developing at this time. In addition, the corona virus disease (covid-19) pandemic has added to the threat of potential financial distress for property & real estate companies (Bramantha & Yadnyana, 2022).Corona virus disease 19 (covid-19) originated from Wuhan, China and eventually spread throughout the world and ultimately had a direct impact on the nation's economy, including Indonesia. The Indonesian government announced the entry of the covid-19 pandemic in early March 2020 (Saadah & Salta, 2021). With the existence of a policy of imposing restrictions on community activities, it hampers all company activities, both internal and external (Subagyo et al., 2022). Many companies have to employ their employees from home or it can also be called Work From Home (WFH) (Dewi et al., 2022). Covid-19 has had a huge impact on the economic sector in the world, including in Indonesia (Bramantha & Yadnyana, 2022). The first impact is weakening household consumption or weakening people's purchasing power (Bramantha & Yadnyana, 2022).

The second impact is creating uncertainty when Covid-19 will end, weakening the investment sector, and disrupting business (Bramantha & Yadnyana, 2022). The third impact is the weakening of the economy which causes commodity prices to decline (Bramantha & Yadnyana, 2022). In addition, the Covid-19 pandemic also affected the Indonesian Stock Exchange (Saadah & Salta, 2021). Covid-pandemic This causes the company's income to decrease, but the company must still incur fixed costs (Dewi et al., 2022). This can increase the risk of financial distress because it is increasingly difficult for companies to find cash to fulfill their obligations (Dewi et al., 2022). By identifying financial reports since financial distress is low or is on during the Covid-19 pandemic (Bramantha & Yadnyana, 2022). The approach taken to overcome symptoms of financial distress can be seen from the value of the interest coverage ratio (ICR), which is the comparison between operating profit and interest expense (Rinesa & Purba, 2022.According to (Sudaryanti & Dinar, 2019), financial distress is a term used to refer to the condition of a company that is in a condition where it is unable to fulfill its financial obligations following what has been previously determined. According to (Chandra et al., 2021), financial distress is financial difficulty or liquidity which may be the start of bankruptcy. Financial distress is a step taken company before a financial downturn occurs in the company (Wulandari & Jaeni, 2021). Financial distress can occur because the company is not good at managing its finances and causes losses, if these losses occur continuously, it can cause the company to go bankrupt (Wulandari & Jaeni, 2021). This happened because when the financial situation was in a crisis, where in a crisis the company experienced a decrease in funds in running its business which could be due to a decrease in sales or operating results carried out by the company to earn profits, but the income or results obtained were not proportional to obligations or debts that are more than income or results and are past due (Sutra & Mais, 2019). Every company needs to know the signs of a company experiencing financial distress through financial performance and managers can be assisted in making financial decisions so they can avoid bankruptcy (Kusumawati & Birnanitta, 2020).

Factors causing bankruptcy in Indonesia, namely, companies are not able to capture consumer needs where a company must be able to capture consumer needs so that services or products provided by companies can be accepted by the market, companies stop innovating, and the occurrence of failed investment problems that can affect finances company and the results obtained are not as expected by the company (Januar et al., 2020). The financial distress conditions that occur in companies can be predicted by looking at the company's financial statements by analyzing financial reports using financial ratios, financial ratios can describe the good or bad financial condition of the company, including financial distress (Susilowati & Fadlillah, 2019). Companies use financial ratios as a form of warning in predicting financial distress so that it will make the company act quickly to prevent financial difficulties from occurring (Yosandra & Sembiring, 2022).In reducing the risk of bankruptcy, companies need to analyze the causes of financial distress (Wulandari & Jaeni, 2021). Many factors affect financial distress including operating cash flow, operating capacity, and sales growth. This research will examines the factors that cause financial distress in properties & real estate companies listed on the Indonesia Stock Exchange.

THEORETICAL REVIEW

Signal Theory

According to (Sudaryanti & Dinar, 2019), signaling theory explains the motivation or reason for a company to provide certain information to outsiders. In signal theory, it is said that signal theory is used to explain that financial reports are used to provide positive signals (good news) and negative signals (bad news) to users, both internal and external parties (Sutra & Mais, 2019). The signal theory is related to determining whether a company has good financial performance or not so that it can be said that the company is in a healthy or unhealthy state (Syuhada et al., 2020). By knowing if the company is in an unhealthy condition or in sense that it has poor financial performance, management can find it easier to find out the company's financial risk conditions and immediately make a strategy to deal with these problems (Asfali, 2019). Information about a company's financial distress is very important to know early so that financial distress can be minimized that company bankruptcy can be avoided (Asfali, 2019**).**

Financial Distress

Financial distress is a situation where a company experiences financial difficulties which is characterized by the cash flow that the company obtains is not sufficient to meet long-term and short-term obligations and the company is required to make corrections to company activities (Sutra & Mais, 2019). Financial distress starts with the company's inability to pay its short-term obligations to obligations that are included in the long-term category (Kusumawati & Birnanitta, 2020). When a company's financial condition weakens, company stakeholders such as creditors and shareholders will lose confidence in the company (Kusumawati & Birnanitta, 2020). The characteristics of a company that is experiencing financial distress, namely, the company's financial performance are declining, the company's inability to pay its obligations, the dividend payment has stopped, and the company has laid off its workforce (Sutra & Mais, 2019). According to (Suprihatin et al., 2022) the benefits are obtained by companies if they know information about financial distress conditions, namely company management can immediately take steps to prevent bankruptcy in the company, companies can find alternative solutions by carrying out a merger or acquisition process so that companies can carry out their obligations to pay off debts and improve corporate governance, and financial distress is a kind of reminder of corporate bankruptcy in the future.

According to (Arifin, 2018) (Yosandra & Sembiring, 2022) there are several ways that can be done by companies to overcome financial distress conditions, namely among others companies can change debt into receivables, companies can reduce capital and research and development carried out, and Also, companies can negotiate with banks and creditors.

Operating Cash Flow

Operating cash flow is cash flow originating from company operations such as cash flow from sales of company goods and/or services and purchases of raw materials (Cardilla et al., 2019). Operating cash flows occur based on the company's operating activities, which are used as indicators in terms of determining the company's ability to obtain cash flows as financing for capital loans, maintenance of company operations, payment of dividends, and not using funding outside the company to invest (Aini & Zuraida, 2020). Operating cash flow includes the cash effect of transactions that generate income and expenses, and is then included in the determination of net income. This source of cash is generally considered the best measure of a company's ability to obtain sufficient funds to continue its business (Nursita, 2021).According to (Kanzha & Muslih, 2020) (Wulandari

& Jaeni, 2021), operating cash flow plays a role in providing relevant information regarding cash inflows and cash outflows in financial statements consist of operating, financing and investment activities. Operating cash flow determines whether the company's operational activities want to create cash for operational continuity, pay expenses and loans, and pay dividends to shareholders (Feanie & Dillak, 2021). Operating cash flow is used to support company operations in order to achieve the highest possible profit (Cardilla et al., 2019). Thus, the availability of adequate and well-managed operating cash flow will encourage an increase in company profits (Cardilla et al., 2019).

Operating Capacity

Operating capacity is an efficiency ratio that is useful for measuring companies in the use of their assets (Sutra & Mais, 2019). Operating capacity measures the operational efficiency of a company which shows how much asset capability is capable of creating sales (Larasati & Wahyudin, 2019). This shows the company's ability to effectively utilize its total assets to increase sales (Utama & Setiawati, 2022). Operating capacity is used to see how much a company is able to manage its financial performance in the form of company assets for its operational activities (Susilowati & Fadlillah, 2019). The use of assets is very important for the survival of the company (Sutra & Mais, 2019).

Sales Growth

According to (Hidayat, 2021), sales growth is a condition of increasing business results in order to improve business/business conditions and company progress. According to (Widhiari & Merkusiwati, 2015) in (Subagyo et al., 2022), sales growth shows the success of a company's investment in the past period and can be used to predict the company's sustainability in the coming period. An increased sales growth ratio shows that the company is able to carry out and achieve company targets because the percentage of sales has increased from year to year (Amanda & Tasman, 2019). Sales growth is used to predict growth in the coming year to reflect the percentage of past investment success (Dianova & Nahumury, 2019). Sales growth companies are expected to grow continuously, even though the implementation is determined by economic conditions and managerial capabilities (Hidayat, 2021). According to (Subramanyam, 2014) (Mardaningsih et al., 2021), sales growth can change due to several factors including price changes, acquisitions or divestments, exchange rate changes, and volume changes.

Effect of Operating Cash Flow on Financial Distress

Based on the signal theory used, operating cash flow can provide positive or negative signals to users of financial statements, one of which is creditors (Tutliha & Rahayu, 2019). A good amount of cash flow indicates that the company has generated sufficient cash flow to pay off loans, maintain the entity's operating capabilities, pay dividends, and make new investments without the help of outside funding sources, so creditors will receive this positive signal indicating that the company has no potential to experience financial distress (Tutliha & Rahayu, 2019). Conversely, the smaller the value of operating cash flow, the greater the potential for a company to experience financial distress, therefore the company should manage its finances efficiently in operating activities so as to get a profitable investment for the company (Rinesa & Purba, 2022). Companies that experience symptoms of financial distress cause operating cash flow to be very low so that cash outlays are greater than cash income generated and it is possible for companies to be unhealthy in running their business (Rinesa & Purba, 2022).In accordance with research conducted by (Tutliha & Rahayu, 2019) shows that operating cash flow has a positive effect on financial distress. These results are in line with research conducted by (Prabawati et al., 2021) which shows that operating cash flow has a significant effect on financial distress. Based on the results of several previous studies, the hypothesis can be formulated as follows:

H1: Operating cash flow has a positive effect on financial distress

Effect of Operating Capacity on Financial Distress

If the company maintains total asset turnover properly, then this will indicate that the company has managed the company's resources optimally (Maronrong et al., 2022). A high operating capacity indicates that the company is successful in marketing its products so that it will increase sales and ultimately increase the profits the company earns (Setyowati & Sari, 2019). The higher the level of operating capacity of a company, the smaller the level of financial distress because the company is able to generate profits (Setyowati & Sari, 2019). Conversely, if the level of operating capacity is low, the company cannot generate sales in proportion to its assets (Setyowati & Sari, 2019). Companies with sales of small value compared to high-value company assets show less effective company performance, if this continues, the company will have the potential to experience financial distress (Susilowati & Fadlillah, 2019). According to (Yustika, 2015) (Hikmawati, 2022), when the level of utilization in the use of company assets is not able to reach the maximum point, the company's revenue generation may not be optimal which results in the company experiencing financial distress. Therefore it can be concluded that the higher the operating capacity value, the higher the ICR value and the lower the risk of financial distress (Larasati & Wahyudin, 2019). In accordance with research conducted (Larasati & Wahyudin, 2019) shows that operating capacity affects financial distress. Based on the results of previous research, the hypothesis can be formulated as follows:

H2: Operating capacity has a positive effect on financial distress

Effect of Sales Growth on Financial Distress

Companies with good sales growth will give a positive signal to all parties because companies have a tendency to be able to maintain the company's survival (Utama & Setiawati, 2022). According to (Kua, 2021) in (Kusuma et al., 2022), the higher the level of sales growth, the the possibility of a company experiencing financial distress is getting lower, thus both investors and creditors are interested in investing in the company. Conversely, the level of sales growth which continues to decline from year to year indicates that the company is not optimal in carrying out its marketing, sales, and activity strategies so the company experiences losses from these sales and increases the potential for financial distress (Kusuma et al., 2022). In accordance with research conducted by (Kusuma et al., 2022) shows that sales growth has an effect on financial distress. These results are in line with research conducted by (Asfali, 2019) which shows that sales growth has a positive and insignificant effect on financial distress. Based on the results of several previous studies, the hypothesis that can be formulated is as follows:

H3: Sales growth has a positive effect on financial distress

Effect of Operating Cash Flow, Operating Capacity. and Sales Growth Against Financial Distress

Operating cash flow, operating capacity, and sales growth play an important role in providing positive and negative signals for internal and external parties of the company. Operating cash flow, operating capacity, and sales growth can show the state of the company, whether it is experiencing financial distress or not experiencing financial distress. In accordance with research conducted by (Wulandari & Jaeni, 2021) shows that simultaneously, operating cash flow, operating capacity, and sales growth simultaneously affect financial distress. Furthermore, according to research conducted by (Tutliha & Rahayu, 2019) shows that partially, operating cash flow has a positive effect on financial distress. Furthermore, according to research conducted by (Larasati & Wahyudin, 2019) shows that partially, operating capacity affects financial distress. Next, research conducted by (Kusuma et al., 2022) shows that partially, sales growth has an effect on financial distress.

H4: Operating cash flow, operating capacity, and sales growth have an effect on financial distress

METHODOLOGY

Population and Sample

The population taken in this study is properties & real estate companies listed on the Indonesia Stock Exchange for the period 2017-2021. The sampling method used in this research is purposive sampling, so the companies used as samples in this study consisted of 10 properties & real

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estate companies that met the criteria of this study.

Data Types and Sources

The type of data used in this research is secondary data. The data needed for this research are the financial statements of properties & real estate companies listed on the Indonesia Stock Exchange for the 2017-2021 period. The financial statements were obtained by researchers through the Indonesian Stock Exchange website (www.idx.co.id), from the official websites of each company, and from the website www.idnfinancials.com.

Operational definition and measurement of variabels

Table 1. Operational Variables

No	Variable	Indicator	Scale	Reference
1	*Financial Distress* (Y)	$ICR = \frac{EBIT}{Interest\ Expense}$	Ratio	Mustahgfiroh dan Lisiantara (2021)
2	**Cash Flow Operation (X1)**	$\textbf{Arus Kas Operasi} = \frac{\textbf{Cash Flow Operation}}{\textbf{Total Asset}}$	**Ratio**	**Wulandari dan Jaeni (2021)**
3	*Operating Capacity* (X2)	$TATO = \frac{Sales}{Total\ Asset}$	Ratio	Wulandari dan Jaeni (2021)
4	*Sales Growth* (X3)	$Sales\ Growth = \frac{Sales\ t - Sales\ t-1}{Sales\ t-1}$	Ratio	Wulandari dan Jaeni (2021)

RESULTS

Descriptive Statical Analysis

Table 2. Descriptive Statical Test Result

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Financial Distress	50	-30.44	32.33	4.5132	8.86030
Cash Flow Operation	50	-.24	.10	.0224	.05412
Operating Capacity	50	.02	.28	.1812	.06817
Sales Growth	50	-.77	8.09	.1286	1.18342

Source: secondary data processed by researchers, 2022

The average value of financial distress at properties & real estate companies on the Indonesia Stock Exchange for the 2017-2021 period whose measurement uses a comparison of EBIT or net profit before interest expense and taxes with interest expense obtained at 4.5132, the lowest value is -30.44, the highest value is 32.33, and the resulting standard deviation value is 8.86030. By looking at the closeness of the average value to the maximum (highest) value, it can be concluded that the companies under study tend not to experience financial distress.

The average value of operating cash flow in properties & real estate companies on the Indonesia Stock Exchange for the 2017-2021 period, which is measured using a ratio of operating cash flows to total assets, is 0.0224, the lowest value is -0.24, the highest value is 0. 10, and the resulting standard deviation value is 0.05412. By looking at the closeness of the average value to the minimum (lowest) value, it can be concluded that the companies sampled in this study tend to have relatively small operating cash flows.

The average operating capacity value in properties & real estate companies on the Indonesia Stock Exchange for the 2017-2021 period, which is measured using a comparison of sales to total assets, is 0.1812, the lowest value is 0.02, the highest value is 0.28, and the highest value is The resulting standard deviation is 0.06817. By looking at the closeness of the average value to the maximum (highest) value, it can be concluded that the companies that are the sample in this study tend to have high operating capacity.

The average value of sales growth in properties & real estate companies on the Indonesia Stock Exchange for the 2017-2021 period, which is measured using a comparison of current year sales less the previous year's sales and the previous year's sales, the lowest value is -0.77, the highest value is 8.09, and the resulting standard deviation value is 1.18342.By looking at the closeness of the average value to the minimum (lowest) value, it can be concluded that the companies sampled in this study tend to have relatively small sales growth.

Test of Classical Assumptions

Table 3 *Classic assumption test*

Normality Test	One-Sample Kolmogorov-Smirnov Test	Asymp. Sig. (2-tailed) ; 0.190
Multikollinearity Test Coefficient	Variable - Cash Flow Operation - Operating Capacity - Sales Growth	Tolerance VIF 0,845 1,184 0,846 1,182 0,928 1,077
Heteroskedasticity Test	Correlation is significant at : 0.01 level (2-tailed).	0.01 level (2-tailed) : 0.653
Outocorellation Test	Durbin Watson	1.712

Source: IBM SPSS Statistics 23 (data processed)

Based on table 3. Normality test results above with the One-Sample Kolmogorov-Smirnov Test, it is known that the value of Asymp. Sig. (2-tailed) is greater than 0.05. namely: 0.190, it can be concluded that the data is normally distributed**.**

Based on Table.3. The multicollinearity test above shows that all independent variables have a tolerance value greater than 0.01. So it can be concluded that in this study there were no symptoms of multicollinearity.

Based on table.3. the heteroscedasticity test above shows that the independent variable has a significance above 0.05. of 0.653. So it can be concluded that in this study there were no symptoms of heteroscedasticity.

Based on Table 3. the results of the autocorrelation test above show that the DW value is 1.712. So it can be concluded that this study does not occur autocorrelation because DU < DW < 4-DU (1.6739 < 1.712 < 2.3261).

Table 4 *Regression Analysis*

	B	**Std.dev**	**t**	**Sig.**
(Constant)	-2,470	3,546	-0,697	0,490
Cash Flow Operating	-33,858	24,361	-1,390	0.171
Operating Capacity	41,754	19,325	2,161	0.036
Sales Growth	1,367	1,063	1,286	0.205
R	0,374			
Adj. R Square	0,084			
F-Statistics	0.046[b]			

Source: IBM SPSS Statistics 23 (data processed)

DISCUSSION

Effect of Operating Cash Flow on Financial Distress

Based on Table.4. that the significance value is above 0.05 (0.171 ≥ 0.05) it can be concluded that partially operating cash flow does not affect financial distress. Operating cash flow does not affect financial distress because the company's operating cash flow tends to be small, thus giving an illustration that the company is less able to improve its operational activities such as paying off loans to creditors. When a company is unable to fulfill its obligations it will have an impact on the company's financial health which is not good so the company can be at risk of experiencing financial distress. Operating cash flow is cash flow from the company's operational activities (Sembiring, 2022). The high and low operating cash flows cannot explain and increase financial distress (Wulandari & Jaeni, 2021). Companies that have a high level of operating cash flow are at risk of experiencing financial distress if the company is unable to improve its operational activities such as paying off loans to creditors (Fitri & Dillak, 2020). Conversely, a company that has a high level of operating cash flow can avoid financial distress if the company can manage operating cash flow for its operational activities and can fulfill the company's short-term obligations (Fitri & Dillak, 2020).

Good operating cash flow does not guarantee that the industry is free from financial distress situations because for some industries many other views are references in the sustainability of industry operations (Feanie & Dillak, 2021). Operating cash flows have sources of information that are interconnected and interdependent between activities in the cash flow (Wulandari & Jaeni, 2021). The cash flow statement consists of operating, investing, and financing activities. The cash flow statement contains operating activities which only provide information about the operational activities carried out by the company

(Wulandari & Jaeni, 2021). The results of this study are in line with research conducted by (Feanie & Dillak, 2021), (Fitri & Dillak, 2020), and (Wulandari & Jaeni, 2021) which show that operating cash flow does not affect financial distress.

Effect of Operating Capacity on Financial Distress

Based on Table 4, that the significance value is below 0.05 (0.036 ≤ 0.05) it can be concluded that partially operating capacity has a positive effect on financial distress. Operating capacity has a positive effect on financial distress because the operating capacity of the company tends to be high so it illustrates that the company is effective in using company assets to generate sales. The more effective management's performance in using company assets to create sales, the greater the profit that will be obtained by the company. This has an impact on the company's financial health which is getting better so that it will reduce the risk of financial distress.

Operating capacity is an efficiency ratio that is useful for measuring companies' use of their assets (Sutra & Mais, 2019). If a company has a high level of operating capacity, the company's financial health will increase as indicated by a higher ICR value (Larasati & Wahyudin, 2019). Because the ICR value is higher, the company's risk of experiencing financial distress will be lower (Larasati & Wahyudin, 2019). When company assets cannot be utilized optimally, the company's profits will not be optimal resulting in a greater risk of financial distress (Larasati & Wahyudin, 2019). Conversely, if management is able to optimize the company's assets well, the company's income will be greater so that it will protect the company from financial distress (Larasati & Wahyudin, 2019). The results of this study are in line with research conducted by (Larasati & Wahyudin, 2019), (Maronrong et al., 2022), and (Prabowo & Iswanaji, 2022) which show that operating capacity affects financial distress.

Effect of Sales Growth on Financial Distress

Based on Table 4, that the significance value is above 0.05 (0.205 ≥ 0.05) it can be concluded that partially sales growth has no effect on financial distress. Sales growth has no effect on financial distress because the company's sales growth tends to be small, so it illustrates that the company is less able to increase sales every year. When a company's sales do not increase every year, it can put the company at risk of experiencing financial distress because it is feared that the company will suffer losses from small sales. Sales growth or sales growth ratio is a ratio used to predict a company's growth in the future, this ratio also reflects the successful implementation of investments made by the company in the past period which can be used as a prediction of the company's growth in the coming period (Sutra & Mais, 2019). If the company's sales are high, it is likely that the company can be free from financial distress (Wulandari & Jaeni, 2021).

However, if sales decrease, it can be said that the company is not doing well and can be said to be experiencing financial distress (Wulandari & Jaeni, 2021). Basically, sales growth in providing information to investors has not been able to convey it accurately (Wulandari & Jaeni, 2021). The results of this study are in line with research conducted by (Muzharoatiningsih, 2022), (Prasetya & Oktavianna, 2021), and (Wulandari & 58 Jaeni, 2021) which shows that sales growth has no effect on financial distress.

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Based on Table 4, the value of the F-statistic is less than 0.05, namely: 0.046, it can be concluded that simultaneously operating cash flow, operating capacity, and sales growth affect financial distress. Even though the company has a small operating cash flow and is less able to increase sales every year, at the same time the company also has a high operating capacity meaning that the company can utilize its assets to create sales, this can reduce the risk of property & real estate companies experiencing financial distress. These results are in line with research conducted by (Wulandari & Jaeni, 2021) which shows that operating cash flow, operating capacity, and sales growth simultaneously affect financial distress**.**

Based on Table 4, the value of the coefficient of determination (Adjust R Square) is 0.084 which shows the magnitude of the influence of operating cash flow, operating capacity, and sales growth on financial distress of 8.4%, while as much as 91.6% is influenced by other independent variables which were not examined in this study.

CONCLUSION AND RECOMMENDATION

Based on the test results and discussion regarding the Effect of Operating Cash Flow, Operating Capacity, and Sales Growth on Financial Distress in Properties & Real Estate Companies Listed on the Indonesia Stock Exchange for the 2017-2021 period, the researchers concluded that: Operating cash flow has no effect on financial distress in properties & real estate companies. Operating cash flow does not affect financial distress because the company's operating cash flow tends to be small, thus giving an illustration that the company is less able to improve its operational activities such as paying off loans to creditors. This will result in the company being at risk of experiencing financial distress.

Operating capacity has a positive effect on financial distress in properties & real estate companies. Operating capacity affects financial distress because the operating capacity of the company tends to be high so it illustrates that the company is effective in using company assets to create sales. This can reduce the risk of the company experiencing financial distress.

Sales growth does not affect financial distress in properties & real estate companies. Sales growth does not affect financial distress because the company's sales growth tends to be small, so it illustrates that the company is less able to increase sales every year. This will result in the company being at risk of experiencing financial distress. Operating cash flow, operating capacity, and sales growth simultaneously affect financial distress in properties & real estate companies. Even though the company has an operating cash flow that tends to be small and is less able to increase sales each year, at the same time the company also has an operating capacity which tends to be high, meaning that the company can utilize its assets to generate sales. This can reduce the risk of property & real estate companies experiencing financial distress.

ADVANCED RESEARCH

This research still has limitations so that further research is still needed on this topic.

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