



**THE INFLUENCE OF GOOD CORPORATE GOVERNANCE AND SALES
GROWTH ON FINANCIAL DISTRESS WITH OPERATIONAL EFFICIENCY
AS A MODERATING VARIABLE**

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Abstract

This research was built with the aim of testing and analyzing the influence of Good Corporate Governance (GCG) and sales growth on financial distress conditions, by presenting operational efficiency as a moderating variable. A quantitative approach was applied as the primary method, utilizing secondary data as the source of analysis. The research sample was determined through purposive sampling techniques on manufacturing companies in the food and beverage sub-sector listed on the Indonesia Stock Exchange during the 2020–2024 period. All data collected were then analyzed using WarpPLS 7.0 software as the relevant statistical testing instrument. The findings of this study reveal that financial distress is significantly influenced by both GCG and sales growth as independent variables. The role of operational efficiency as a moderating variable in influencing the relationship between GCG and sales growth on financial distress could not be concluded consistently.

Keywords: GCG, Sales Growth, Financial Distress, Operational Efficiency



INTRODUCTION

Business sustainability across various industrial sectors is one of the strategies for driving national economic growth — particularly the food and beverage sub-sector industry, which contributes to maintaining economic balance amid high consumer demand. However, especially since the outbreak of COVID-19, companies have faced significant challenges due to economic instability that can trigger global market financial crises. Although the food and beverage industry sector is considered relatively safe, there is a phenomenon showing that some companies are unable to maintain good financial performance. Companies approaching financial-distress risk experience ballooning operational expenses, declining profits, and an inability to manage cash flow (Aini et al., 2025). Companies are therefore required to adapt to changing market conditions by paying attention to governance management and operational effectiveness, in order to avoid the potential occurrence of *financial distress*.

Although the food and beverage sub-sector occupies a strategic position as one of the main contributors to the national economy, its existence is not automatically free from the threat of financial crises that could shake its stability at any time. The magnitude of this sector's contribution is reflected in 2023 data recording a contribution of 39.10% to the non-oil and gas industry's Gross Domestic Product, and 6.55% to the national GDP as a whole. However, this seemingly impressive picture of contribution must be read critically, alongside the empirical findings presented by (Erikawati et al., 2024), which reveal the surprising fact that of a total of 120 company-data points from the food and beverage sub-sector on the IDX for the 2020–2024 period, as many as 58 were indicated to be experiencing *financial distress*. An increasingly interesting phenomenon is the fact that sales growth — which is conventionally always associated as a marker of business success — turns out not to automatically guarantee a company's financial health. On the contrary, sales expansion that occurs too quickly without being accompanied by disciplined cost control actually has the potential to worsen the *financial distress* condition experienced by a company.

Financial distress is a phenomenon that is not unfamiliar in the manufacturing industry landscape, and its presence should be anticipated early. This condition generally begins when a company loses its ability to adapt to the dynamics of a changing business environment, so that it becomes trapped in a cycle of financial losses that occur successively and become increasingly difficult to control. If this financial pressure is not handled appropriately and measurably



in a timely manner, the company risks sliding into a much more difficult-to-resolve state of bankruptcy (Muslimin & Bahri, 2022). Chronologically, *financial distress* is a phase that precedes potential bankruptcy, and it begins to show its early signals when a company faces difficulty meeting its financial obligations on time (Ansari et al., 2025), which is then worsened by a bottleneck in operational cost flow that hinders the continuity of business activities as a whole.

Based on the identification of prior research, GCG (Good Corporate Governance) mechanisms and sales growth are among the causes capable of influencing financial difficulty. Corporate governance (GCG) is a mechanism in the management of a company's operational activities and decision-making, as it encompasses the governance structure and regulates the relationship between internal and external stakeholders, which can contribute to the company (Jouali et al., 2024). The effective implementation of GCG is believed to be able to reduce the chances of a company experiencing *financial distress*. However, findings from previous research show inconsistency. Some studies found that GCG influences the occurrence of financial distress, while in contrast, other researchers found that GCG has no effect on financial difficulty (Linanda et al., 2024), (Gaos & Mudjiyanti, 2021).

Similar inconsistency in findings has also emerged regarding the sales growth variable, which is one of the focuses of this study. Conceptually, sales growth is defined as a financial ratio representing a business entity's capacity to generate revenue through the sale of products in the form of goods or services, while also functioning as a predictive instrument for measuring a company's future growth trajectory (Fitriani, 2025). Within the generally accepted theoretical framework, companies that succeed in maintaining a high level of sales growth are believed to have a greater capacity to reduce their exposure to *financial distress* risk, given that a strong revenue stream naturally strengthens a company's financial foundation.

Nevertheless, the validity of this theoretical proposition is not fully confirmed empirically, as reflected in the landscape of prior research, which is colored by conflicting results. On one hand, (Muslimin & Bahri, 2022) found that sales growth has a significant influence on *financial distress* conditions, a finding that signals the relevance of sales growth as a predictor of financial difficulty. On the other hand, (R. Aini et al., 2025) instead produced an opposing conclusion, where sales growth was proven to have a negative influence on *financial distress*, meaning that the higher the level of sales growth achieved by a company, the smaller the probability of financial-difficulty conditions occurring. This



divergence in findings reinforces the urgency of further research to more deeply untangle this inconsistency.

The inconsistency present in the results of prior research, as previously described, does not fundamentally arise without an identifiable cause. (Fathurohman et al., 2025) asserted that this inconsistency stems from the existence of a number of internal factors that quietly play a role as mediators or moderators in the relationships between the variables studied. Among these internal factors, operational efficiency emerges as one of the leading candidates suspected to be most responsible for the emergence of the existing divergence in findings.

Conceptually, operational efficiency represents a company's ability to optimize the use of all available resources in order to produce products and services with as efficient a cost structure as possible, which is operationally proxied through the Total Asset Turnover (TATO) ratio. Companies that succeed in building a high level of operational efficiency are believed to have adequate absorption capacity against the pressure of operational cost burdens as well as additional costs arising from the implementation of corporate governance, without having to sacrifice their long-term financial stability (Sahlan & Abdi, 2022). This absorption capability is what makes operational efficiency highly relevant to be positioned as a moderating variable that has the potential to strengthen or weaken the influence of GCG and sales growth on *financial distress*. Furthermore, the limited academic exploration of the moderating role of operational efficiency in this context gives this research significant novelty value and enables it to fill a literature gap that has not been adequately touched upon.

Based on the entirety of the argumentation that has been built, this research formulates two main, interrelated objectives. First, to examine in depth and in a measurable way how GCG and sales growth influence *financial distress* conditions in companies in the food and beverage sub-sector. Second, to empirically prove whether operational efficiency is able to function as a moderating force that strengthens the role of GCG and sales growth in mitigating a company's bankruptcy risk. The results obtained from this research are expected not only to provide a theoretical contribution to the development of academic knowledge, but also to present practical implications that can serve as a valuable reference for managerial decision-making at the company level.



LITERATURE REVIEW

Agency Theory

Agency theory, according to (Jensen & Meckling, 1976), explains the relationship between two economic actors, namely the company owner (*Principal*) and management (agent). Agency theory represents the separation of power to the agent party (manager) to carry out work duties on behalf of the *principal*. When the goals of the *principal* and the agent are not aligned, this can give rise to a conflict of interest. A GCG mechanism is therefore needed to control and minimize this agency conflict.

In this research, operational efficiency acts as a moderating variable to test how effective the implementation of GCG is in preventing *financial distress*. GCG serves as a mitigation tool for operational and financial problems that can lead to distress (Yousaf et al., 2024). With the effective implementation of GCG, a company is able to reduce conflicts of interest (agency) by increasing accountability, transparency, and oversight of internal performance, thereby reducing the likelihood of *financial distress* occurring (Panigoro et al., 2023). Thus, Agency Theory serves to explain the relationship between GCG and *Financial Distress*.

Signalling Theory

Signalling Theory, formulated by (Ross, 1977), starts from the premise that management is a party that inherently possesses an informational advantage regarding a company's actual condition compared to any party outside the organization. Within this theoretical framework, a company's disclosure of information to the public is not merely an administrative obligation, but rather a signaling mechanism strategically aimed at shaping external investors' perceptions of the company's condition and prospects. Sales growth, in this context, is conceptualized as one of the positive signals most easily captured by external parties, namely as an indicator that a company is in a financially healthy condition and relatively protected from the threat of financial difficulty (Spence, 1973).

Within the framework of this research, *sales growth* is positioned as the primary signal representing a company's overall performance and growth capacity. In general, companies that succeed in recording sales growth at a high level will be perceived by the market as entities with a solid consumer demand base and a promising growth trajectory. However, empirical reality often shows that an increase in sales volume is not always directly proportional to the company's actual financial strength. Therefore, effective operational efficiency



becomes a prerequisite that cannot be ignored in accurately interpreting the sales-growth signal, because it is only when sales growth is accompanied by disciplined cost control that the signal truly reflects financial stability and the sustainability of the company's profits in the long term (Kinanti & Arsjah, 2025). On this basis, *Signalling Theory* is used in this research as the theoretical foundation for explaining and interpreting the complexity of the relationship between *sales growth* and *financial distress*.

Financial Distress

Financial distress is defined as a condition in which a company faces serious financial pressure, concretely marked by the emergence of short-term financial problems, increasing bankruptcy risk, or a condition in which the total liabilities borne by the company have exceeded the value of its assets (Aini & Akbar, 2024). Furthermore, (Platt & Platt, 2002) asserted that *financial distress* is essentially a phase of financial deterioration experienced by a company before that condition escalates into actual bankruptcy. Thus, *financial distress* can be understood as an early-warning signal which, if not immediately responded to with appropriate and measurable handling steps, will open the way for the company toward bankruptcy that is far more difficult to recover from (Muslimin & Bahri, 2022).

Within the operational framework of this research, the measurement of *financial distress* is carried out using the *Altman Z-Score* model, which has been widely proven as a reliable instrument for evaluating a company's financial health. Specifically, the variant applied is the modified *Altman Z-Score* model, developed by (Altman, 1968), which integrates various relevant financial ratios as calculation components in predicting the probability of a company experiencing bankruptcy. The mathematical formulation used in this model is as follows:

$$Z = 6.56X_1 + 3.26X_2 + 6.72X_3 + 1.05X_4$$

Good Corporate Governance (GCG)

Good Corporate Governance (GCG) can conceptually be understood as a set of mechanisms designed to regulate, align, and balance the interests of various parties, both internal and external to the company, with the primary orientation of maintaining the company's continuity and sustainability over the long-term horizon (Jensen & Meckling, 1976). In its operational dimension, GCG is a governance process that encompasses the functions of regulating, implementing, and overseeing overall operational control of the company. The ultimate goal of this process is to maximize the company's value and profit, achieved through clarity in the distribution of responsibility for every policy adopted and ensuring alignment of interests among all stakeholders involved (Yuliani & Rahmatiasari,



2021). When GCG is implemented effectively and consistently, the likelihood of *financial distress* risk emerging can be suppressed to as minimal a level as possible.

This research specifically focuses its attention on the internal-oversight dimension as a concrete manifestation of GCG implementation, operationalized through the proportion of independent commissioners within a company's board-of-commissioners structure. The presence of independent commissioners in an adequate proportion is expected to serve as an effective counterbalance in narrowing the information-asymmetry gap that often exists between the company's owners as principal and management as agent. With this informational gap narrowed, the room for opportunistic management behavior — which has long been one of the main catalysts of *financial distress* — can be significantly reduced, so that the company's financial stability can be maintained more sustainably (Zuhairroh et al., 2025).

$$\text{Independent Commissioners} = \frac{\text{Number of Independent Commissioners}}{\text{Total Board of Commissioners}}$$

Sales Growth

Sales Growth is a financial-performance-ratio indicator that measures a company's sales level from one period to the next. The level of *sales growth* reflects a company's good performance as well as its competitiveness in maintaining its market position (Mafiroh & Mu'arif, 2025). In general, high *sales growth* indicates increasing demand for goods, which is expected to improve a company's finances and prevent potential *financial distress*. However, high *sales growth* can also carry financial risk if the company is unable to control its operational costs.

$$\text{Sales Growth} = \frac{\text{Sales}_t - \text{Sales}_{t-1}}{\text{Sales}_{t-1}}$$

Operational Efficiency

Operational Efficiency is a measurement reflecting a company's ability to optimize its total assets with the aim of generating income from sales. Operational efficiency is measured through the Total Asset Turnover (TATO) ratio, calculating total net income against total assets. The larger the TATO value, the more efficient a company is at optimizing its assets to generate income (revenue) (Sahlan & Abdi, 2022). Efficiency is an important factor in strengthening the influence of governance on a company's financial stability (Anggraeni et al., 2025). Operational Efficiency is proxied through *Total Asset Turnover* (TATO).

$$\text{TATO} = \frac{\text{Sales}}{\text{Total Assets}}$$



Hypothesis Development

The Influence of GCG on *Financial Distress*

In this research, GCG is proxied through the independent board of commissioners. The independent board of commissioners has an important role in a company, functioning as an oversight organ for the performance of the board of directors (Prasetya & Carolina, 2023). One of the oversight functions carried out is providing transparent information to prevent misinformation. This aligns with agency theory, in that with the effective implementation of GCG, a company is able to reduce conflicts of interest among the relevant parties.

Based on research by (Sa'diah & Utomo, 2021), it was found that independent commissioners have a negative influence on *financial distress*. In other research, it was stated that GCG has a significant influence on *financial distress*, meaning that *financial distress* is greatly influenced by management involvement (Muslimin & Bahri, 2022). Based on this explanation, the hypothesis for this research is as follows:

H1: Good Corporate Governance has a negative effect on Financial Distress

The Influence of Sales Growth on *Financial Distress*

Sales growth is a financial ratio that describes the level of growth in sales and assets in each ongoing period (Romadhoni, 2022). As a financial indicator, this ratio specifically illustrates the extent of a company's ability to grow its sales volume gradually and sustainably from one period to the next. From a market perspective, positive sales growth is often interpreted by external parties as an encouraging signal, reflecting that a company has promising business prospects and wide-open growth opportunities. However, a high sales-growth figure is not automatically free from financial consequences that need to be watched for, because without effective and disciplined operational cost control, rapid sales growth actually has the potential to expose a company to financial risks that are no less serious.

This argument is reinforced by a number of relevant empirical findings. (Delia et al., 2024) asserted that sales growth has a negative influence on *financial distress*, meaning that an increase in sales growth contributes to a decrease in the probability of financial-difficulty occurring. In line with the relevance of this variable, (Panigoro et al., 2023) also proved that *sales growth* has a significant influence on *financial distress*, confirming that a company's financial-difficulty condition is greatly influenced by the dynamics of sales growth that occur. Based



on the entirety of the theoretical foundation and empirical evidence presented, the hypothesis for this research is formulated as follows:

H2: Sales Growth has a negative effect on Financial Distress

Operational Efficiency in Moderating the Influence of GCG on *Financial Distress*

Operational Efficiency is a measurement that reflects a company's ability to optimize resources. In agency theory, operational efficiency can help independent oversight, making it easier to balance the interests of the parties involved (Kadek et al., 2025). Good GCG implementation cannot guarantee results if a company does not implement operations efficiently. A company with high operational efficiency demonstrates the ability to optimize company assets, so that GCG implementation will be more effective in preventing *financial distress*. This is reinforced by previous researchers, who stated that the operational-efficiency moderating variable has an important role in moderating the influence of governance on a company's financial condition.

H3: Operational Efficiency moderates the effect of GCG on Financial Distress

Operational Efficiency in Moderating the Influence of *Sales Growth* on *Financial Distress*

Sales Growth describes a company's capability to gradually increase sales. High sales growth can boost a company's revenue, thereby decreasing the likelihood of *financial distress* risk. However, this influence occurs because the company is able to run its operations efficiently. A company with high operational efficiency demonstrates the ability to optimize company assets, so that *sales growth* increases and financial-difficulty risk decreases. This is reinforced by previous researchers, who stated that profitability is able to moderate the relationship between *sales growth* and *financial distress* (Nancy Dwiyantri & Sri Rahayu, 2025).

H4: Operational Efficiency moderates the effect of Sales Growth on Financial Distress

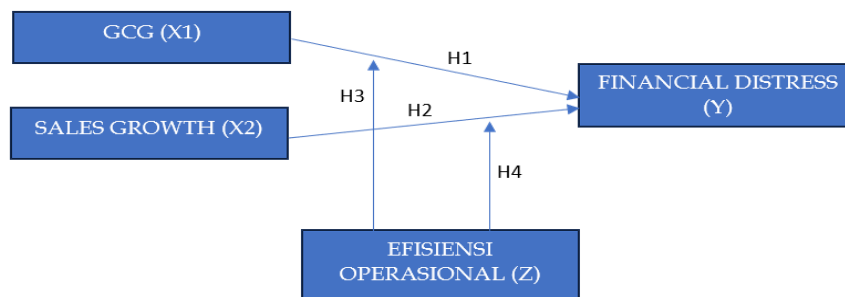




Figure 1.
Conceptual Framework

RESEARCH METHOD

This research is designed using a quantitative approach with an associative research type, given that this framework is most appropriate for tracing and proving the causal relationships that connect the independent, dependent, and moderating variables tested simultaneously. The researchers collected secondary panel data sourced from the annual financial statements of manufacturing companies in the food and beverage sub-sector actively listed on the Indonesia Stock Exchange (IDX) as the main analytical material. All food and beverage sub-sector manufacturing companies listed on the IDX throughout the 2020–2024 period form the population of this research, from which the researchers then selectively drew a sample using the *purposive sampling* method based on specific criteria adjusted to the context and needs of the research.

The researchers chose *Partial Least Squares Structural Equation Modeling* (PLS-SEM) via WarpPLS 7.0 software as the main analysis technique on the basis of two strong methodological considerations. First, PLS does not require normality of data distribution, making it far more compatible with the characteristics of financial data, which are generally not normally distributed. Second, PLS is able to accommodate complex models with moderating variables directly, without requiring complicated additional procedures.

The researchers then evaluated the research model through two tiered and complementary stages. In the first stage, the researchers evaluated the *outer model* (measurement model) to verify the validity and reliability of each construct through VIF values and the significance of the *weights*. In the second stage, the researchers evaluated the structural model to confirm the overall model fit while also proving the research hypotheses through the APC, ARS, AARS, and AVIF indices, reinforced by testing the path-coefficient values and *p-values* at a significance level of 5%.

RESULTS AND DISCUSSION

Table 1.

Outer Weight Test Results (Book Antiqua, 10pt)

Indicator	Type	P Value
GCG (KI) (X_1)	Reflective	<0.001
Sales Growth (X_2)	Reflective	<0.001
Operational Efficiency (TATO) (Z)	Reflective	<0.001



Indicator	Type	P Value
<i>Financial distress</i> (Y)	Reflective	<0.001
TATO*GCG	Reflective	<0.001
TATO*Sales Growth	Reflective	<0.001

Outer Weight Test

Based on Table 2 [sic — referring to Table 1], the output of the outer model test was obtained. The outer weight values show that all variables have a p-value of <0.001, or <0.05. This indicates that all variables in this study are indicated to have an absolute and reliable level of validity.

Table 2.

Inner Model Test Output (Book Antiqua, 10pt)

Test	Result	Conclusion
Average path coefficient (APC)	0.146, P=0.019	Meets requirements
Average R-squared (ARS)	0.041, P=0.156	Meets requirements
Average adjusted R-squared (AARS)	0.013, P=0.221	Meets requirements
Average block VIF (AVIF)	1.582	Meets requirements
Average full collinearity VIF (AFVIF)	1.034	Meets requirements
Tenhaus GoF	0.203	Meets requirements
Q-squared	0.137	Meets requirements
R-squared	0.041	Meets requirements
Adjusted R-squared	0.013	Meets requirements
Sympson's paradox ratio (SPR)	0.750	Meets requirements
R-squared contribution ratio (RSCR)	0.649	Meets requirements



Test	Result	Conclusion
Statistical suppression ratio (SSR)	1.000	Meets requirements
Nonlinear bivariate causality direction ratio (NLBCDR)	1.000	Meets requirements

Inner Model Test

Based on Table 2, the inner-model evaluation results were obtained. The calculation of the APC value at 0.019, or less than 0.05, indicates the model meets the requirements. The ARS and AARS values of 0.156 and 0.221 show that the significance requirements of the research model are met. The AVIF value of 1.582 and the AFVIF value of 1.034, both less than 5, indicate that no multicollinearity occurs in this research. The Tenhaus GoF value of 0.203 indicates the research model is classified as small. The Q-squared value obtained of 0.137 (> 0) indicates that this model has good predictive relevance. Meanwhile, the adjusted R-squared value obtained of 0.013 indicates that the influence within the relationship between the independent and dependent variables with the moderator falls into the category of a weak research model, given that the financial-difficulty condition of manufacturing companies is predominantly influenced by other external factors outside this research's structural model.

Hypothesis Testing

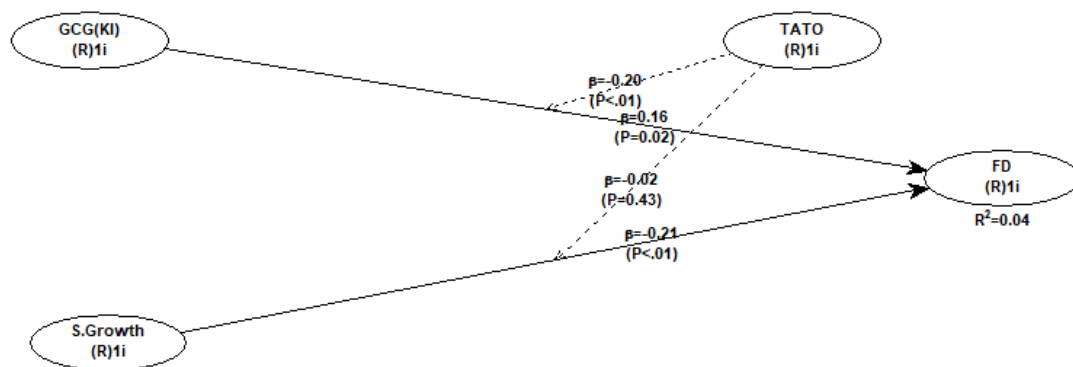


Figure 2.
Loading Factor Output, WarpPLS 7.0



Table 3.
Description of Hypothesis Results (Book Antiqua, 10pt)

Variable	Coefficient	P Value	Result	Note
GCG has a negative effect on <i>Financial distress</i>	0.16	0.02	Positive and significant effect	Rejected
Sales Growth has a negative effect on <i>financial distress</i>	-0.21	<0.01	Negative and significant effect	Accepted
Operational efficiency moderates the effect of GCG on <i>financial distress</i>	-0.20	<0.01	Operational efficiency can moderate, negative and significant	Accepted
Operational efficiency moderates the effect of sales growth on <i>financial distress</i>	-0.02	0.43	Operational efficiency cannot moderate, not significant	Rejected

Description of Hypothesis Results

Referring to the results of Hypothesis 1 testing presented in Table 3, GCG was proven to have a positive and significant influence on *financial distress*, with a p-value of 0.02, which is below the 0.05 significance threshold. The coefficient value obtained of 0.16 indicates a positive direction, meaning this finding is not in line with the direction of the hypothesis formulated previously, so H1 is declared rejected. Nevertheless, this result is in line with the findings of (Linanda et al., 2024), which consistently found that GCG has a positive and significant influence on *financial distress*. Within the framework of Agency Theory, a company that implements GCG mechanisms effectively and thoroughly is essentially building a defense system against agency conflicts of interest, which in turn narrows the chances of *financial distress* occurring in a measurable way (Panigoro et al., 2023).

Testing of Hypothesis 2 produced findings in a different direction. Sales growth was proven to have a negative and significant influence on *financial distress*, with a p-value of less than 0.01 and a coefficient value of -0.21, moving in a negative direction. This condition confirms that the research results are in line with the hypothesis proposed, so H2 is declared accepted. This finding reinforces and is in line with the results of the study by (Delia et al., 2024), which found a



negative and significant effect of sales growth on *financial distress*, meaning substantively that the lower the level of sales growth achieved by a company, the higher its exposure to financial-difficulty conditions. This finding is also consistent with the proposition of Signalling Theory, which asserts that high sales growth reflects increasing demand for the company's products — a signal expected to improve financial conditions while also distancing the company from the threat of *financial distress*.

Testing of Hypothesis 3 revealed that operational efficiency was proven able to moderate the relationship between GCG and *financial distress* negatively and significantly, with a p-value of less than 0.01 and a coefficient value of -0.20. This result places H3 in accepted status, as it is in line with the direction of the hypothesis proposed. Interestingly, this finding is contrary to the results of research by (Kadek et al., 2025), which stated that operational efficiency as a moderator actually strengthens the relationship between GCG and a company's financial condition. This finding carries an important implication that good GCG implementation alone is not sufficient to guarantee a company's financial health if it is not accompanied by efficient operational management. Companies that succeed in building a high level of operational efficiency demonstrate their capability to optimize all of their assets, making GCG implementation far more effective in shielding the company from *financial distress* risk.

Testing of Hypothesis 4 produced a contrasting conclusion, in which operational efficiency failed to prove its ability as a moderator in the relationship between sales growth and *financial distress*. The recorded p-value of 0.43 far exceeds the significance threshold, with a coefficient value of -0.02 that is not statistically meaningful, so H4 is declared rejected. This finding proves that operational efficiency does not have a significant interaction role in influencing the relationship between sales growth and *financial distress*. In fact, high sales growth on its own has already been able to drive an increase in company revenue, thereby suppressing the probability of *financial distress* occurring. Nevertheless, the optimal impact of this sales growth can only be fully realized if the company is simultaneously able to run its operations with a high level of efficiency through the maximal and planned utilization of resources.

CONCLUSION

Based on a series of empirical tests conducted using WarpPLS 7.0 software, this research produces four main conclusions, which can be formulated as follows.



1. GCG was proven to have a positive and significant influence on financial distress, so H1 is declared accepted.
2. Sales growth was proven to have a negative and significant influence on financial distress, meaning that the higher the sales growth achieved by a company, the lower the probability of financial difficulty occurring, so H2 is declared accepted.
3. Operational efficiency, positioned as a moderating variable, succeeded in proving its capability to significantly moderate the relationship between GCG and financial distress, so H3 is declared accepted.
4. In contrast to the results of the H3 test, operational efficiency failed to prove its role as a moderator in the relationship between sales growth and financial distress, with a statistically non-significant result, so H4 is declared rejected.

Overall, the findings of this research confirm that the independent variables tested, namely GCG and sales growth, are proven capable of exerting a meaningful influence on a company's financial-distress condition. As for operational efficiency as a moderating variable, the results are partial in nature, where moderation was proven effective only in the relationship between GCG and financial distress, while its role in moderating the influence of sales growth on financial distress could not be confirmed empirically.

Limitations and Suggestions

This research is not free from a number of limitations that need to be acknowledged transparently as part of scientific honesty. The most fundamental limitation lies in the low Adjusted R-Squared value, which only reached 0.013, or the equivalent of 1.3%. This figure indicates that, collectively, the GCG and sales growth variables moderated by TATO are only able to explain the variation occurring in *financial distress* to a very limited extent, while the remaining 98.7% is still explained by other factors outside the scope of this research model. This limitation is an important note that needs to be considered in interpreting the research findings proportionally.

Building on these limitations, this research formulates a number of constructive recommendations expected to serve as a guide for future researchers in strengthening the quality of future studies. From the analytical-instrumentation side, future researchers are advised to explore the use of alternative statistical software besides WarpPLS in order to broaden the resulting methodological perspective. From the measurement side, future researchers may consider incorporating other financial ratios as more diverse and representative proxies for the moderating variable. An expansion of the scope of independent variables is also highly recommended in order to strengthen the model's



predictive power in identifying and suppressing a company's bankruptcy risk more comprehensively. Finally, future researchers are advised to reach other industry sectors or sub-sectors as objects of study, so that the resulting findings have broader generalizability and a more significant empirical contribution to the development of corporate finance literature.

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