The Influence of Financial Ratio on Financial Distress Amidst the Israel Boycott Issue

Putri Wili Yustanti[1], Tutik Dwi Karyanti[2], Kenneth Pinandhito[3]

AFFILIATIONS
[1]Managerial Accounting, Semarang State Polytechnic, Indonesia
[2]Managerial Accounting, Semarang State Polytechnic, Indonesia
[3]Managerial Accounting, Semarang State Polytechnic, Indonesia

*Corresponding Author E-mail: pwiliyustanti@gmail.com

Abstract: The focus of this study is to examine how financial distress is impacted by liquidity, profitability, cash flow, and sales growth in companies that are listed on the IDX and are impacted by the boycott of Israel. This type of research is quantitive research this study utilizes secondary panel data obtained from the financial statements (balance sheets and income statements) of Indonesian Stock Exchange (IDX)-listed companies impacted by the Israeli boycott issue during the period first quarter of 2023 to the third quarter of 2024. Purposive sampling was used for the sample process, and a logistic regression model was processed using SPSS. The findings demonstrated that financial distress is significantly impacted by profitability and liquidity. However, financial distress is not much impacted by cash flow or sales growth.

Keywords: Boycott, Liquidity, Profitability, Cash Flow, Sales growth

INTRODUCTION
Introduction
The Boycott, Divestment, and Sanction (BDS) movement against Israel is a form of action that began in 2025 to protest the Israeli population in Palestine by boycotting Israeli products and businesses. This action continues to grow every year with various tactics and strategies. Until 2024, precisely in October, the conflict between Palestine and Israel re-occurred again and heated up. The BDS movement was again rife in several countries as a form of solidarity with the Palestinian people, including in Indonesia. In November 2024, Majelis Ulama Indonesia (MUI) has issued a formal Fatwa MUI, number 83 of 2024, which examines the legal aspects of supporting the Palestinian Fighters. The fatwa states that support for Palestine is obligatory, and.

Research purposes
The journal articles submitted will be subject to a review process in the first stage of selection which includes the article format and the Turnitin test results before proceeding to the next stage.

The plagiarism process uses the plagiarism tool, Turnitin. Turnitin yield limit on an article is 30% where for each source the maximum percentage of similarity is 4%. If the article exceeds this limit, the author will be asked to revise the article until it meets the Turnitin limit. AAMAR manager will contact you via e-mail aamar@polines.ac.id. Please check your inbox and spam folders so you don't miss the next step. Journal articles that are not suitable will be rejected by the AAMAR Manager and please re-submit the revised article by resubmitting it in OJS**.**

The Influence of Financial Ratio on Financial Distress Amidst the Israel Boycott Issue
Putri Wili Yustanti, Tutik Dwi Karyanti, Kenneth Pinandhit

LITERATURE REVIEW
Signaling Theory

Signal theory describes how companies convey specific information to external parties. According to Antoniawati & Purwohandoko (2022), this theory helps explain a company's financial condition and future prospects, particularly in financial distress situations. Financial statements of distressed companies reveal losses or declines, allowing managers to take preventive measures before liquidation and enabling external parties to assess the sustainability of their collaboration (Sumani, 2020). In this study, signal theory is reflected through profitability, liquidity, cash flow, and sales growth. Higher values in these financial ratios indicate a lower likelihood of financial distress, serving as a positive signal for stakeholders.

Financial Distress

Financial distress refers to a company's financial difficulties, which can be an early stage of bankruptcy. Gunawan et al. (2020), state that a company is considered to be in financial distress when its operating income is insufficient to cover its debts.

Rahmawati & Khoiruddin (2017), highlight several benefits of understanding a company's financial condition:
1. It serves as an early warning signal for potential bankruptcy.
2. It enables management to take preventive measures before bankruptcy occurs.
3. It allows management to improve company operations and enhance the firm's ability to meet its financial obligations.

RESEARCH METHODOLOGY

This type of research is quantitive research that emphasizes numbers so that the information obtained from the company will be measured using a certain formulation Sugiyono (2019). This study's main goal is to determine how independent factors like cash flow, sales growth, profitability (return on total assets), and liquidity (current asset) relate to the dependent variable, which is financial distress. This study utilizes secondary panel data obtained from the financial statements (balance sheets and income statements) of Indonesian Stock Exchange (IDX)-listed companies impacted by the Israeli boycott issue during the period first quarter of 2023 to the third quarter of 2024.

This study's population is companies that produce or distribute products affiliated with Israel according to https://bdsmovement.net/ . To expand the sample and also to allow analysis of financial distress conditions, the research period was taken from the first quarter of 2023 to the third quarter of 2024. The sample to be taken uses the purposive sampling method, with the following criteria:
1. Companies that manufacture or sell products associated with Israel based on https://bdsmovement.net/ .
2. Companies that manufacture or sell products associated with Israel are listed on the Indonesia Stock Exchange (IDX)
3. Companies that produce or distribute products affiliated with Israel are listed on the IDX and publish quarterly financial reports consecutively for the period 2023-2024.

According to the sample requirements, a total of 49 research samples were collected from 7 companies between the first quarter of 2023 and the third quarter of 2024. This study uses Financial Distress, as measured by the Springate method, as the dependent variable. When companies experiencing financial distress are coded Y=0 and companies that are not experiencing financial distress are coded Y=1. Logistic regression analysis was chosen because the dependent variable in this study is dichotomous. The equation is as follows:

$$Ln \left(\frac{p}{1-p}\right) = \beta 0 + \beta 1 x 1 + \beta 2 x 2 + \beta 3 x 3 + \beta 4 x 4 + e$$

Description: $\beta 0$ = Constanta, $X1\ to\ X4$ = regression Coefficient, $\beta 1$ = Liquidity, $\beta 2$ = Profitability, $\beta 3$ = Cash Flow, $\beta 4$ = Sales growth.

RESULTS AND ANALYSIS

In this section, the results of the research are explained and at the same time a comprehensive discussion is given. Results can be presented in the form of images, graphs, tables and others that make it easy for readers to understand. The discussion can be carried out in several sub-chapters.

Part 1
Descriptive Test
Descriptive statistics are used to provide a descriptive picture of data. In this study, the results of descriptive statistics present values such as range, minimum, maximum, mean, and others.

Table 1.
Result of Descriptive Test Analysis

Descriptive Statistics

	N	Range	Minimum	Maximum	Mean	Std. Deviation
LIKUIDITAS	49	1,643	0,394	2,037	0,98051	0,503993
PROFITABILITAS (ROA)	49	0,434	-0,146	0,288	0,02827	0,075199
PERTUMBUHAN PENJUALAN	49	60,778	-25,939	34,839	4,70135	17,098275
ARUS KAS	49	0,931	-0,260	0,671	0,16139	0,235278
FINANCIAL DISTRESS	49	1	0	1	0,31	0,466
Valid N (listwise)	49					

Source: Processed Data,2025

Table 1 shows that the average data in the study varies and shows a high deviation value which indicates a higher level of data deviation from the arithmetic mean. This means that the data owned is relatively heterogeneous.

Overall Model Fit

Table 2.

Overall Model Test Results

Keterangan	-2Log Likelihood
-2Log Likelihood Awal	65,438
-2Log Likelihood Akhir	18,902
Penurunan -2LL	46,536

Source: Processed Data, 2025

There is a decrease that occurs, namely in the first -2LL value of 65,438 to the second -2LL value of 18,902. The decrease that occurs in the -2LL value indicates that the regression model is good. In order for the proposed model to fit the data, the smaller the -2LL value, the better the model can describe the relation between the independent and dependent variables.

Classification Table Test

Table 3.
Classification Table Test

Classification Table^a

Observed			Predicted		
			FINANCIAL DISTRESS		
			Perusahaan yang mengalami Financial Distress	Perusahaan yang Tidak Mengalami Financial Distress	Percentage Correct
Step 1	FINANCIAL DISTRESS	Perusahaan yang mengalami Financial Distress	30	4	88,2
		Perusahaan yang Tidak Mengalami Financial Distress	4	11	73,3
	Overall Percentage				83,7

Source: Processed Data, 2025

Out of 34 enterprises, 30 are expected to experience financial distress, indicating that the regression model has an 88.2% predictive potential to identify companies in financial distress. The accuracy of the prediction model in identifying companies that are not experiencing financial distress is 73.3% with the result that there are 4 companies that are predicted to experience financial distress from a total of 15 companies. Meanwhile, the overall accuracy of the analysis classification reached 83,7%.

Logistic Regression Hypothesis Test

Table 4.

Logistic Regression Hypothesis Test

Variables in the Equation

		B	S.E.	Wald	df	Sig.	Exp(B)	95% C.I.for EXP(B)	
								Lower	Upper
Step 1^a	LIKUIDITAS	3,549	1,518	5,462	1	0,019	34,770	1,773	681,850
	PROFITABILITAS (ROA)	66,301	25,752	6,628	1	0,010	6,22831E+28	7480530,1	5,186E+50
	PERTUMBUHAN PENJUALAN	0,075	0,052	2,046	1	0,153	1,078	0,973	1,194
	ARUS KAS	-3,435	4,183	0,674	1	0,412	0,032	0,000	117,216
	Constant	-9,090	3,353	7,350	1	0,007	0,000		

Source: Processed Data, 2025

The liquidity variable's hypothesis test findings indicate a significant value of 0,0194 < 0,05. This may argue that liquidity has an impact on financial distress. The result of hypothesis testing on the profitability variable shows a significant value of 0,0100 < 0,05. It can be said that profitability affects financial distress. The result of hypothesis testing on the cash flow variable shows a significant value of 0,4116 > 0,05. It can be said that financial suffering is unaffected by cash flow. The sales growth variable's hypothesis test findings indicate a significant value of 0,1256 > 0,05. It can be said that financial difficulty is unaffected by sales

growth. Referring to the logistic equation that has been explained, the following is the interpretation of each variable:

$$Ln\left(\frac{p}{1-p}\right) = -9,090 + 3,549X1 + 66,301X2 + 0,075X3 - 3,435X4 + e$$

Determination Coeffitient

<div align="center">

Table 5.

Determination Coefficient

</div>

Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	18.902ᵃ	0,613	0,832

<div align="center">

Source: Processed Data, 2025

</div>

The value of Nagelkerke R Square is 0,832, which means that the ability of liquidity, profitability, cash flow, and sales growth has an effect of 83,2% on financial distress. Meanwhile, 16,8% is influenced by other variables.

The impact of liquidity on financial distress

The result of the testing and data analysis that has been carried out, the liquidity variable has a significance level of 0,019 < 0,05. From these results, it can be explained that liquidity has a positive and significant influence on financial distress conditions. For companies affected by the boycott issue, having a high liquidity value can be an indicator of the pile of current assets owned by the company due to declining sales and failure to collect resources productively. This leads to high liquidity having a positive effect on financial distress. The results of this study are in line with research conducted by Fia Afriyani & Nurhayati (2023) and Rahmayanti et al. (n.d.).

The impact of profitability on financial distress

The significance level for profitability is 0.010 < 0.05. From these results it is clear that the financial distress situation is positively and significantly influenced by profitability. In this case, companies with high profitability are most likely obtained from the sale of assets to generate profits not from the company's main operations, this if done continuously will make the company vulnerable to financial distress. Companies that expand their business by using large debts to increase company profitability are also the reason why high profitability values cause financial distress. The results of this study are in line with research conducted by Suot et al. (2020), Carolina et al. (2017), and Erwan et al. (2023).

The impact of sales growth on financial distress

Sales growth has a significance level of 0,153 > 0,05. From these results, it can be explained that sales growth does not affect financial distress conditions. If the boycott carried out by the community is temporary, the company may experience sales growth again after the boycott issues subsidies. In this case, sales growth has a major impact on financial distress, because even though sales increase, this growth may not be effective in helping the company avoid financial distress conditions. Increased sales growth does not provide long-term income stability, because boycotts create uncertainty so that even though there is sales growth, the company will still be at risk of financial distress. The results of the study showing that sales

growth does not have a significant effect on financial distress were also stated by Pane et al. (2023) , Sumani (2020), and Simanjuntak et al. (2017).

The impact of cash flow on financial distress

The significance level for the cash flow variable is 0.412> 0.05. Based on these results, it can be concluded that cash flow has a negative and insignificant effect on financial distress. There is a significant element in the crisis condition of the boycott issue caused by external factors such as market pressure, so that even though the company's cash flow has a cash ratio below 1, it has no impact on the company's financial distress. Therefore, the company may still pay its current debts, and the amount of cash it generates has little bearing on whether it will experience financial distress or not. The results of this study are in line with research conducted by Sudaryanti & Dinar (2019) and Gunawan et al. (2020).

$$f(x) = a_0 + \sum_{n=1}^{\infty} \left(a_n + b_n \sin \frac{n\pi x}{L}\right) f(x) = a_0 + \sum_{n=1}^{\infty} \left(a_n + b_n \sin \frac{n\pi x}{L}\right)$$

CONCLUSION

The results of the study show that:

1. Liquidity has a large and favorable effect on financial distress. This is because the company's current assets are increasing as a result of lower sales and ineffective resource allocation.
2. Profitability shows how financial distress is affected by profitability. Businesses with high profitability may be made by selling assets to make money rather than through their core business; if this is done consistently, the business may be at risk of financial distress.
3. Sales growth shows the results that sales growth does not affect financial distress. This is because if the boycott carried out by the community is only temporary, then the company may experience sales growth again after the boycott issue subsides

Cash flow the results that financial distress is not affected by cash flow. There are other important factors in the crisis conditions of the boycott issue caused by external factors such as market pressure, so even though the company's cash flow is at a ratio below one, it cannot decide whether the company is in the category of being in financial distress.

BIBLIOGRAPHY

Antoniawati, A., & Purwohandoko, P. (2022). Analisis Pengaruh Profitabilitas, Likuiditas, dan Leverage terhadap Financial Distress pada Perusahaan Transportasi yang Terdaftar di BEI Tahun 2018-2020. *Jurnal Ilmu Manajemen*, *10*(1), 28–38. https://doi.org/10.26740/jim.v10n1.p28-38

Bhagwat, Y., Warren, N. L., Beck, J. T., & Watson, G. F. (2020). Corporate Sociopolitical Activism and Firm Value. *Journal of Marketing*, *84*(5), 1–21. https://doi.org/10.1177/0022242920937000

Carolina, V., Marpaung, E. I., & Pratama, D. (2017). Analisis rasio keuangan untuk memprediksi kondisi financial distress (Studi empiris pada perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia periode 2014-2015). *Jurnal Akuntansi*, *9*(2).

Erwan, E., Martusa, R., & Meythi, M. (2023). APAKAH PROFITABILITAS, LEVERAGE, DAN UKURAN PERUSAHAAN MENURUNKAN KESULITAN KEUANGAN

PERUSAHAAN? *Jurnal Akuntansi Multiparadigma*, *14*(2). https://doi.org/10.21776/ub.jamal.2023.14.2.29

Fia Afriyani, & Nurhayati. (2023). Pengaruh Rasio Likuiditas, Leverage, Aktivitas dan Profitabilitas terhadap Financial Distress pada Perusahaan F&B. *Jurnal Riset Akuntansi*, 23–30. https://doi.org/10.29313/jra.v3i1.1766

Gunawan, A. W., Assagaf, A., Sayidah, N., & Mulyaningtyas, A. (2020). FINANCIAL DISTRESS DI BUMN INDONESIA DAN FAKTOR-FAKTOR YANG MEMPENGARUHI INVESTASI, LEVERAGE DAN CASH FLOW OPERATION TERHADAP FINANCIAL DISTRESS PADA PERUSAHAAN BUMN. *EKUITAS (Jurnal Ekonomi Dan Keuangan)*, *3*(2), 226–243. https://doi.org/10.24034/j25485024.y2019.v3.i2.4135

Nurhayati, D., Dewi, R. R., & Fajri, R. N. (2021). Pengaruh Rasio Keuangan Terhadap Financial Distress pada Industri Food And Beverage di Bursa Efek Indonesia Periode 2017-2019. *Ekonomis: Journal of Economics and Business*, *5*(1), 59–64.

Pane, A. A., Dalimunthe, H., & Ananda, R. F. (2023). How sales growth and leverage affect Financial Distress. *International Journal of Applied Finance and Business Studies*, *11*(1), 35–41.

Rahmawati, D., & Khoiruddin, M. (2017). Pengaruh Corporate Governance dan Kinerja Keuangan dalam Memprediksi Kondisi Financial Distress. *Management Analysis Journal*, *6*(1), 1–12.

Rahmayanti, S., Hadromi Fakultas Ekonomi dan Bisnis, U., & Muhammadiyah Riau, U. (n.d.). *Analisis Financial Distress Pada Perusahaan Manufaktur Yang Terdaftar di Bursa Efek Indonesia Analysis of Financial Distress In Companies Manufacture Listed Indonesia Stock Exchange*. www.idx.co.id.

Simanjuntak, C. E. B., Krist, F. T., & Aminah, W. (2017). Pengaruh rasio keuangan terhadap financial distress. *EProceedings of Management*, *4*(2).

Sudaryanti, D., & Dinar, A. (2019). ANALISIS PREDIKSI KONDISI FINANCIAL DISTRESS MENGGUNAKAN RASIO LIKUIDITAS, PROFITABILITAS, FINANCIAL LEVERAGE DAN ARUS KAS. *Jurnal Ilmiah Bisnis Dan Ekonomi Asia*, *13*(2), 101–110. https://doi.org/10.32812/jibeka.v13i2.120

Sugiyono. (2019). *METODE PENELITIAN KUANTITATIF, KUALITATIF, DAN R&D* (Sutopo, Ed.; Edisi Kedua). Penerbit Alfabeta.

Sumani, S. (2020). PREDIKSI FINANCIAL DISTRESS: RASIO KEUANGAN DAN SENSITIVITAS MAKROEKONOMI PERUSAHAAN SEKTOR PRIMER. *EKUITAS (Jurnal Ekonomi Dan Keuangan)*, *3*(3), 285–305. https://doi.org/10.24034/j25485024.y2019.v3.i2.4153

Suot, L. Y., Koleangan, R. A. M., & Palandeng, I. D. (2020). Analisis rasio keuangan dalam memprediksi kondisi financial distress pada industri perbankan yang terdaftar di Bursa Efek Indonesia. *Jurnal EMBA: Jurnal Riset Ekonomi, Manajemen, Bisnis Dan Akuntansi*, *8*(1).