## *ABSTRACT*

*Every company can experience financial distress, which may be caused by internal or external factors. Financial distress occurs when a company is unable to meet its financial obligations. If this condition persists, the company faces the risk of bankruptcy due to its inability to fulfill its financial obligations. Several factors influence financial distress, including operating capacity, sales growth, and firm size. This study aims to analyze the impact of these three factors operating capacity, sales growth, and firm size on financial distress in companies within the food and beverage subsector listed on the Indonesia Stock Exchange (IDX) during the period 2018-2023. The study employs a quantitative approach and uses purposive sampling to select 20 companies from the food and beverage subsector. Data analysis is conducted using panel data regression, processed with Eviews 13 software. The results show that both operating capacity and firm size have a simultaneous effect on financial distress. However, individually, operating capacity has a significant positive effect on financial distress, while firm size also has a positive effect. In contrast, sales growth does not have a significant impact. These findings provide important insights for decision-makers in companies and investors, who can consider these factors in managerial strategies and risk evaluations. Understanding how operating capacity and firm size can influence financial distress helps companies design policies and strategies to mitigate bankruptcy risks. On the other hand, since sales growth does not show a direct impact, companies might need to focus on other factors that contribute to their financial stability. Thus, this research not only contributes to academic literature on financial distress but also provides practical information applicable in company management and investment decisions.*



***Keywords****: operating capacity, sales growth, firm size, and financial distress.*