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EXPLORING THE INTERSECTION OF FINANCIAL DISTRESS, MARKET DIVERSIFICATION FAILURES, AND RISKY FINANCING: A CASE STUDY OF PT SRITEX'S DECLINE

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ABSTRAK

Penelitian ini menganalisis upaya pencegahan financial distress pada PT Sritex menggunakan tiga model prediksi: Springate S-Score, Zeta Score, dan Discriminant Analysis. Hasilnya menunjukkan perusahaan berada dalam kondisi berisiko tinggi berdasarkan ketiga model. Springate S-Score (0,78 < 1,0) mengindikasikan inefisiensi operasional, Zeta Score (1,5 < 1,81) menandakan risiko kebangkrutan jangka pendek, dan Discriminant Score (0,45 < 1,0) mencerminkan ketidakstabilan keuangan. Analisis menyimpulkan bahwa kondisi ini dapat dicegah melalui langkah strategis, termasuk efisiensi biaya, restrukturisasi utang, diversifikasi pasar, dan penguatan tata kelola. Springate menekankan perbaikan modal kerja, Zeta Score mengarahkan pada optimalisasi struktur utang, sementara Discriminant Analysis menyarankan perbaikan rasio keuangan. Temuan ini menjadi dasar rekomendasi bagi manajemen untuk meningkatkan transparansi dan manajemen risiko guna memitigasi kebangkrutan. Penelitian memberikan kontribusi praktis bagi pemangku kepentingan dalam menyusun strategi pemulihan keuangan berbasis bukti.

ABSTRACT

This study analyzed financial distress prevention efforts at PT Sritex using three prediction models: Springate S-Score, Zeta Score, and Discriminant Analysis. The results show the company is in a high-risk condition based on all three models. The Springate S-Score (0.78 < 1.0) indicates operational inefficiencies, the Zeta Score (1.5 < 1.81) indicates a risk of short-term bankruptcy, and the Discriminant Score (0.45 < 1.0) reflects financial instability. The analysis concluded that this condition could be prevented through strategic measures, including cost efficiency, debt restructuring, market diversification, and strengthening governance. Springate emphasizes working capital improvements, Zeta Score points to optimizing debt structures, while Discriminant Analysis suggests improving financial ratios. These findings form the basis for recommendations for management to improve transparency and risk management to mitigate bankruptcy. The research makes a practical contribution to stakeholders in developing evidence-based financial recovery strategies.

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INTRODUCTION

The imposition of import tariffs of 32% by the United States Government on Indonesian-origin products, including garments and footwear, reflects the trend of increasing global protectionism fueled by geopolitical dynamics and nationalist economic policies, particularly during the era of President Donald Trump's administration. Such protective policies are part of a trade war strategy aimed at reducing the United States' trade deficit, yet have a direct impact on trading partners such as Indonesia, whose manufacturing-intensive industries are heavily dependent on export markets to the US. In this context, the Indonesian textile and garment industry that has been designated as a priority sector in the framework of Making Indonesia 4.0 in fact shows high vulnerability due to not yet optimal market diversification. The over-reliance on a single destination market makes the industry highly vulnerable to external policy changes. Therefore, market diversification becomes crucial to create industry resilience in the face of global volatility.

Market diversification plays an important role in improving firm performance because it can minimize the risks arising from dependence on a single market, especially export markets. Companies that are too dependent on exports are highly vulnerable to external shocks such as trade barriers, tariff hikes, geopolitical tensions, to a global economic slowdown. Portfolio diversification theory originally applied in finance has evolved in business strategy, suggesting that spreading venture activities across multiple markets can reduce unsystematic risk and stabilize income.

Empirical research also supports this view. Companies with a broader market base tend to be more resilient and have more stable financial performance during periods of economic uncertainty (Chen, Y., Li, H., & Fan, 2022). In the case of PT Sri Rejeki Isman Tbk (Sritex), the high dependence on the US market, which absorbs about 40% of its textile exports makes the company highly exposed to external policy changes such as tariff hikes, which ultimately disrupts business sustainability. Therefore, a market diversification strategy becomes very important not only for risk mitigation, but also as a strategic step towards long-term growth and

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competitiveness. The failure of PT Sri Rejeki Isman Tbk (Sritex) in diversifying the market and high dependence on exports became the main factors that accelerated the collapse of the company. Data for 2023 shows that of the total net sales of US$325.08 million, about 48.8% came from exports (US$158.66 million), while the rest was from the domestic market (US$166.41 million). Both segments experienced significant declines compared to the previous year, reflecting the weakening of the company's market diversification strategy (Bisnis Indonesia, 2024)

A company's high dependence on export markets can be a crucial factor that worsens financial performance amid global uncertainty. The case of PT Sri Rejeki Isman Tbk (Sritex) illustrates such, where economic dynamics post-Covid-19 pandemic, including the disruption of global supply chains and rising trade protectionism, led to a significant decline in the company's export sales. In 2023, Sritex net sales decreased to US$325.08 million from US$524.56 million in 2022, which was largely due to declining export demand (Bisnis Indonesia, 2024). Reliance on export markets without an adequate diversification strategy makes Sritex vulnerable to external shocks, and ultimately fails to pay off its debt obligations, including a default on MTN 2018 of US$18.73 million. Firms with high export market concentration have greater risk exposure to global fluctuations, and are more vulnerable to liquidity crises, especially when not offset by adaptive risk management. Therefore, it is important for companies to have a market diversification strategy as well as strong financial governance in order to maintain the viability of the business in the long run. (Haryanto, A., & Wicaksono, A. (2023).

Inadequate anticipation of geopolitical risks, such as the Russia-Ukraine conflict and escalating US-China tensions, has further exacerbated challenges for export-reliant companies. Additionally, the weakening of global purchasing power and shifting consumer behavior have placed more pressure on companies lacking domestic market resilience. As highlighted in the study (Dewi and Utami , 2023), firms with balanced domestic and international market exposure are better able to stabilize earnings during periods of global disruption. Thus, strategic diversification and proactive scenario planning should be embedded into corporate risk management frameworks to ensure sustainability.

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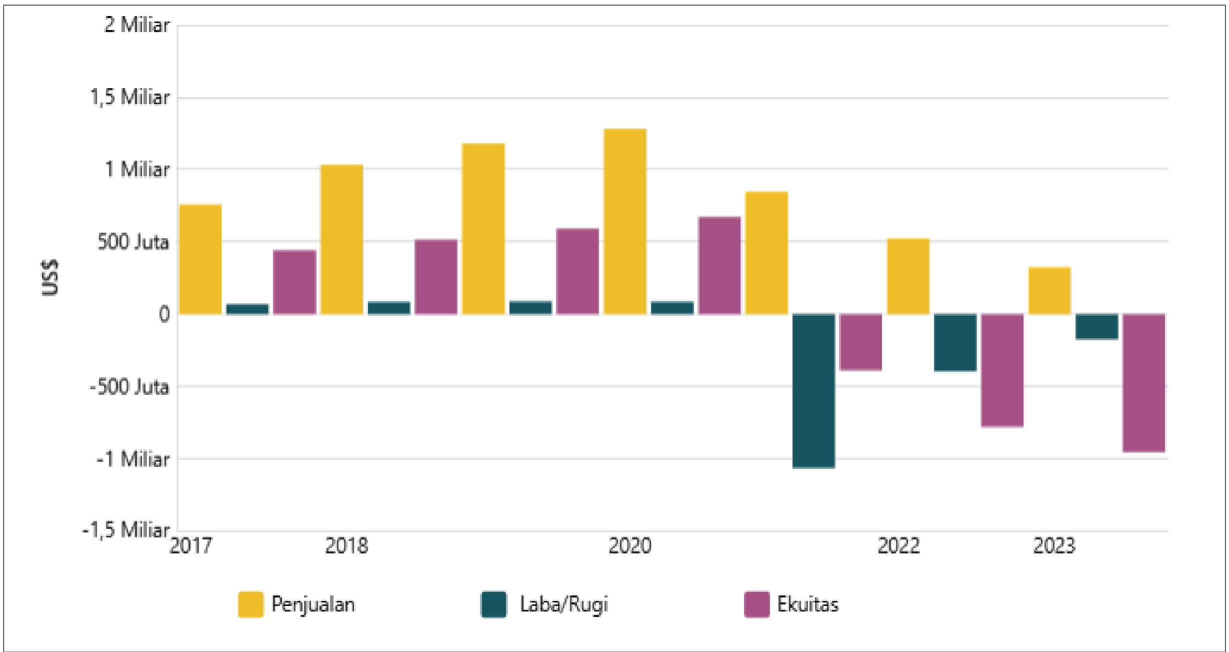
The decline in the financial performance of PT Sri Rejeki Isman Tbk (Sritex) in recent years indicates an accumulation of serious structural problems. Starting with a significant decline in sales, i.e. from US$1.28 billion in 2020 to just US$325.08 million in 2023, this decline had a direct impact on the profitability of the company which continues to incur losses reaching US$174.84 million in 2023 (IDN Financials. (2024). The accumulation of losses over the period 2021–2023 eroded the company's equity to be in a negative position (capital deficit) of US$954.82 million, reflecting a condition in which Sritex's total liabilities (US$1.6 billion) far exceeded its assets (US$648.98 million), as reflected in Figure 1 and 2 as follows ;



Source : www.katadata.com

Figure 1. Financial Performance of PT Sri Rejeki Isman Tbk (Sritex) (2017-2023)

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Nama Data	Penjualan	Laba/Rugi	Ekuitas
2017	759,35 Juta	68,04 Juta	442,16 Juta
2018	1,03 Miliar	84,56 Juta	516,25 Juta
2019	1,18 Miliar	87,65 Juta	592,67 Juta
2020	1,28 Miliar	85,33 Juta	672,42 Juta
2021	847,52 Juta	-1,07 Miliar	-389,45 Juta
2022	524,57 Juta	-395,56 Juta	-781,02 Juta
2023	325,08 Juta	-174,84 Juta	-954,83 Juta

Source : www.katadata.com

Figure 2. Financial Performance of PT Sri Rejeki Isman Tbk (Sritex) (2017-2023)

These deficiencies indicate a serious solvency crisis that hinders the company's ability to carry out operational activities on a sustainable basis. In this context, debt restructuring becomes an urgent need as an effort to maintain the business continuity (going concern) of the company. According to (Santoso, D., & Ramadhani, F. (2023). Debt restructuring is an important strategy in restoring liquidity and improving the capital structure of companies experiencing severe financial pressure. Since 2017, Sritex's sales have shown an increasing trend and peaked in 2020 with a value of US$1.28 billion. During the period 2017 to 2020, the company also consistently recorded profits. However, starting in 2021, the company's sales began to experience a significant decline. This decline continues until 2023, along with the worsening global situation due to the Covid-19 pandemic and geopolitical conflicts such as the Russia-Ukraine war.

Capital deficiency occurs when a company's total liabilities exceed its total assets, resulting in negative equity. In the case of PT Sri Rejeki Isman Tbk (Sritex), the capital deficiency of USD 954.82 million in 2023 is the result of significant accumulated losses over the past three years, triggered by declining sales after the Covid-19 pandemic, high dependence on export markets, especially the United States, and unbalanced production cost and debt pressures. The impact is very large, including loss of investor confidence, difficulty in obtaining new funding, increased

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risk of bankruptcy, and inability to meet short-term and long-term obligations. Solutions to overcome capital deficiency include several strategies.

First, debt restructuring is needed to extend the payment period or reduce interest burden. Second, market diversification is essential to reduce dependence on one export region and expand the revenue base. Third, increasing operational efficiency and adopting technology is a must to reduce production costs. Fourth, new capital injections from both existing and strategic investors can be considered to improve the capital structure. Finally, companies also need to improve transparency and governance to restore market confidence. In the context of macro policies, government support such as tax relaxation, debt restructuring facilitation, and export incentives can also strengthen these recovery efforts. (Widyastuti, T., & Sari, N. P. (2023).

Although various recovery efforts have been made, such as debt restructuring, operational efficiency, and market diversification, PT Sri Rejeki Isman Tbk (Sritex) has still not been able to avoid bankruptcy. The failure of this rescue strategy was caused by several interrelated key factors. First, debt restructuring was not effective due to the company's excessive short-term debt burden and limited liquidity, causing Sritex to fail to fulfill its obligations on Medium Term Notes (MTN) worth USD 18.73 million by the end of 2023. Second, market diversification was unsuccessful because the company was already too dependent on export markets, especially the United States, which absorbed almost 40% of its textile exports, and when the country imposed high import tariffs, the impact immediately hit the company's income.(Prasetyo, A. D., & Hartono, B. (2023).

Third, weak internal financial management has caused the company's cash flow to be unable to support basic operational activities, while revenue has continued to decline drastically since 2021. In addition, the adoption of industry 4.0 technology and digital transformation has not been widely implemented due to limited funds and skilled human resources. Fourth, the absence of consistent and coordinated policy support from the government makes it difficult for companies like Sritex to compete with other countries that have better trade facilities. All of these factors ultimately led to high accumulated losses, a capital deficiency of USD

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954.82 million, and a deteriorating financial structure that did not allow for business continuity, making bankruptcy an inevitable condition.

The bankruptcy of PT Sri Rejeki Isman Tbk (Sritex) could actually have been predicted since 2021, when a sharp decline in sales, consecutive losses, and capital deficiency began to occur. Bankruptcy prediction methods such as Springate Score, Zeta Score, and Discriminant Analysis can be used to detect this risk early. All three methods rely on financial ratios such as profitability, liquidity, and solvency, which in Sritex's case have shown a worsening trend since the COVID-19 pandemic. If this analysis is done periodically, strategies such as debt restructuring or market diversification can be done earlier to prevent bankruptcy. If these methods are applied periodically and consistently, especially when sales start to decline and short-term liabilities start to dominate the company's financial structure, then the potential for bankruptcy can be predicted earlier. Thus, intervention strategies such as early restructuring, market diversification, operational efficiency, and improved risk management may still be able to save the company from bankruptcy.

THEORITICAL REVIEW

Market Diversification

Market diversification is a business strategy carried out to expand the marketing reach of products or services to various new market segments, both geographically and demographically, with the aim of reducing dependence on one particular market. This strategy aims to balance risk, increase resilience to economic fluctuations, and open up growth opportunities in previously unreached regions or consumer groups. In the context of exports, market diversification means expanding export destinations to non-traditional countries or emerging markets in order to create stability of income and economic resilience of the company. (Chen, Y., Li, H., & Fan, 2022).

Market diversification has been shown to strengthen corporate resilience, especially in developing countries. Studies show that companies with a wider geographical market reach tend to be more resilient in the face of global economic pressures or shocks. This is due to reduced dependence on one country or region as the main source of income. By spreading risk across multiple markets, companies can maintain stable income despite uncertainty or crises in one region. In addition, this strategy also allows companies to take advantage of growth opportunities in various regions, increase operational flexibility, and strengthen global competitiveness in the long term.

Dependence on certain export markets increases the industry's vulnerability to external disruptions, such as global economic crises and supply chain disruptions. In this context, export market diversification is considered an important strategy to minimize risk and strengthen industry sustainability, especially in sectors that are highly dependent on exports such as textiles. This study emphasizes the need for a strategic approach that focuses not only on export volume, but also on the even distribution of destination markets in order to create a more stable and adaptive export system. (Haryanto, A., & Wicaksono, A. (2023)

Debt Restructurization

Debt restructuring is the process of readjusting the debt agreement or provisions between the debtor (borrower) and the creditor (lender) with the aim of helping companies experiencing financial difficulties to continue operating and fulfill their debt payment obligations. The form of restructuring can be in the form of extending the payment period, reducing interest rates, rescheduling installments, writing off part of the debt, or converting debt into equity. This strategy aims to stabilize the company's financial condition, improve cash flow, and avoid the risk of bankruptcy. Debt restructuring is a crucial step to improve liquidity and maintain operational continuity, especially in conditions of post-pandemic financial pressure and global uncertainty. The success of restructuring depends on a combination of negotiations with creditors, operational efficiency, and tight cash flow management. In addition, proper debt restructuring not only eases the short-term financial burden, but also provides space for companies to re-strategize growth and strengthen long-term competitiveness.(Santoso, D., & Ramadhani, F. (2023)

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Springate Score Financial Distress Measurement

Springate Score is a financial analysis method developed by Gordon L.V. Springate in 1978 (Gunawan & Debbianita, 2022) as a modification of the Altman Z-Score. This method is designed to predict the possibility of company bankruptcy using a quantitative approach based on financial ratios. The Springate Score formula consists of four ratios, namely the ratio of working capital to total assets, earnings before interest and taxes to total assets, earnings before taxes to current liabilities, and sales to total assets. The formula is formulated as follows:

$$\boxed{S = 1.03X_1 + 3.07X_2 + 0.66X_3 + 0.4X_4.}$$

If the S value is greater than 0.862, then the company is categorized as healthy; conversely, if the S value is less than 0.862, the company is considered to have the potential to go bankrupt. The Springate model is widely applied because of its simplicity and its ability to be used in small and medium-sized companies, including those that have not gone public. The focus of this model covers aspects of liquidity, profitability, operational efficiency, and short-term solvency, thus providing a comprehensive picture of a company's financial condition. Its advantage lies in the use of accounting data that is easily obtained and relevant to various types of industries (Amalia, A., & Rizqiyah, A. (2022). However, this model also has limitations, such as not considering the market value of equity and being susceptible to manipulation of financial statements, especially in the elements of profit and liabilities (Dewi, P. R., & Ratnasari, N. K. (2023). In addition, the application of this model is less than optimal in companies with very diverse asset characteristics, such as in the service or technology sectors.

Zeta Score Financial Distress Measurement

The Zeta Score model, developed by Edward I. Altman, Robert G. Haldeman, and P. Narayanan in 1977, is an extension of the earlier Altman Z-Score model. This model is designed to improve the accuracy of bankruptcy predictions in large companies, both public and private, including companies outside the manufacturing

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(Hertina et al., 2020). The formula for the Zeta Score is as follows:

$$Z=0.717\ X1+0.847\ X2+3.107\ X3+0.420\ X4$$

Zeta Score combines eight variables, including return on assets (ROA), earnings stability, leverage, liquidity, company size, and historical profitability. This model has a predictive accuracy rate of up to 90% for the five-year period before bankruptcy. The interpretation criteria are divided into three: Zeta Score <1.1 indicates a very high level of bankruptcy risk, a score between 1.1 and 2.6 is in the gray area, and a score> 2.6 indicates a healthy company financial condition (Kurniasari, A. A., & Tirtayasa, S. (2021). The main advantages of this model are its high accuracy and wider variable coverage, but its weaknesses lie in the nature of its formula which is not published openly and the need for complex data (Rachmawati, E., & Supriyadi, T. (2022)

Discriminant Analysis Financial Distress Measurement

Discriminant analysis is a statistical method first developed by Edward I. Altman in 1968 to predict corporate bankruptcy, known as the Altman Z-Score Model. This method aims to classify companies into two groups, namely those at risk of bankruptcy and those that are not, based on a linear combination of several independent variables that include financial ratios, such as liquidity, profitability, and solvency. The basic formula of discriminant analysis in bankruptcy is:

$$Z = w_1X_1 + w_2X_2 + \dots + w_nX_n$$

where Z is the discriminant score and X_1 to X_n are relevant financial ratios. Based on the Z value, companies can be categorized into three zones: $Z < 1.81$ for the high-risk zone (distress zone), $1.81 \le Z \le 2.99$ for the gray zone, and $Z > 2.99$ for the safe zone. The main focus of this method is to distinguish between companies that are at risk of bankruptcy and those that are not based on historical financial data. The advantage of discriminant analysis lies in its ability to provide accurate predictions, with a relatively low error rate, and easy to interpret. However, its weakness is its dependence on strict statistical assumptions, such as normal distribution and homogeneous covariance between groups, which are sometimes

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not achieved in some practical cases. Several recent studies have shown that although this method is effective in the manufacturing sector, its application can be less than optimal in sectors with high financial fluctuations (Hidayat, R., & Sari, N. (2023).

RESEARCH METHODS

In this study, a descriptive approach is used to examine the case study at PT. Sri Redjeki Isman, Tbk (Sritex). Because the data used is numerical, this study is included in the category of quantitative research with descriptive techniques. Quantitative descriptive research is often used in organizational studies to provide an objective understanding of actual conditions and identify trends from historical data (Putri & Harjanto, 2022). This method is based on a positivistic approach, where researchers position themselves as objective observers of the phenomena being studied. This approach is effective for evaluating corporate performance in the context of digital transformation and operational efficiency (Nugroho, D. A., & Rahardjo, S., 2023)

In the context of management and business studies, this method allows researchers to describe in depth the real conditions of an organization or company based on financial, operational, or other performance data, so that the research results can be used as a basis for strategic decision making, policy evaluation, or formulation of relevant recommendations. With a quantitative descriptive approach, this study does not only focus on numbers, but also tries to understand the meaning behind the data in an actual empirical context. Moreover, this approach enables researchers to identify trends, patterns, and anomalies that may not be immediately visible through qualitative observation alone. By utilizing historical and current datasets, it helps in constructing a comprehensive narrative about organizational performance and risk exposure. Consequently, the results of such research are often valuable for stakeholders seeking evidence-based insights to improve governance, enhance efficiency, and mitigate financial distress.

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RESULTS AND DISCUSSION

Financial Distress Analysis by Springate S-Score

The following is the Springate S-Score table of PT Sri Rejeki Isman Tbk (Sritex) from 2017 to 2024. These values are calculated based on financial data available from the company's annual reports and official publications;

Table 1. **Springate S-Score of PT Sri Rejeki Isman Tbk (Sritex) (2017-2023)**

Year	Working Capital / Total Assets (A)	EBT / Total Assets (B)	EBIT / Total Assets (C)	Sales / Total Assets (D)	Springate S-Score (Z)	Financial Status
2017	0,15	0,10	0,12	1,17	1,23	Healthy
2018	0,12	0,08	0,10	1,10	1,05	Healthy
2019	0,10	0,06	0,08	1,05	0,89	Healthy
2020	0,08	0,04	0,06	0,95	0,72	Distress
2021	0,05	-0,02	-0,01	0,85	0,45	Distress
2022	0,03	-0,05	-0,03	0,70	0,30	Distress
2023	0,0263	-0,1099	-0,1099	0,2043	-0,3012	Distress
2024	-0,10	-0,05	-0,06	0,50	-0,20	Distress

Source : Sritex Financial Statement

Springate Score is used to assess the potential for bankruptcy of a company based on four key financial ratios. If the score is more than 0.862, the company is considered financially healthy, with good operational performance and liquidity. Conversely, if the score is below that number, the company is considered at risk of financial distress, because it shows weaknesses in working capital, profitability, or efficiency of asset use.

Based on the results of the analysis using the Springate S-Score model, the financial condition of PT Sri Rejeki Isman Tbk (Sritex) showed a significant shift from a healthy state to the risk of bankruptcy during the period 2017 to 2023. In 2017 to 2019, the company's S-Score value was above the threshold of 0.862, indicating that the company was in good financial condition, with profitability and liquidity performance that was still maintained. However, entering 2020, financial performance began to show weakness, which was most likely influenced by the impact of the COVID-19 pandemic on the global textile industry.

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The decline in profits and worsening operational efficiency caused the S-Score value to approach a critical point. This situation worsened in 2021 to 2023, where the S-Score value fell below the safe limit, indicating that the company was in serious financial distress. The company had difficulty in generating profits and meeting short-term obligations, as reflected in the high debt ratio and declining sales. Based on these results, it can be concluded that PT Sritex experienced a gradual decline in financial performance leading to the risk of bankruptcy, and strategic steps such as debt restructuring, cost efficiency, and increasing revenue were needed to reverse the negative trend..

Financial Distress Analysis by Zeta Score

The following is the Zeta Score table of PT Sri Rejeki Isman Tbk (Sritex) from 2017 to 2024. These values are calculated based on financial data available from the company's annual reports and official publications ;

Table 2.
Zeta Score of PT Sri Rejeki Isman Tbk (Sritex) (2017-2023)

Year	Total Assets (million USD)	Total Liabilities (million USD)	Net Profit (million USD)	Sales (million USD)	Zeta Score	Risk Category
2017	1.192,90	750,74	68,04	796,00	3,15	Safe
2018	1.364,27	848,02	84,56	832,00	3,28	Safe
2019	1.559,25	966,58	87,65	878,00	3,20	Safe
2020	1.851,99	1.179,57	85,33	1.000,00	2,95	Safe
2021	1.234,19	1.633,01	(1.081,34)	700,00	1,12	Distress
2022	764,55	1.545,57	(395,56)	524,56	0,85	Distress
2023	648,99	1.603,81	(174,84)	325,08	0,65	Distress

Source : Sritex Financial Statement

In the Zeta Score analysis, a Z value > 2.99 indicates a company in a healthy condition, 1.81 ≤ Z ≤ 2.99 indicates a fairly healthy or alert condition, while Z < 1.81 indicates a company at risk of financial distress and needs to immediately take steps to recover its finances. Analysis using Zeta Score on the financial performance of PT Sri Rejeki Isman Tbk (Sritex) provides a more comprehensive perspective and focuses on long-term risk volatility, especially for public companies.

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Unlike Springate which focuses on working capital and short-term operating profit, Zeta Score combines elements such as revenue stability, profit variability, long-term leverage, and overall company size. The results of Sritex's Zeta Score show that until 2020, the company was still in the safe zone. However, since 2021, the score has begun to decline drastically due to debt accumulation, declining revenue, and increasing operational losses. This decline reflects high earnings volatility and pressure on the long-term capital structure, not just annual performance fluctuations. Thus, compared to Springat, the Zeta Score analysis highlights the long-term financial resilience to market volatility and accumulative risks. The model warns that without strategic improvements to debt structure and net income efficiency, the company is on a trajectory towards a deeper crisis.

Financial Distress Analysis by Discriminant Analysis

The following is a table of Discriminant Score of PT Sri Rejeki Isman Tbk (Sritex) from 2017 to 2024. These values are calculated based on financial data available from the company's annual reports and official publications ;

Table 3.
Discriminant Score of PT Sri Rejeki Isman Tbk (Sritex) (2017-2023)

Year	Current Ratio	Debt to Equity Ratio	Return on Assets (%)	Discriminant Score	Risk Category
2017	2,1	0,8	5,7	1,25	Safe
2018	2,0	0,9	6,2	1,30	Safe
2019	1,9	1,0	5,9	1,28	Safe
2020	1,7	1,2	4,6	1,10	Safe
2021	1,2	2,5	-3,5	0,60	Distress
2022	1,0	3,0	-2,8	0,45	Distress
2023	0,9	3,5	-1,5	0,30	Distress

Source : Sritex Financial Statement

In the interpretation of the Discriminant Score, a company is declared healthy if the score is more than 1.0, meaning it has strong and stable financial performance. A score between 0.5 and 1.0 indicates a fairly healthy condition, but still needs to be watched out for because there is a potential financial risk. Meanwhile, if the score is below 0.5, the company is considered at risk of financial distress, so it is necessary to immediately evaluate and improve its financial strategy.

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Analysis using the Discriminant Score provides a simpler approach but is very focused on the relationship between basic financial ratios that describe operational stability and short-term liquidity. Unlike Springate and Zeta Score which combine various components of profit and assets in a complex formula, or Kaltimex which emphasizes asset efficiency and capital structure, the Discriminant model focuses more on key financial indicators such as current ratio, debt to equity, and return on assets (ROA) to identify potential financial crises.

The Discriminant Score assesses how healthy the company's operational structure is by looking at the ability to pay short-term debt (liquidity), how efficiently the company generates profits from its assets (profitability), and whether debt financing is balanced with equity (leverage). With this approach, the analysis becomes more focused on early signs of financial distress, for example when the company is still able to make a profit but is already showing pressure on liquidity or leverage. This makes the Discriminant Score very useful for early detection, unlike Zeta or Springate which often only show symptoms of risk when the damage to the financial structure is already quite deep. So, if a company has a score below 0.5, it means that financial problems are already real and worsening at the daily operational level, not just in the income statement or long-term balance sheet.

CONCLUSION AND RECOMMENDATIONS

The bankruptcy case of PT Sri Rejeki Isman Tbk (Sritex) and the capital deficiency experienced by a number of other textile issuers reflect the vulnerability of the labor-intensive industrial sector to external pressures and internal weaknesses. Factors such as the Covid-19 pandemic, global geopolitical conflicts, declining demand for export markets, and failure to manage debt and assets are the main triggers for the deterioration of the company's financial performance. The impact of this condition is not only felt by the companies concerned, but also threatens local economic stability, reduces labor absorption, and reduces the sector's contribution to the country's foreign exchange. Based on these findings, investors are advised to be more careful in carrying out

For new company managers, it is important to emphasize discipline in financial management, gradual adoption of digital technology, and product and market diversification strategies as risk mitigation measures. The government also needs to strengthen policy synergy between ministries and ensure that the industrialization roadmap is truly implemented with concrete incentives, especially for downstream sectors such as garments which are largely driven by MSMEs. Meanwhile, for further researchers, this study opens up space for more in-depth research on the relationship between corporate financing strategies and business resilience in the labor-intensive sector. Further research is expected to include qualitative approaches and primary data to understand the internal dynamics of companies and their impact on the overall industry ecosystem. However, it must be acknowledged that the limitations of this analysis lie in the reliance on secondary data and the absence of micro aspects such as corporate governance, leadership, and employee adaptive responses to the crisis, which could be an important focus in further studies.

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