

THE EFFECT OF LIQUIDITY AND LEVERAGE ON FINANCIAL DISTRESS WITH PROFITABILITY AS A MODERATION VARIABLES (Empirical Study of Miscellaneous Industrial Sector Companies Listed on the Indonesia Stock Exchange 2015-2018)

Hanifah Tri Handayani¹, Kus Tri Andyarini²

Departement of Accounting
Indonesian College of Economics
Jakarta, Indonesia

Hanifahtri07@gmail.com; kus_tri_andyarini@stei.ac.id;

Abstract–This study aims to determine the effect of liquidity, and leverage on financial distress conditions with profitability as a moderating variable. This research consists of two independent variables, one dependent variable, and one moderation variable. The independent variable in this study is liquidity and the leverage of the dependent variable is financial distress, and the moderating variable is profitability. This research uses descriptive quantitative research approach, and panel data analysis method uses Eviews 11 SV. The population of this research is all companies of various industry sectors which are listed on the Indonesia Stock Exchange in the period 2015-2018. The sample was determined based on the purposive sampling method, resulting in a sample of 12 companies. The data collection method uses documentation originating from the website www.idx.co.id. The results showed that liquidity partially affected financial distress, leverage affected financial distress, profitability strengthens the effect of liquidity on financial distress, and profitability was not able to moderate the effect of leverage on financial distress.

Keywords : *Liquidity, Leverage, Financial Distress, Profitability*

I. INTRODUCTION

2019 occurred in one of the various industrial sector companies listed on the Indonesia Stock Exchange (IDX), namely the textile and garment sub-sector, namely PT Argo Pantes Tbk. Previously, this textile company was facing the onslaught of Chinese products, and had an impact on reducing income to employees. As of June 2019, Argo Pantes employees have decreased by 150 to 722 people. Even though in December 2018 the number of Argo

Pantes employees was still 872. PT Argo Pantes Tbk in September 2018, the company recorded net sales of US \$ 18.24 million, down 21.44% compared to the same period 2018 valued at US \$ 23.22 million. The company also recorded cost of goods sold amounting to US \$ 17.08 million and a loss of US \$ 5.59 million (cnbcindonesia.com, 2019).

In 2019, it recorded an unsatisfactory performance during the first half of 2019, the textile company's net sales decreased 19.19% year-on-year (yoy) to US \$ 12.72 million. Meanwhile, their bottom line turned into a loss of US \$ 3 million. Taking a closer look at the financial statements for the first semester of 2019, the loss in exchange rate of US \$ 478,919 significantly depressed Argo Pantes' bottom line performance. Meanwhile, in the same period last year, this issuer still enjoyed a foreign exchange gain of US \$ 2.72 million. In the first semester of 2018, they also received additional income from the net deferred income benefit item of US \$ 772,516. Argo Pantes admitted that this year's business competition has increased. The company, coded ARGO shares on the Indonesia Stock Exchange (IDX), also bears the increase in labor costs. Argo Pantes' strategy is to reduce low-margin textile production and spur more profitable textiles. They are also more selective in reading market demand. In fact, the implementation of this strategy has been going on since last year. According to Argo Pantes' internal data, the production volume for fabric processing this year is 1.78 million yards per month. Meanwhile, the realization of processed fabric production last year and 2017 amounted to 2.2 million yards per month and 2.5 million yards per month, respectively. While peering at the public exposure material in July 2019, the production of threads, processed threads and compact greige has shrunk over the past year. Yarn product, for example, more than doubled to 951 tonnes (insight.kontan.co.id, 2019).

Financial distress is the company's inability to pay its financial obligations at maturity which causes the company's bankruptcy (Darsono and Ashari, 2005). Financial distress occurs because the company is unable to manage and maintain stable financial performance, causing the company to experience operating losses and net losses for the current year.

Research according to Christananda, et al., (2017) partially, CR (Current Ratio) and NPM (Net Profit Margin) have a significant effect on FD (Financial Distress). CR and NPM simultaneously have a significant influence on financial distress., The above research is in line with Made, & Septiani (2019) liquidity as measured by the current ratio has a significant positive effect on financial distress, but it is different from research according to Sulastri & Zannati (2018) that the effect of Current Ratio, Total Asset Turn Over, positive has no effect on Financial Distress. Sulastri & Zannati's research (2018) is in line with Handaru & Mardiyati's (2014) research that the liquidity ratio (current ratio) and profitability ratio (profit margin on sales) have no significant effect on the company's financial distress, even though it is negative. The leverage variable studied by Rohmadini, et al., (2018) DR (Debt Ratio) has a significant effect on financial distress. The research above is in line with Lubis' (2019) research that DR (Debt Ratio) has a significant effect on the probability of financial distress, and research by Rohmadini, et al., (2018) is in line with Agustini & Wirawati (2019) that the leverage ratio has a positive effect on financial distress, profitability ratios and activity ratios have a negative effect on financial distress, liquidity ratios and growth ratios have no effect on financial distress. Unlike the research of Carolina, et al., (2018) only profitability can be used as a predictor of financial distress, while liquidity, leverage and operating cash flow cannot be used. Research by Carolina, et

al., (2018) is in line with Kurniasanti's (2018) research that the leverage ratio has no effect on financial distress.

The reason researchers are using various industrial companies at this time, is because there is an indication of one of the companies that are members of the various industrial sector groups, namely the case of business competition at that time is increasing, throughout 2019, but their focus is to hold back so as not to lose more. In the strategy of reducing the production of low-margin textiles and spurring more profitable textiles, they are also selective in reading market demand, even though there are still strategies that allow them to be used that are more effective than having to focus directly on reducing the quality of the product itself. With the research that the researchers will do, the researcher hopes to contribute to large companies including PT Argo Pantes Tbk, so that they better know and understand the main strategies that can be used in addition to having to focus on reducing product quality, researchers will use financial reports available on the IDX, to prove that financial reports are also useful for initial steps that will be used so that in the future they do not repeat the same mistakes, so as to create further strategies that are more appropriate in managing the company without wasting. Based on the background that has been described. The researcher will discuss with the research title, "The Effect of Liquidity and Leverage on Financial Distress with Profitability as a Moderation Variable (Empirical Study of Miscellaneous Industry Sector Companies Listed on the Indonesia Stock Exchange 2015-2018)"

II. LITERATURE REVIEW

2.1 Theoretical basis

2.1.1 Signalling Theory

Signaling Theory is used in this study as a grand theory. Signal theory is a theory that companies should provide signals to users of financial statements to obtain good or bad information so that asymmetric information does not occur (differences in information obtained between one party and another in economic activity). The signal given by the company should be able to be captured properly so that it can be interpreted correctly (Hartono, 2005: 46). The influence of information on the behavior of information users is central to this theory (Apriada n.d, 2013). In signal theory, financial statement information submitted to financial statement users is presented by management who acts as an agent (Saputri 2010).

Based on the description above, it can be concluded that signal theory can provide information that is presented by the company in the form of good or bad information. Information in the form of bad information can be in the form of information on the problem of a decline in the company's financial condition which will result in the company's financial difficulties in terms of operational and non-operational aspects of the company, so it can be concluded that there will be indications of a company with symptoms of bankruptcy.

2.1.2 Contingency Theory Approach (Moderation)

The next theory that will be used in this research is Contingency Theory. Contingency theory is a condition that is not fixed with a mutually agreed plan, and there is uncertainty in it. The results of previous studies indicate that there is an inconsistency between the results of one researcher and another, it may be that there are variables or other factors that affect the relationship of one variable or factor to another. According to Ghozali (2006), it is possible that there is no unified research result due to certain or more

factors. Contingency theory according to Asri (2016) is a tool used to interpret empirical results, this is due to limitations in previous research if the results are unsatisfactory because there are differences and must be resolved more broadly.

From the description above, it can be concluded that contingency theory is a situation that may or may not occur (not fixed with a mutually agreed plan). Therefore, this theoretical approach can be used as a tool to solve the differences in previous studies, with the approach to this theory, it can be expected to be able to develop other variables to get different results from before. The addition of moderating variables is used to combine between variables, with a theoretical approach it is expected to be able to provide opportunities for other variables to be used as moderating variables.

2.1.3 Liquidity Ratio

The company's ability to meet all obligations that are due, this ability can be realized if the amount of current assets is greater than current debt (Utari & Dewi 2014). This ratio shows whether the company is able to fulfill its obligations, namely paying third parties on time. Because the higher the availability of short-term assets, the better the company's ability to meet its obligations. Mistakes in fulfilling this obligation have various negative effects. If raw material suppliers are not paid on time, they either increase the price for future purchases or are completely unable to supply.

2.1.4 Leverage Ratio

Measures how much the company is financed with debt. According to Kasmir (2012: 151), the leverage / solvency ratio is a ratio used to measure the extent to which the company's assets are financed by debt, meaning how much debt the company bears compared to its assets. The use of debt that is too high will endanger the company because the company will fall into the extreme debt category, where the company is trapped in a high level of debt and it will be very difficult to release the debt burden. Therefore, a company should have to balance how much debt is worth taking and where the sources can be used to pay the debt.

2.1.5 Profitability Ratio

This third ratio, also known as the profitability ratio, shows the company's ability to generate profits. The ratios in this category vary widely. Companies do not have to use all sizes but only those that are considered important. Jahur (2012) defines profitability as the ratio of net income to total assets. Profitability is used to see the company's ability to obtain maximum revenue. This ratio assesses the measure of the level of management effectiveness of the company. This indicates that the profit earned on sales made and income is invested.

2.1.6 Financial Distress

The company's financial condition is a concern for many parties, not only from internal parties such as company management but also from external parties such as investors, creditors, and other parties. So company management must maintain financial conditions so as not to experience financial distress. Financial distress is reflected in the inability or unavailability of funds to pay obligations that are due. There are differences in interpreting financial difficulties in previous research studies and this difference depends on how to measure it (Wardhani, 2006). Financial distress can be defined in several senses:

1. Economic distressed

Failure in the economy means that the company loses money or the company's revenue is unable to cover its own costs, this means that the profit rate is less than the cost of capital or the present value of the company's cash flows is less than its liabilities.

2. *Financial distress*

The definition of financial distress means difficulty in funds, both in terms of funds in the sense of cash or in terms of working capital.

2.2 Review of Previous Research and Hypothesis Development

2.2.1 Liquidity Relationship to Financial Distress

The liquidity of the company shows the company's ability to fund the company's operations and pay off the company's short-term obligations. The results of the research according to Christananda et al., (2017) that partially, CR (Current Ratio) and NPM (Net Profit Margin) have a significant positive effect on FD (Financial Distress). CR and NPM simultaneously have a significant effect on financial distress, in line with the research of Made & Septiani (2019) strengthening the results of liquidity as measured by the current ratio has a significant positive effect on financial distress, which means that the higher the level of current ratios, the higher the level of the company experiencing financial distress.

H1 : Liquidity affects financial distress

2.2.2 Leverage Relationship to Financial Distress

When a company has a lot of debt to be used as capital, the liabilities borne by the company have a high value, even higher than the asset value, so the company has a high leverage ratio. The leverage variable studied by Made & Septiani (2019) states that leverage calculated by DAR has a negative and significant effect, which means that a high DAR value does not always have a high but low probability of bankruptcy. The research above is in line with Zulfa (2018) which has a significant negative effect, which means that the greater the leverage the company has, the smaller the company experiences financial distress..

H2 : Leverage affects financial distress

2.2.3 The Relationship between Liquidity and Financial Distress with Profitability as a Moderation Variable

The addition of this moderating variable is also supported by differences in empirical research on the effect of liquidity and leverage on the dependent variable, namely financial distress. So based on the contingency theory, this study adds a combination of variables by adding a moderating variable. Contingency theory is used as a tool in interpreting the results of empirical research. This is due to limitations in reviewing and understanding the types of hypotheses that have been put forward to explain conflicting findings. The contingency approach provides opportunities for other variables to be moderating which can affect liquidity and leverage against financial distress. Profitability is used as a moderating variable in this study. Profitability was chosen because every profit a company gets from its production activities will be able to increase the company's assets, thus increasing the company's liquidity level. The profit earned will be used again in accordance with the interests of the company. According to Asri's research (2016), financial distress is influenced by liquidity. The direction of the effect of liquidity is negative. The financial distress variable is influenced by leverage. The direction of the leverage effect is positive. Profitability has no effect on financial distress. The profitability variable is able to weaken

the relationship between liquidity and financial distress, a negative sign on the coefficient which states that the variable weakens the effect of liquidity on financial distress, which means that it is caused by good management management so that it will produce a certain profit, where the profit will be used to pay company obligations, and consequently will avoid financial distress conditions.

H3 : Profitability is able to weaken the effect of liquidity on financial distress

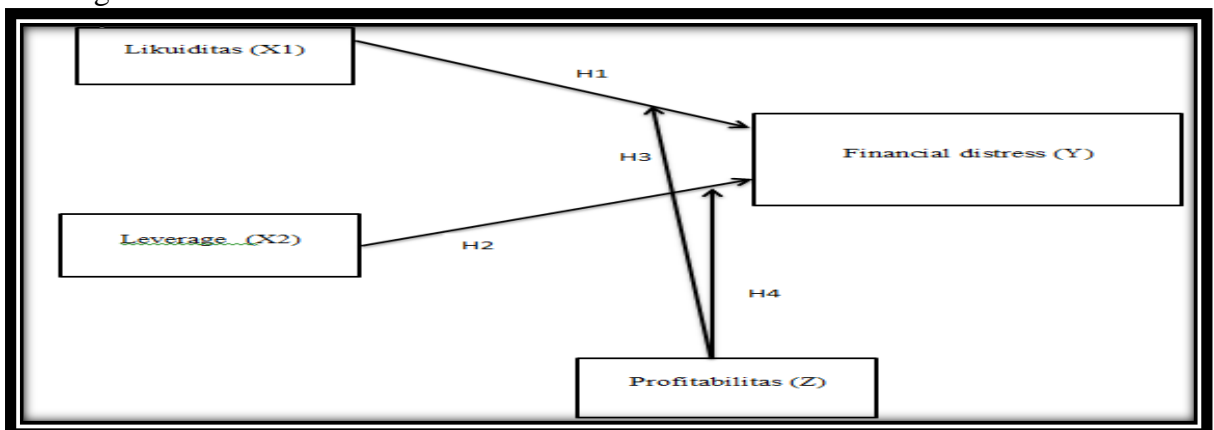
2.2.4 The Relationship between Leverage and Financial Distress and Profitability as a Moderation Variable

The addition of this moderating variable is also supported by differences in empirical research on the effect of liquidity and leverage on the dependent variable, namely financial distress. So based on the contingency theory, this study adds a combination of variables by adding a moderating variable. Contingency theory is used as a tool in interpreting the results of empirical research. This is due to limitations in reviewing and understanding the types of hypotheses that have been put forward to explain conflicting findings. The contingency approach provides opportunities for other variables to be moderating which can affect liquidity and leverage against financial distress. Profitability is used as a moderating variable in this study. Profitability is chosen because every profit the company gets from its production activities will be able to be used to pay off the company's debt, because if the company is able to pay its debt in a timely manner, the level of the company's condition experiencing financial distress will be smaller. the profits earned will be reused according to the company's interests. According to Asri's (2016) research, the profitability variable is able to moderate the relationship between leverage and financial distress. The profitability variable is able to strengthen the influence of the liquidity and leverage variables on financial distress, a positive sign on the coefficient which states that the variable strengthens the effect of leverage on financial distress, this is due to every profit that the company gets to pay its obligations, the profit that is obtained will be used for operations companies, so that the company's obligations are not paid on time, and there will be financial distress in the indicated companies.

H4 : Profitability is able to strengthen the effect of leverage on financial distress

2.3 Conceptual Framework

Based on the theoretical basis and several previous studies, the research framework and thinking are as follows:



Gambar 2.1 Conceptual Framework

III. RESEARCH METHODS

3.1 Research Strategy

The strategy in this study uses a descriptive method with a quantitative approach. According to Sugiyono (2017: 8) explains that the quantitative method is a research method based on the positivism philosophy.

3.2 Population and Sample

This study uses a population that includes various industrial companies listed on the Indonesia Stock Exchange from 2015 to 2018. The research sample is part of the number of characteristics the population has. Samples taken from the population must be truly representative (Sugiyono 2017: 81). This study took data from a population of various industrial companies. The sample used in this study used various industrial companies listed on the Indonesia Stock Exchange for the period 2015 to 2018. The method used was the purposive sampling method, with the sample criteria used in this study were:

1. Miscellaneous Industry Sector Companies Listed on the Indonesia Stock Exchange (IDX) during the 2015-2018 period
2. The company has published its financial statements for 4 consecutive years from 2015 to 2018 having complete financial data
3. Companies that have negative net income

Based on predetermined criteria, a sample of 12 companies in various industrial sectors was obtained in this study for 4 years. So that the total sample used is 48 companies. Several companies were eliminated because they did not comply with predetermined criteria.

3.3 Data and Data Collection Methods

The data source used to analyze the ratios was obtained from the Indonesia Stock Exchange (IDX) report, namely at www.idx.co.id, the period used in this study was 2015 to 2018. Secondary data collection methods used in this study were in the form of financial statement documents. Annual at companies listed on the Indonesia Stock Exchange (IDX) associated with Miscellaneous Industry sector companies.

IV. RESULTS AND DISCUSSION

4.1 Descriptive statistics

Tabel 4.3 Hasil Statistik Deskriptif

	Financial Distress	LIKUIDITAS	LEVERAGE	PROFITABILITAS
Mean	-0.127083	0.920425	1.114048	-0.021848
Median	0.200000	0.945750	0.697250	-0.011100
Maximum	1.148000	2.230000	5.073300	0.099400
Minimum	-3.919000	0.106400	0.422700	-0.221400
Std. Dev.	1.154922	0.486007	1.220993	0.057971
Observations	48	48	48	48

Sumber : Data diolah dengan *eviews* 11, 2020

Based on Table 4.3, there are mean, median, maximum, minimum, standard deviation, and observations for each variable. There is a total research sample of 48 data from 12 various industrial companies listed on the Indonesia Stock Exchange (BEI) for the 2015-

2018 period. The dependent variable used in this study is financial distress, while the independent variables used are liquidity and leverage.

The results of descriptive statistical tests on financial distress using the Springate method show that the maximum value is 1,148,000 owned by PT Eratex Djaja Tbk in 2015, which means that it shows the company is not in a condition of financial difficulty. Meanwhile, the minimum value is -3.919000 which was owned by PT Asia Pacific Fibers Tbk in 2016, which means that the company is experiencing financial difficulties. The average value is -0.127083 and the median is 0.200000. The standard deviation is 1.154922.

The results of descriptive liquidity statistical tests using Current Ratio (CR) show the highest value of 2.230000 owned by PT Sunson Textile Manufacturer Tbk in 2018 which means that the company is able to fulfill its obligations, while the minimum value is 0.106400 owned by PT Asia Pacific Fibers Tbk in 2016, which means showing less ability to fulfill its obligations. The average value is 0.920425 and the median is 0.945750. The standard deviation is 0.486007.

The results of the descriptive leverage statistical test using Debt to Total Assets or Debt Ratio (DAR) showed the highest value of 5.073300 owned by PT Asia Pacific Fibers Tbk in 2017, which means that it shows the debt burden borne by the company compared to its assets in the highest amount compared to other companies. which were used as research samples. Meanwhile, the minimum value of 0.422700 which was owned by PT Multistrada Arah Sarana Tbk in 2015, which means that it shows the burden borne by the company compared to its assets in the lowest number compared to other companies used as research samples. The average value is 1.114048 and the median is 0.697250. The standard deviation is 1.220993.

The results of descriptive statistical tests on profitability calculated using Return On Asset (ROA) show the highest value of 0.099400 owned by PT Eratex Djaja Tbk in 2015, which means that it shows the effectiveness of using company assets, so the company will get savings and have sufficient funds to run its business. compared to other companies used as research samples. While the minimum value of -0.221400 is owned by PT Argo Pantas Tbk in 2016, which means that the less effectiveness of the use of company assets means that the company will receive less savings and have sufficient funds to run its business compared to other companies used as research samples. The average value is -0.021848 and the median is 0.011100 and the standard deviation is 0.057971.

4.2 Panel Data Regression Model

To determine the model in this study, several model tests are needed, there are 3 stages of the model used, namely the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM).

4.2.1 Common Effect Model (CEM)

This method combines time series and cross section data then regressed using the eviews program, which can be seen in the following table:

Tabel 4.4 Hasil Regresi Model Common Effect

Variabel	Koefisien
Likuiditas	0.432652
Leverage	-0.802620
R-squared = 0.943151	

Sumber : Data diolah dengan *eviews* 11, 2020

From the results of the table above in the common effect model, it is found that the R-Squared value of $0.943151 > 0.5$ indicates that the variables of liquidity, leverage, are strong in explaining financial distress variables.

4.2.2 Fixed Effect Model (FEM)

The Fixed Effect Model assumes that the regression coefficient remains between companies and over time. The calculation results can be seen in the following table:

Tabel 4.5 Hasil Regresi Model Fixed Effect

Variabel	Koefisien
Likuiditas	0.459312
Leverage	-0.909028
R-squared = 0.977197	

Sumber : Data diolah dengan *eviews* 11, 2020

From the results of the table above in the fixed effects model, it is found that the R-Squared value of $0.977197 > 0.5$ indicates that the variables of liquidity, leverage, are strong in explaining financial distress variables.

4.2.3 Random Effect Model (REM)

This model is a method that will estimate panel data where the disturbance variables may be interrelated over time and individually. The calculation results can be seen in the following table:

Tabel 4.6 Hasil Regresi Model Random Effect

Variabel	Koefisien
Likuiditas	0.451196
Leverage	-0.800554
R-squared = 0.860133	

Sumber : Data diolah dengan *eviews* 11, 2020

From the results of the table above in the random effect model, it is found that the R-Squared value of $0.860133 > 0.5$ indicates that the variables of liquidity, leverage, are strong in explaining financial distress variables.

4.3 Panel Data Regression Model Selection

4.3.1 Chow Test

The test used is to have the best approach between the Common Effect Model (CEM) and the Fixed Effect Model (FEM).

Tabel 4.7 Hasil Uji Chow

Redundant Fixed Effects Tests
 Equation: Untitled
 Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	4.614921	(11,34)	0.0003
Cross-section Chi-square	43.848573	11	0.0000

Sumber : Data diolah dengan *eviews* 11, 2020

The result obtained is the cross section probability value $0.0003 < 0.05$, which means that H_0 is rejected and H_a is accepted, so the model used is the Fixed Effect Model.

4.3.2 Hausman Test

The test used is to have the best approach between the Fixed Effect Model (FEM) and the Random Effect Model (REM).

Tabel 4.8 Hasil Uji Hausman

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	0.125271	2	0.9393

Sumber : Data diolah dengan *eviews* 11, 2020

The results of the Hausman test obtained a probability value of $0.9393 > 0.05$ indicating that H_0 is accepted H_a is rejected, meaning that the Random Effect Model

4.3.3 Uji Langrange Multiplier

This test is used to select the best approach model between the Common Effect Model (CEM) and the Random Effect Model (REM).

Tabel 4.9 Hasil Uji Langrange Multiplier

Lagrange Multiplier Tests for Random Effects
Null hypotheses: No effects
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	15.42852 (0.0001)	1.890322 (0.1692)	17.31885 (0.0000)

Sumber : Data diolah dengan *eviews* 11, 2020

The LM test results show that the probability value of the Breusch-Pagan Cross-section is $0.0001 < 0.05$, which means that H_0 is rejected and H_a is accepted. The result of this hypothesis is that the best model to use from the LM test is the Random Effect Model (REM).

4.4. Coefficient of Determination (R^2)

1. Coefficient of Determination (X-Y)

The coefficient of determination is used to see how much the contribution of the independent variable to the dependent variable.

Tabel 4.13 koefisien Determinasi X-Y

Root MSE	0.194359	R-squared	0.860133
Mean dependent var	-0.053600	Adjusted R-squared	0.853916
S.D. dependent var	0.525193	S.E. of regression	0.200733

*THE EFFECT OF LIQUIDITY AND LEVERAGE ON FINANCIAL DISTRESS WITH PROFITABILITY AS A MODERATION VARIABLES
(Empirical Study of Miscellaneous Industrial Sector Companies Listed on the Indonesia Stock Exchange 2015-2018)*

Sum squared resid	1.813227	F-statistic	138.3668
Durbin-Watson stat	1.995242	Prob(F-statistic)	0.000000

Sumber : Data diolah dengan *eviews* 11, 2020

Based on the results of table 4.12, it is obtained the coefficient of determination (Adjusted R^2) of 0.853916. So it can be concluded that 85.39% of the independent variables are able to explain or influence the dependent variable in this study. While the remaining 14.61% is explained by other factors not included in this study.

2. Coefficient of Determination (X-Y-Z)

The coefficient of determination is used to see how much the independent variable contributes together with the moderating variable to the dependent variable.

Tabel 4.14 koefisien Determinasi X-Z-Y

Root MSE	0.120173	R-squared	0.913266
Mean dependent var	-0.039308	Adjusted R-squared	0.902941
S.D. dependent var	0.412369	S.E. of regression	0.128471
Sum squared resid	0.693198	F-statistic	88.44838
Durbin-Watson stat	2.571290	Prob(F-statistic)	0.000000

Sumber : Data diolah dengan *eviews* 11, 2020

Based on the results of table 4.13, the coefficient of determination (Adjusted R^2) is 0.902941. So it can be concluded that 90.29% of the independent variables with moderating variables are able to explain or influence the dependent variable in this study. While the remaining 9.71% is explained by other factors not included in this study.

4.5. Partial Testing (T Statistical Test)

**Tabel 4.15
Hasil Uji-T Analisis Regresi Linier Berganda**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.349464	0.186005	1.878786	0.0668
LIKUIDITAS	0.451196	0.132853	3.396196	0.0014
LEVERAGE	-0.800554	0.066662	-12.00914	0.0000

Sumber : Data diolah dengan *eviews* 11, 2020

To find out the t table at a significant level of 0.05, a degree of freedom (df) = $nk - 1 = 48 - 3 - 1 = 44$ is needed, where the significant level is $\alpha = 0.05$, then t_{tabel} can be determined using Ms. Excel with The Insert Function formula is as follows :

$t_{tabel} = \text{TINV}(\text{probability, degree_freedom})$

$$t_{tabel} = \text{TINV} (0.05, 44)$$

$$t_{tabel} = 2.015368$$

Based on t_{tabel} above (equation I), it can be explained as follows:

1. First Hypothesis (H_1)

Having liquidity $t_{hitung} = 3.396196$ ($t_{hitung} > t_{tabel}$) maka ($3.396196 > 2.015368$). While the probability value of 0.0014 is smaller than the significant level of 0.05 ($0.0014 < 0.05$). From these results it can be concluded that liquidity has a significant effect on financial distress, the coefficient value of 0.451196 indicates a positive relationship between the liquidity variable and financial distress. So the first hypothesis which states that liquidity has a positive effect on financial distress is **acceptable**.

2. Second Hypothesis (H_2)

Having Leverage $t_{hitung} = -12.00914$ ($-t_{hitung} < -t_{tabel}$) then ($-12.00914 < -2.015368$). While the probability value of 0.0000 is smaller than the significant level of 0.05 ($0.0000 < 0.05$). From these results it can be concluded that leverage has a significant effect on financial distress, the coefficient value of 0.800554 indicates a negative relationship between leverage and financial distress. So the second hypothesis which states that leverage has a negative effect on financial distress is **acceptable**.

Tabel 4.16
Hasil Uji-T Analisis Regresi Linier Moderasi

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.627062	0.151849	4.129511	0.0002
LIKUIDITAS	0.233513	0.102022	2.288839	0.0272
LEVERAGE	-0.819872	0.057429	-14.27635	0.0000
PROFITABILITAS	-0.233033	1.637119	-0.142343	0.8875
PROFITABILITAS_LIKUIDITAS	3.415381	1.498655	2.278964	0.0278
PROFITABILITAS_LEVERAGE	0.803139	0.463498	1.732780	0.0905

Sumber : Data diolah dengan *eviews* 11, 2020

3. Third hypothesis (H_3)

The t test is used to test the effect of profitability moderating liquidity on financial distress. Based on the results of the table when the interaction variable between liquidity and profitability has $t_{hitung} = 2.278964$ then ($t_{hitung} > t_{tabel}$) then ($2.278964 > 2.015368$). The coefficient value is 3.415381, which means that the profitability variable is able to strengthen the relationship of liquidity to financial distress on financial distress, in addition to strengthening the significant effect seen from the significant value of 0.05 ($0.0278 < 0.05$), the third hypothesis states that profitability can weaken the effect of liquidity on financial distress is **rejected**

4. Hipotesis keempat (H_4)

The t test is used to test the effect of leverage moderating profitability on financial distress. Based on the results the table has $t_{hitung} = 1.732780$ then ($t_{hitung} < t_{tabel}$) then ($1.732780 < 2.015368$). The coefficient value is 0.803139, there is no significant effect, it can be seen from the significant value 0.05 ($0.0905 > 0.05$), which means that profitability does not moderate the relationship between

leverage and financial distress, so the fourth hypothesis which states that profitability can strengthen the effect of leverage on financial distress is **rejected**.

4.6 Discussion of Research Results

4.6.1 Effect of Liquidity on Financial Distress

The fourth hypothesis (H1) which states that liquidity has an effect on financial distress, it is accepted that liquidity has $t_{hitung} = 3.396196$ ($t_{hitung} > t_{tabel}$) then ($3.396196 > 2.015368$). While the probability value of 0.0014 is smaller than the significant level of 0.05 ($0.0014 < 0.05$), which means that the independent variable has an effect on the dependent variable. The coefficient of the independent variable on liquidity is 0.451196 which shows a positive sign. The higher the level of liquidity, the higher the level of financial distress. High company liquidity does not always make the company's condition healthy, therefore the company can experience more financial distress, because it is caused by the existence of funds and high company assets that are not properly processed by management. Thus, funds and even assets owned by the company are not properly used for the company's operations. The results of this study are in line with (Christananda et al., 2017), Made, & Septiani (2019) that liquidity has a positive effect on financial distress, which means that the higher the current ratio, the higher the level of the company experiencing financial distress.

However, the results of the study are not in line with research (I. P. Sari, Susbiyani, & Syahfrudin, 2019) that liquidity has no effect on financial distress, because high or low liquidity has no effect that the company is in financial distress.

4.6.2 Effect of Leverage on Financial Distress

The fourth hypothesis (H_2) which states that leverage affects financial distress, it is accepted that leverage has $t_{hitung} = -12.00914$ ($-t_{hitung} < -t_{tabel}$) then ($-12.00914 < -2.015368$). While the probability value of 0.0000 is smaller than the significant level of 0.05 ($0.0000 < 0.05$), which means that the independent variable affects the dependent variable. The coefficient of the leverage independent variable of -0.800554 indicates a negative sign. The higher the level of leverage, the lower the probability of financial distress. High leverage may not necessarily be categorized as a company in financial distress. This is because the debt that the company owns can be used as an investment in the company, for example, the company increases its assets, so that the company has increased capital, therefore it can prevent the company from experiencing financial distress. The results of this study are in line with the research of Made & Septiani (2019) and Zulfa (2018) that high DAR values do not always have a high but low probability of bankruptcy. However, the research is not in line with research (I. P. Sari et al., 2019) that leverage does not affect financial distress conditions.

4.6.3 Effect of Liquidity on Financial Distress with a moderate variable of Profitability

Third hypothesis (H_3) which states that profitability strengthens the effect of liquidity on financial distress on financial distress, is rejected. This shows that based on the table results when the interaction variable between liquidity and profitability has $t_{hitung} = 2.278964$ then ($t_{hitung} > t_{tabel}$) then ($2.278964 > 2.015368$) While the probability value is less than the significant value 0.05 ($0.0278 < 0.05$). From these results it can be concluded that profitability strengthens the relationship between liquidity and financial distress. This is because the profits that the company gets cannot be managed properly, therefore the company's profits are misused by the company for interests outside the

company's operations, not to cover the company's short-term obligations. So that the company will increasingly experience an increase in financial distress conditions.

This research is not in line with research according to Asri (2016) showing that variables are able to weaken the relationship of liquidity to financial distress.

4.6.4. The influence of Leverage on Financial Distress with the moderating variable of Profitability

Fourth hypothesis (H_4) which states that profitability strengthens the effect of leverage on financial distress on financial distress, accepted. This shows that based on the results the table has $t_{hitung} = 1.732780$ then ($t_{hitung} < t_{tabel}$) then ($1.732780 > 2.015368$). While the probability value is less than the significant value 0.05 ($0.0905 < 0.05$). From these results it can be concluded that profitability is not able to strengthen the relationship between leverage and financial distress and financial distress

It can be said that leverage is the company's ability to add assets that are being spent by debt. This is because the profits obtained may not be used to pay debts, nor are they used to add assets, but the results of the company's investment come from adding company assets that are spent by debt as new capital for the company to repay the company's debt, therefore the company will remain in a condition to avoid financial distress. This study is not in line with research according to Asri (2016) that profitability can moderate the effect of leverage on financial distress, this is because every profit earned by the company is not used to pay debt, there is a possibility that it is used for routine operational activities such as salary payments, and can increase assets, so that debt obligations are not paid on time, this will cause an increase in the company to experience financial distress.

V. CONCLUSION AND SUGGESTION

5.1. Conclusion

This study aims to determine the effect of liquidity, leverage on financial distress with the addition of a moderating variable, namely profitability in various industrial sub-sector companies listed on the Indonesia Stock Exchange (BEI) for the 2015-2018 period. Based on the data collected by researchers, it resulted in 48 samples from 12 companies that met the criteria determined by the researcher. Based on the results of the analysis and discussion that has been presented, it can be concluded as follows:

1. From the results of the t-test, liquidity has an effect on financial distress. The results of this study indicate that high company liquidity does not always make the company healthy, therefore the company can experience more financial distress.
2. From the results of the t-test, leverage affects financial distress. The results of this study indicate that the higher the level of leverage, the lower the probability of financial distress. High leverage may not necessarily be categorized as a company in financial distress.
3. From the results of the t-test, profitability can strengthen the effect of liquidity on financial distress. The results of this study indicate that the profits obtained by the company are not managed properly, so that the company will increasingly experience an increase in financial distress conditions.
4. From the results of the t-test, profitability does not moderate the relationship between leverage and financial distress. The results of this study indicate that the profits obtained may not be used to pay debts, nor are they used to add assets, so that the company will still be said to be protected from financial distress due to the company's investment returns that come from the addition of company assets which

are flooded by corporate debt that will be as new capital for the company to repay the company's debt.

5.2. Suggestion

Based on the described research results, the authors provide the following suggestions:

1. In this study, the authors prove that liquidity affects financial distress. This is suggested so that the company can manage the assets and funds owned by the company properly, and always pay attention to its financial statements because if it is not processed properly and not carefully the financial statements will make the company even more in financial distress.
2. In this study, the authors prove that leverage affects financial distress. It is suggested that the company has more investment for the company's capital, so that the company can pay its debts and the company can avoid financial distress.
3. In this study, the authors prove that the existence of profitability strengthens the effect of liquidity on financial distress. This is suggested so that when the company gets a profit it can be processed, used and considered as well as possible. If not, the company will be in a worse condition because a lot of the company's profits are misused for other purposes, not for the company's operations.
4. In this study, the authors prove that the existence of profitability cannot moderate the effect of leverage on financial distress. The company profits do not affect the level of leverage on financial distress conditions, so the company must be able to improve company expenses, manage its finances and company assets, and increase capital investment as well as possible, so that the company can still avoid financial distress.

5.3 Research Limitations and Research Development

5.3.1 Research Limitations

Based on the results of the research described, the authors have research limitations including the following :

1. This sample selection only selects companies that fit the research criteria by purposive sampling, so that the sample obtained is less.
2. This study only uses a 4 year period, namely 2015, 2016, 2017, and 2018.
3. The independent variables used are only 2 variables.

5.3.2 Research Development

Based on the described research results, the authors have a research development including the following:

1. It is expected that further research will use more research samples from other sectors of the Indonesia Stock Exchange (BEI) company.
2. Further researchers are expected to use more periods as a comparison of research observations.
3. Researchers can then add or use other variables that have a major influence on financial distress.

DAFTAR REFERENSI

- Agus Sartono . (2010). *Manajemen Keuangan Teori dan Aplikasi*. Edisi 4. Yogyakarta: BPFE
- Agus Widarjono. (2015). *Statistika Terapan*. Yogyakarta: UPP STIMYKPN.
- Agustini, N. W., & Wirawati, N. G. P. (2019). Pengaruh Rasio Keuangan Pada Financial Distress Perusahaan Ritel Yang Terdaftar di Bursa Efek Indonesia (BEI). *E-Jurnal Akuntansi*, 26, 251. <https://doi.org/10.24843/eja.2019.v26.i01>.
- Apriada. (2013). *Pengaruh Struktur Kepemilikan Struktur Modal dan Profitabilitas pada Nilai Perusahaan*.
- Arie Dewanty, A. P., Ardana Putra, I. N. N., & Hidayati, S. A. (2018). Pengaruh Likuiditas Dan Leverage Terhadap Financial Distress Pada Perusahaan Perdagangan, Pelayanan Jasa Dan Investasi Yang Terdaftar Di BEI Tahun 2016-2017. *Jmm Unram - Master of Management Journal*, 7(3), 78. <https://doi.org/10.29303/jmm.v7i3.341>
- Asri, I. G. A. M., & Putri, D. (2016). Kemampuan Profitabilitas memoderasi pengaruh Likuiditas Dan Leverage Terhadap Financial Distress. *Jurnal Riset Akuntansi*, 2, 1–9.
- Atina, E. R. (2019). Analisis Rasio Keuangan dan Ukuran Perusahaan Terhadap Kondisi Financial Distress Perusahaan Manufaktur yang Terdaftar di Bursa Efek Indonesia Periode 2015-2017. *EcoGen*, 2(September).
- Carolina, V., Marpaung, E. I., & Pratama, D. (2018). Analisis Rasio Keuangan untuk Memprediksi Kondisi Financial Distress (Studi Empiris pada Perusahaan Manufaktur yang Terdaftar di Bursa Efek Indonesia Periode 2014-2015). *Jurnal Akuntansi Maranatha*, 9(2), 137–145. <https://doi.org/10.28932/jam.v9i2.481>
- Christananda, C., Khairunnisa, & Nurbaiti, A. (2017). Analysis Of Current Ratio And Net Profit Margin For Predicting Financial. *E-Proceeding of Management*, 4(1), 469-475 ISSN : 2355-9357.
- Fildan Khairuddin, Abdul Wahid Mahsuni, A. (2019). E-JRA Vol. 08 No. 01 Agustus 2019 Fakultas Ekonomi dan Bisnis Universitas Islam Malang. *E-Jra*, 08(01), 1–17.
- Ghozali, I. (2016). *Aplikasi Analisis Multivariate dengan Program IBM SPSS 23* (8th ed.). Semarang: Universitas Diponegoro.
- Ghozali, I. (2018). *Aplikasi Analisis Multivariate dengan program IBM SPSS 25*. Semarang: Badan Penerbit Universitas Dponegoro.
- Handaru, A., & Mardiyati, U. (2014). Jurnal Dinamika Manajemen. *Jdm*, 5(2), 171–182.
- Harahap, S. S. (2010). *Analisis Kritis atas Laporan Keuangan*. Jakarta.

- Hartono. (2005). Hubungan Teori Signalling dengan Underpricing Saham Perdana di Bursa Efek Indonesia. *Jurnal Bisnis Dan Manajemen*, 46.
- Jahur, Q. (2012). *Financial Distress in Small and Medium Enterprises (SMES) of Bangladesh: Determinants and Remedial Measures*.
- Kasmir. (2012). *Analisis Laporan Keuangan* (PT. Raja G). Jakarta.
- Kumendong, F. F., & Hutabarat, F. M. (2019). Analysis Factor of Financial Distress : an Evidence of Cable Sub Sector in Indonesia From Year 2016-2017. *Abstract Proceedings International Scholars Conference*, 7(1), 964–976.
- Kuncoro, M. (2013). *Metode Riset untuk Bisnis dan Ekonomi* (4th ed.). Jakarta: Erlangga.
- Kurniasanti, A. (2018). Pengaruh Corporate Governance, Rasio Keuangan, Ukuran Perusahaan dan Makroekonomi Terhadap Financial Distress (Studi pada Perusahaan Sektor Pertambangan yang Terdaftar di Bursa Efek Indonesia Tahu 2012-2016). *Jurnal Ilmu Manajemen (JIM)*, 6(3), 197–212.
- Lizal, L. (2002). *Transition Economy? The Czech Republic Case Determinants of Financial Distress : What Drives Bankruptcy in a Transition Economy? The Czech Republic Case*. (451).
- Lubis, N. H. dan D. P. (2019). *Pengaruh Likuiditas, Leverage, dan Profitabilitas terhadap Financial Distress (Studi Empiris pada Perusahaan Manufaktur yang Terdaftar di BEI periode 2013-2016)*. 01(2013), 173–182. Retrieved from <http://e-journal.uajy.ac.id/14649/1/JURNAL.pdf>
- Made, N., & Septiani, I. (2019). *Institusional Terhadap Financial Distress Pada Fakultas Ekonomi dan Bisnis Universitas Udayana (Unud), Bali , Indonesia Kondisi ekonomi yang selalu mengalami perubahan telah mempengaruhi kegiatan dan kinerja perusahaan , baik perusahaan kecil maupun per*. 8(5), 3110–3137.
- Prawoto, agus tri basuki. (2017). *Analisis Regresi dalam Penelitian Ekonomi &Bisnis : dilengkapi aplikasi SPSS dan Eviews*. depok: PT Raja Grafindo Persada.
- Qurrotul Aini, D. (2018). Pengaruh Rasio Likuiditas, Leverage, Aktivitas, Profitabilitas dan Sales Growth Terhadap Financial Distress (Studi Kasus pada Perusahaan Sektor Pertambangan yang Terdaftar di Bursa Efek Indonesia Periode 2012-2016). *Jurnal Ilmu Manajemen (JIM)*, 7(2), 372–381.
- Rohmadini, A., Saifi, M., & Darmawan, A. (2018). Pengaruh Profitabilitas, Likuiditas Dan Leverage Terhadap Financial Distress (Studi Pada Perusahaan Food & Beverage Yang Terdaftar Di Bursa Efek Indonesia Periode 2013-2016). *Jurnal Administrasi Bisnis (JAB)*, 61(2), 11–19.
- Ross. (2015). *Pengantar Keuangan Perusahaan* (Global Asi). Jakarta: Salemba Empat.

- Samryn, L. . (2012). *Akuntansi Manajemen Informasi Biaya Untuk Mngendalikan Aktivitas Operasi dan Investasi (Pertama)*. Jakarta.
- Saputri, A. P. (2010). *Pengaruh Corporate Governance dan Financial Distress Terhadap Luas Pengungkapan Sukarela*. Diponegoro.
- Sari, I. P., Susbiyani, A., & Syahfrudin, A. (2019). Analisis Faktor-Faktor yang Mempengaruhi Kondisi Financial Distress pada Perusahaan yang Terdapat di BEI Tahun 2016-2018 (Studi Empiris pada Perusahaan Manufaktur Sub Sektor yang Terdaftar di Bursa Efek Indonesia). *Jurnal Ilmiah AKuntansi Dan Humanika*, 9(2), 191–203.
- Sari, N. M. E. D. P. & M. M. R. (2013). Prediksi Kebangkrutan Dengan Model Grover, Altman Z-Score, Springate, dan Zwijewski pada Perusahaan Food and Beverages di Bursa Efek Indonesia. *E-Jurnal Akuntansi*, 5.
- Setiawati, M. H. (2017). *Analisis Metode Altman Z-score, Springate, dan Zwijewski untuk Memprediksi Financial Distress pada Perusahaan Food and Beverage yang Terdaftar di Bursa Efek Indonesia (BEI) periode 2011-2015*.
- Sugiyono. (2017). *Metode Penelitian Kuantitatif, kuantitatif dan R&D*. Bandung: Alfabeta.
- Sulastri, E., & Zannati, R. (2018). Prediksi financial distress dalam mengukur kinerja perusahaan manufaktur. *Jurnal Manajemen Strategi Dan Aplikasi Bisnis*, 1(1), 27–36. <https://doi.org/10.36407/jmsab.v1i1.17>
- Sutrisno, H. (2001). *Metodologi Research* (3rd ed.). Yogyakarta: Andi Offset.
- Utari, T., & Dewi, N. (2014). Pengaruh Modal, Tingkat Pendidikan dan Teknologi Terhadap Pendapatan Usaha Mikro Kecil dan Menengah (UMKM) di Kawasan Imam Bonjol Denpasar Barat. *E-Jurnal Ekonomi Pembangunan Universitas Udayana*.
- Wardhani, R. (2006). Mekanisme Corporate Governance dalam Perusahaan yang Mengalami Masalah Keuangan (*Financially Distressed Firms*).
- Wilujeng, R., & Yulianto, A. (2020). Determinan Financial Distress dengan Profitabilitas Sebagai Variabel Moderating. *Jurnal Penelitian Ekonomi Dan Bisnis*, 5(1), 90–102. <https://doi.org/10.33633/jpeb.v5i1.2746>
- Wiratna, V., & Sujarweni. (2014). *Metode Peneleitian: Lengkap, Praktis, dan Mudah dipahami*. Yogyakarta: Pustaka Baru Press.
- Yola Amanda, A. T. (2019). Pengaruh Likuiditas, Leverage, Sales Growth dan Ukuran Perusahaan Terhadap Financial Distress Pada Perusahaan Manufaktur yang Terdaftar di Bursa Efek Indonesia (BEI) Periode 2015-2017. *EcoGen*, 2(9), 1–10. <https://doi.org/10.1017/CBO9781107415324.004>
- Yoseph, P. (2011). Analisis Kebangkrutan dengan Metode Z-Score Altman, Springate, dan Zwijewski pada PT Indofood Sukses Makmur, Tbk Periode 2005-2009. *Jurnal Ilmiah Akuntansi*, 2.

THE EFFECT OF LIQUIDITY AND LEVERAGE ON FINANCIAL DISTRESS WITH PROFITABILITY AS A MODERATION VARIABLES

(Empirical Study of Miscellaneous Industrial Sector Companies Listed on the Indonesia Stock Exchange 2015-2018)

Zulaecha, H. E., & Mulvitasari, A. (2018). Pengaruh Likuiditas, Leverage, dan Sales Growth Terhadap Financial Distress. *Manajemen Bisnis*, 8(1), 16–23.

Zulfa, Z. M. (2018). *The Ability of Profitability to Moderate The Effect of Liquidity, Leverage and Operating Capacity on Financial Distress. Proceeding Business and Economics Conference In Utilizing*, 15–30.

www.idx.co.id

<https://www.cnbcindonesia.com/market/20191129183517-17119193/perusahaan-merugi-dirut-argo-pantes-mengundurkan-diri>

<https://insight.kontan.co.id/news/rugi-kurs-sebabkan-perusahaan-tekstil-argo-pantes-argo-merugi-us-3-juta>



LIST OF RESEARCH HISTORY

Personal Data

Name : Hanifah Tri Handayani
NPM : 11160000208
Place and date of birth : Jakarta, 7 January 1998
Religion : Islam
Citizenship : Indonesia
Address : Kp. Rawaterate Rt 04/Rw 01 No. 95, Kel.
Rawaterate Kec. Cakung, Jakarta Timur
13920
Telephone : 0858-8354-8743
Email : hanifahtri07@gmail.com

Formal Education

SDN 03 Pagi Pulogadung, Jakarta : Lulus Tahun 2010
SMPN 158, Jakarta : Lulus Tahun 2013
SMAN 45, Jakarta : Lulus Tahun 2016
STEI Indonesia, Jakarta : Tahun 2016 sampai sekarang

Organizational Experience

2016-2017 : Anggota UKMJ Akuntansi STEI
2017-2018 : Sekretaris Umum UKMJ Akuntansi

