INFLUENCE RATIO LEVERAGE, PROFITABILITY, LIQUIDITY TO FINANCIAL DISTRESS
(In Food and Beverage Sub Sector Manufacturing Companies Listed on the Indonesia Stock Exchange 2015-2018)

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Abstract-This study aims to examine whether the influence of the leverage ratio on financial distress, the ratio of profitability to financial distress, the ratio of liquidity to financial distress in the food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange (BEI).

This study uses a descriptive quantitative approach, which is measured using a panel data-based method with Eviews 10 software. The population in this study is a food and beverage sub-sector manufacturing company listed on the Indonesia Stock Exchange (IDX) from 2015 to 2018. The sample was determined based on the purposive sampling method, with a total sample size of 18 manufacturing companies in the food and beverage sub-sector so that the total observations in this study were 72 observations. The data used in this study are secondary data. The data collection technique uses the documentation method through the official IDX website:www.idx.co.id.

The results prove that (1) the leverage ratio as measured by the debt to asset ratio has an effect on the financial distress of the food and beverage sub-sector manufacturing companies listed on the IDX, (2) the profitability ratio as measured by the return on assets has an effect on financial distress in the food subsector companies. and beverages listed on the IDX, (3) the liquidity ratio as measured by the current ratio has no effect on the financial distress of food and beverage sub-sector companies listed on the IDX in the 2015-2018 period.

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

PRELIMINARY

Before entering the bankruptcy phase, the company will usually experience a state of financial difficulty, also known as financial distress. Financial distress can be interpreted as a company's financial condition that is experiencing a crisis or is not healthy so that the company is unable to fulfill or pay its obligations to debtors at maturity due to insufficient funds to run its business again. According to Gamayuni (2011) financial distress is the

difficulty of financial or liquidity difficulties which may be the beginning of bankruptcy. According to Fallahpour (2004) in Kordestani, Biglari, and Bakhtiari (2011), states that financial distress occurs in companies whose profitability is according to. As profitability decreases,

Financial distress conditions in various criteria. Companies are considered to experience financial distress when one of these conditions is met (1) companies that have suffered losses for three consecutive years or more (2) companies that have had negative cash flow for three years or more (Lakhsan 2013). There are five forms of financial distress that can cause a company to go bankrupt. The five things are: 1. Economic Failure, 2. Business Failure, 3. Technical Insolvency, 4. Insolvency In Bankrupty, 5. Legal Bankkrupty (Gamayuni 2011, in Hantono 2019)

Based on the background description presented by the researcher above, the researcher is interested in researching financial distress. The title that will be raised by the researcher is "THE EFFECT OF RATIO LEVERAGE, PROFITABILITY, LIQUIDITY ON FINANCIAL DISTRESS IN FOOD AND BEVERAGE SUBSECTOR MANUFACTURING COMPANIES REGISTERED IN INDONESIA STOCK EXCHANGE 2015-2018"

LITERATURE REVIEW

Leverage

Laverage is a level of the company's ability to use assets or funds that have fixed expenses (debt or special shares) in order to achieve the company's goals to maximize the company's property.

According to Sartono (2008) Laverage is the use of assets and sources of funds by companies that have fixed costs (fixed expenses) with the intention of increasing the potential profits of shareholders.

debt to Asset Ratio (DAR) is a debt ratio that is used to measure the ratio between total debt and total assets. In other words, how much the company's assets are financed by debt or how much does the company's debt affect the assets. (Van horne, 2012). This ratio can be calculated using the formula, namely:

$$Debt\ to\ Asset\ Ratio = \frac{Total\ Debt}{Total\ Asset}$$

Profitability

Ratio profitability shows the ability of a company to make a profit. If a company scores high profits, it can be said that the agent is successful in managing the company. With high profits, it will also attract investors to invest, so that later it will keep a company away from the threat of financial distress. (Arif Hidayat, 2014).

According to Kasmir (2012), the profitability ratio is a ratio to assess a company's ability to seek profit. This ratio also provides a measure of the level of management effectiveness of a company. This is indicated by the profit generated from sales and investment income. The point is that the use of this ratio shows the efficiency of the company.

According to Wahyu (2009), profitability shows the efficiency and effectiveness of the use of company assets because this ratio measures the company's ability to generate profits based on the use of assets. With the effectiveness of the use of company assets, it will reduce costs incurred by the company, the company will get savings and will have sufficient funds to run its business. With the adequacy of these funds, the possibility of the company experiencing financial distress will be smaller.

This ratio is used to measure the extent to which the company's assets have been used in company activities. If the current ratio increases from the ratio of the previous year it can be said that the more efficient it is in using existing assets in the company and can

also see how the company's performance. To count*Return On Assets* the formula can be used:

$$Return\ On\ Assets\ = \frac{Laba\ Bersih\ Setelah\ Pajak}{\text{Total Asset}}\ x\ 100\%$$

Liquidity

Ratio Liquidity show ability something company to meet its financial obligations that must be fulfilled immediately, or the company's ability to meet financial obligations when they are collected (S. Munawir, 1995).

According to Kasmir (2012), the liquidity ratio or often referred to as the working capital ratio is a ratio used to measure how liquid a company is. The trick is to compare the components on the balance sheet, namely total current assets with total current liabilities (short-term debt). The assessment can be carried out for several periods so that the company's liquidity development can be seen from time to time.

According to John (2010) in O Andre (2013), the inability of a company to meet its current obligations is an extreme liquidity problem, this problem can lead to forced sales of investments and other assets, and even lead to insolvency difficulties and bankruptcy.

$$Current\ Ratio = \frac{\text{Aktiva Lancar } (Current\ Assets)}{\text{Kewajiban Lancar } (Current\ Liabilities)}$$

Financial Distress

Khaliq et al (2014) define financial distress as a condition in which a company cannot or has difficulty fulfilling its obligations to creditors. The chances of financial distress increase when the company's fixed costs are high, liquid assets, or income are very sensitive to an economic recession. This condition will force the company to pay high costs so that management is forced to make loans to other parties.

Platt and Platt (2006) state that financial distress is the stage of deteriorating financial conditions before bankruptcy or liquidation occurs. According to Platt in (JLDP 2013) the criteria for companies experiencing financial distress are:

1. Several years of negative operating net income
2. Stop dividend payments
3. Experiencing major restructuring or business termination

Baimwera and Muriuki (2014) also define financial distress as the possibility that a company cannot fulfill its obligations at maturity. When there is financial difficulty, the company's inability to fulfill its obligations indicates that the company lacks working capital or working capital (Aghaei, 2013)

RESEARCH METHODS

In this study, the authors used quantitative research methods. Associative analysis research strategy is a strategy that aims to determine how the relationship between two or more variables. Where in this study will explain the influence of Leverage, Profitability, Liquidity with Financial Distress.

Population and Sample

In this study, the population used is a company engaged in the food and beverage sub-sector that is listed on the Indonesia Stock Exchange (IDX) and is still actively joining until 2018. The number of companies listed on the Indonesia Stock Exchange is 51 companies. The sampling technique in this study resulted in a sample of 18 companies.

Information	total
The total number of manufacturing companies in the goods industry sector consumption listed on the Indonesia Stock Exchange (IDX)	51
Manufacturing companies that are not included in the food and beverage sub-sector listed on the Indonesia Stock Exchange (IDX) during 2015-2018	(26)
The food and beverage sub-sector companies that report finances are not completely registered in 2015-2018	(7)
The total number of manufacturing companies in the food sub-sector and drinks that meet the sample criteria	18

Data analysis method

The analysis method used in this research is panel data regression analysis using the Eviews program to regress the formulated model. The tests consist of:

Descriptive statistics

Descriptive statistics aim to describe and describe a characteristic of a sample under study which is seen from the mean value, standard deviation, maximum value, lowest value (minimum) of each of the variables studied. The dependent variable in this research is Financial Distress and the independent variables are Leverage, Profitability, and Liquidity.

Analysis of Panel Data Descriptions

This study uses panel data analysis where panel data is a combination of time series data and cross section data. Cross section data is data that is collected from time to time against many individuals, while time series data is collected from time to time on an individual. Panel data regression analysis is a regression analysis tool in which data is collected individually (cross section) and followed at a certain time (time series).

Multiple Linear Regression Equation Test

Multiple linear regression analysis is a method used to test the effect of two or more independent variables on the dependent variable with a measuring scale or ratio in a linear equation. The independent variable in this study is Leverage, Profitability, Liquidity, while the dependent variable is Financial Distress.

Based on the regression estimation method between the Common Effect Model, Fixed Effect Model, and Random Effect Model and the selection of the regression equation estimation model using the Chow test, Haussman test, and lagrange multiplier test, the Random Effect Model (REM) estimation method was chosen as a panel data regression equation . The Random Effect Model can be written as follows:

Multiple Linear Regression Equation Test Results

Dependent Variable:
FD
Method: Panel EGLS (Cross-section random effects)
Date: 02/14/20 Time:
4:15 pm
Sample: 2015 2018

Periods included: 4
Cross-sections
included: 18
Total panel (balanced) observations: 72
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
DAR	-3.868926	0.417880	-9.258472	0.0000
ROA	3.947414	1.103176	3.578226	0.0006
CR	0.080063	0.042317	1.892003	0.0627
C	4.592506	0.378288	12.14025	0.0000

Effects Specification	SD	Rho
Random cross-section	0.875597	0.7791
Idiosyncratic random	0.466203	0.2209

Weighted Statistics			
R-squared	0.775728	Mean dependent var	0.812264
Adjusted R-squared	0.765833	SD dependent var	0.972695
SE of regression	0.470695	Sum squared resid	15.06563
F-statistic	78,40092	Durbin-Watson stat	1.598232
Prob (F-statistic)	0.000000		

Unweighted Statistics			
0			
R-squared	0.725164	Mean dependent var	3.157369
Sum squared resid	68,92560	Durbin-Watson stat	0.349339

(Source: Eviews 10 Panel Data Regression Output Results)

Based on the regression results using the random effect model, it can be concluded that the constant coefficient of 4.592506 means that if the debt to asset ratio (X1), return on assets (X2) and current ratio (X3) are zero, then the amount of financial distress is 4.592506.

Based on the table above, the variable X1, namely Leverage (Debt to Assets Ratio) has a regression coefficient value of -3.868926, which means that each debt to asset ratio has an increase of 1%, it is predicted that it will experience a decrease in financial distress by -3.868926 assuming the other variables are constant. or not changing.

Based on the table above, the variable X2, namely Return On Asset, has a regression coefficient value of 3.947414, which means that each return on asset has an increase of 1%, it is predicted that there will be an increase in financial

distress of 3,947414, assuming the other variables remain or do not change.

Based on the table above, the variable X3, namely Current Ratio, has a regression coefficient value of 0.080063 which can be concluded that each current ratio has increased by 1%, it is predicted that there will be an increase in financial distress of 0.080063, assuming other variables remain or do not change.

Partial Test (t test)

Partial test or t test is used to observe the effect of independent variables on the dependent variable individually (partially). The t test was used with a significant level of 0.05 and compared the t-table values.

Dependent Variable: FD
Method: Panel EGLS (Cross-section random effects)
Date: 02/14/20 Time: 4:15 pm
Sample: 2015 2018
Periods included: 4
Cross-sections included: 18
Total panel (balanced) observations: 72
Swamy and Arora estimator of component variances

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	CR	0.080063	0.042317	1.892003	0.0627
C		4.592506	0.378288	12.14025	0.0000

T test results

From the results of these tests it can be concluded that:

1. The effect of the debt to asset ratio (X1) variable on financial distress shows that the t-count <t-table (-9.258472 <1.99495) and has a probability value of 0.0000 <0.05, it can be concluded that the debt to asset ratio variable has value has a significant effect on financial distress.
2. The effect of the return on assets (X2) variable on financial distress shows that the t-count> t-table (3.578226> 1.99495) and has a probability value of 0.0006 <0.05, it can be concluded that the return on asset variable has a value that affects significantly. significant to financial distress.
3. The effect of the current ratio variable (3) on financial distress shows that the t-count <t-table (1.892003 <1.99495) and has a probability value of 0.0627> 0.05, it can be concluded that the current ratio variable has no significant effect. against financial distress.

Discussion of Research Results

1. Effect of Debt To Asset Ratio on Financial Distress

Based on the results of using REM, the partial t test shows that the debt to asset ratio has a significant effect on financial distress, this can be ascertained from that the t-count value is smaller than the t-table (-9.258472 <1.99495) and has a probability value. 0.0000 <0.05.

So it can be concluded that the debt to asset ratio has a significant effect on financial distress. This shows that the fluctuation of the debt to asset ratio used to measure the ratio between total debt and total assets has an effect on financial stress.

This is supported by research conducted by Atika (2012) and Andre (2014) which show that the debt to asset ratio has a positive and significant effect on financial distress conditions.

2. The Effect of Return On Assets on Financial Distress

Based on the results of using REM partial t test, it is found that return on assets has a significant effect on financial distress. , this can be ascertained from that the t-count value is greater than the t-table (3.578226> 1.99495) and has a probability value of 0.0006 <0.05.

So it can be concluded that return on assets has a significant effect on financial distress. This shows that the increased efficiency and effectiveness in the use of assets owned by the company to generate profits can increase financial distress.

3. Effect of Current Ratio on Financial Distress

Based on the results of using REM partial t test, it is found that the current ratio does not have a significant effect on finances

distress. , this can be ascertained from that the t-count value is smaller than the t-table (1.892003 <1.99495) and has a probability value of 0.0627> 0.05. So it can be concluded that the current ratio has no significant effect on

financial distress food and beverage sub-sector companies in this study.

This is supported by research conducted by Andre (2014), which shows that the current ratio does not significantly influence the prediction of financial distress.

4. The Effect of Debt To Asset Ratio, Return On Asset, and Current Ratio on Financial Distress

Based on the simultaneous test results, it is found that the simultaneous debt to asset ratio, return on assets, and current ratio have a significant effect on financial distress. Where the results obtained the value of Fcount> Ftable (78.40092> 2.74). At the probability level (F-statistic) it has a value of 0.000000 which means the probability level (F-statistic) <0.05.

This is supported by the research of Aisyah (2015) which shows that the debt to asset ratio, return on assets, and current ratio together (simultaneously) have a significant effect on financial distress.

CONCLUSIONS AND SUGGESTIONS

This study aims to determine the variables of leverage, profitability, and liquidity against financial distress. Based on the results and discussion of the research, the following conclusions can be drawn:

1. Ratio leverage (debt to asset ratio) has a significant effect on financial distress in the food and beverage sub-sector companies listed on the IDX for the 2015-2018 period. This means that if the leverage variable increases, it will increase financial distress, and vice versa.
2. Ratio profitability (return on assets) has a significant effect on financial distress in the food and beverage sub-sector companies listed on the IDX for the 2015-2018 period. This means that if the variable profitability increases, it will increase financial distress, and vice versa.
3. Ratio liquidity (current raio) has no significant effect on financial distress in the food and beverage sub-sector companies listed on the IDX for the 2015-2018 period. This means that if the liquidity variable increases, it will reduce financial distress, or vice versa. In other words, this means that if the current ratio (CR) of the company increases, the probability of the company experiencing financial distress is getting lower, and vice versa if the current ratio (CR) of the company decreases, the probability of the company experiencing financial distress is higher.

Based on the research results and conclusions above, the suggestions that the authors can convey are as follows:

1. The food and beverage sub-sector companies pay more attention to the value of the debt to asset ratio, return on assest, which is a significant result to predict the occurrence of financial distress in the company.
2. The next researcher should increase the number of research samples with other corporate sectors and add research variables.

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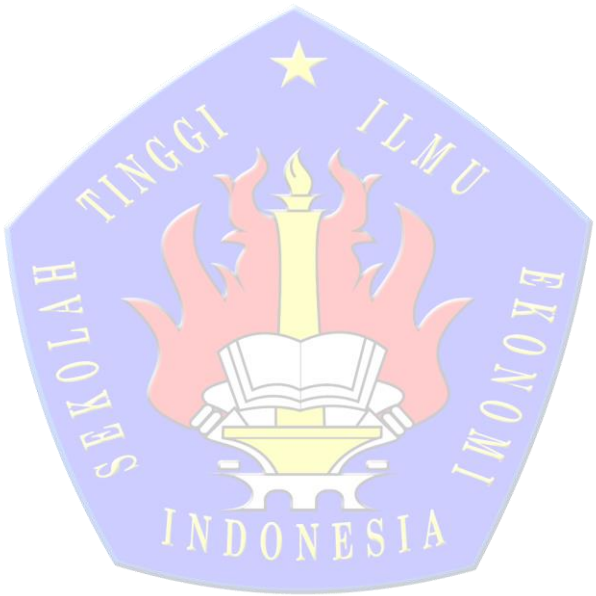
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