

## ***Financial Distress: Ratio Of Financial Statements Of Mining And Metals Companies***

**Reny Aziatul Pebriani**

Faculty of Economics, Indo Global Mandiri University

Email: renyaziatul@uigm.ac.id

**Lili Syafitri**

Faculty of Economics, Indo Global Mandiri University

Email: lilisyafitri@uigm.ac.id

**Vhika Meiriasari**

Faculty of Economics, Indo Global Mandiri University

Email: vhikams@uigm.ac.id

### **Abstract**

*This research aims to determine the influence of profitability, leverage and liquidity on financial distress in the mining and metals company sub-sector in Indonesia during the 2018-2022 Period. Profitability is measured using Return on Assets (ROA), leverage is measured by Debt to Equity Ratio (DER), and liquidity is measured using Current Ratio (CR). Financial distress was identified using the Altman Z-score model. This type of research is a quantitative research sampling in this study using purposive sampling techniques and data that has been processed for this study as many as 11 Mining and Metal companies listed on the Indonesia Stock Exchange. The data source in this study uses a secondary data source sourced from the Annual Report published by mining and metals companies listed on the Indonesia Stock Exchange. The data analysis used in this study used Descriptive Statistic analysis, Pooled Data, Chow Test, Hausman Test, Fixed Effect, Partial Test, Determination Coefficient Test (R<sup>2</sup>). The test results showed that the Return on Asset (ROA) variable, Debt to Equity ratio (DER), did not have a significant effect on financial distress, while the Current Ratio (CR) had a significant effect on financial distress in Mining and Metal Companies listed on the Indonesia Stock Exchange in 2018-2022. The Result of this study is that profitability, leverage, and liquidity significantly affect the condition of financial distress in mining and metals sub-sector companies in Indonesia.*

**Keywords:** *Return On Assets, Debt To Equity Ratio, Current Ratio, Financial Distress.*

### **Abstrak**

Penelitian ini bertujuan untuk mengetahui Pengaruh Profitabilitas, *Leverage*, dan Likuiditas Terhadap *Financial distress* Sub Sektor Perusahaan Pertambangan dan Logam di Indonesia selama Periode 2018-2022. Profitabilitas diukur menggunakan Return on Assets (ROA), leverage diukur dengan Debt to Equity Ratio (DER), dan likuiditas diukur menggunakan Current Ratio (CR). Financial distress diidentifikasi menggunakan model Altman Z-score. Jenis penelitian ini merupakan penelitian kuantitatif pengambilan sampel dalam penelitian ini menggunakan teknik *purposive sampling* dan data yang telah diproses untuk penelitian ini sebanyak 11 perusahaan Pertambangan dan Logam yang terdaftar di Bursa Efek Indonesia. Sumber data pada penelitian

ini menggunakan sumber data sekunder yang bersumber dari Laporan Tahunan (*Annual Report*) yang dipublikasikan Perusahaan pertambangan dan logam yang terdaftar di Bursa Efek Indonesia. Analisis data yang digunakan dalam penelitian ini menggunakan analisis *Satistic Deskriptif*, *Pooled Data*, Uji Chow, Uji Hausman, *Fixed Effect*, Uji Parsial, Uji Koefisien determinasi ( $R^2$ ). Hasil uji yang menunjukkan bahwa variabel *Return on Asset (ROA)*, *Debt to Equity ratio (DER)*, tidak berpengaruh signifikan terhadap *financial distress*, sedangkan *Current Ratio (CR)* berpengaruh signifikan terhadap *Financial distress* pada Perusahaan Pertambangan dan Logam yang terdaftar di Bursa Efek Indoensia tahun 2018-2022. Hasil dari penelitian ini adalah profitabilitas, leverage, dan likuiditas secara signifikan mempengaruhi kondisi financial distress pada perusahaan sub sektor pertambangan dan logam di Indonesia.

**Kata Kunci:** *Return On Assets, Debt To Equity Ratio, Current Ratio, Financial distress.*

## Introduction

*Financial distress* begins when a company is unable to comply with scheduled payment obligations or when cash flow projections show that the company is unable to meet its obligations, a difficult financial situation can also begin when corporate entities or individuals, face *financial* difficulties, *financial distress* It can be caused by a variety of factors, including economic slowdowns, poor management, excessive debt, specific challenges in the industry, or external shocks such as the pandemic. Handling *financial* difficulties often requires changing strategies and operations, refinancing, debt restructuring, or seeking help from external parties, such as investors or creditors. *This financial distress* often occurs if the company experiences failure or bankruptcy, where the condition of *this financial distress* is experiencing unhealthy financial conditions or crises, *financial distress* that is enough to interfere with the company's operational activities is a condition that must be immediately watched out for and anticipated. Therefore, *financial distress* can be predicted using various methods, including by analyzing financial statements, analyzing cash flow statements. This study uses Earnings *Per Share (EPS)* projections as a projection of *Financial distress*, The EPS value is the first component that is very important and must be considered in conducting company analysis, ESP also shows how much profit investors or shareholders get, because this is an indicator of the success of a company to be able to see the bankruptcy rate of a company.

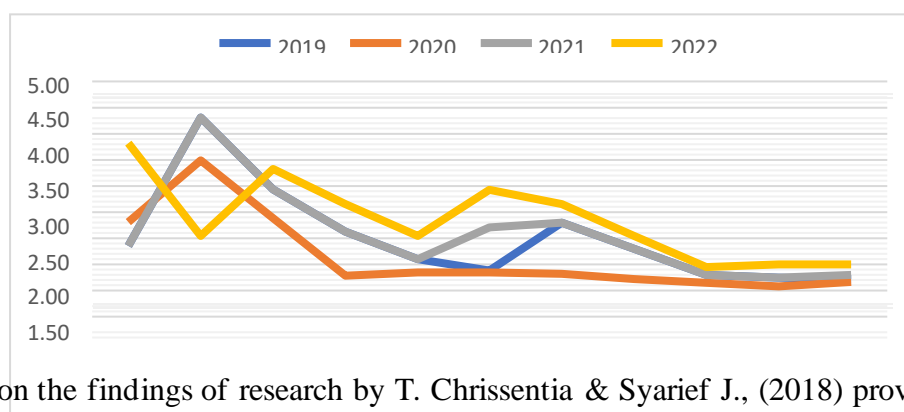
Some companies that are experiencing financial problems try to overcome these problems by making loans and mergers or vice versa, some close their businesses. The

risk of profits faced by the company can trigger failure or produce results that the company does not expect. Every company that publishes financial statements is used as one of the information about the company's financial position, because of the performance and changes in the company's financial position, which of course is very useful to support decision-making. There are several financial ratios used to predict *financial distress* in this study, namely Profitability, *Leverage*, and Liquidity. In this study, the financial ratios used to measure *the company's financial distress* are *Return On Asset* which represents the Profitability ratio, *Debt to Equity Ratio* which represents *the Leverage* ratio and *Current Ratio* which represents the Liquidity ratio. Several previous research results show the influence of financial ratios that are still diverse on *financial distress*.

The negative impact on the company is a decrease in investor confidence, difficulty in obtaining funding, and even bankruptcy. Therefore, it is important for mining and metal companies to make efforts to avoid *financial distress*. This research uses signal theory that explains the encouragement of positive and negative signal information to management and investors regarding the company's financial condition. The existence of this information can help in making decisions about investors in investment activities. Signal theory assumes that there is information between the manager and the investor or potential investor. This signal theory explains the important reason why companies present and disclose information from the *public*, besides that the information obtained can be in the form of financial statements, company policy information and other information that is voluntarily disclosed by management.

From the results of the study (Khotimah & Yuliana, 2020) it is explained that profitability measured by *Return On Asset* (ROA) is a factor that has a negative effect on the company's financial distress. Higher profitability shows that the company is able to generate maximum profits by using the assets it owns, through the profits obtained the company will be able to fund the costs that occur in the company so that the possibility of the company to experience *financial distress* problems will be smaller. And then the results of Hery., (2018) research on the ability of companies to generate profits and is useful for measuring the level of management effectiveness in carrying out their operations. The higher the profitability value, the higher the company's ability to earn profits using the assets it owns.

### Mining and Metal Company Profit Conditions



Based on the findings of research by T. Chrissentia & Syarief J., (2018) proves that *leverage* has a negative effect on *financial distress*. The greater the DER value gain, the less likely it is that *financial distress* problems will occur. Although the use of external funds results in increasing the burden borne by the company to be greater due to interest expenses, if the use of funds is used appropriately to diversify the business, it will improve the company's performance. And the results of research by Waqas & Md-rus, (2018) and Simanjuntak et al., (2017) show that *leverage* measured by *Debt To Equity Ratio* (DER) has a positive influence on *financial distress*. If a finance company uses more debt, this risks difficulties in repayment in the future due to debt greater than the assets owned.

From the results of the research, Wijarnarto & Nurhidayati, (2017) stated that the liquidity ratio has a positive and significant influence on *financial distress*. Companies that experience *financial distress* must not only meet their short-term obligations, but also meet their long-term obligations, the liquidity ratio that calculates the company's ability to pay short-term obligations, but thus liquidity has a positive effect in predicting *financial distress* on the company. The same results were also obtained from the research of Simanjuntak et al., (2017) which stated that liquidity has no effect on *financial distress*.

One of the efforts that companies can make to maintain performance is to increase sales value. Positive sales growth indicates that the products produced by the company are accepted by the market. The higher the value of the company's sales growth accompanied by cost efficiency, it is expected to increase the company's profits so that the problem of *financial distress* is not expected to occur. Another factor that can affect *financial distress* is the size of the company. The results of the research by Setyowati & Sari, (2019) prove that the size of the company has a negative effect on *financial distress*.

Hery., (2018) Company size is an important variable that explains the selection of accounting methods. The size of the company can be seen from the total assets owned. The larger the size of the company, the more stable it will be in its financial position.

Many studies that contribute to the problem of *financial distress* have been carried out before, but the results of the research are still varied. The purpose of this study is to find out more about whether there is an Effect of Profitability, *Leverage*, and Liquidity on *Financial distress* in the Sub-Sector of Mining and Metal Manufacturing Companies listed on the Indonesia Stock Exchange (IDX), while the research period conducted is 2018-2022. The results of this study are expected to have theoretical benefits and practical benefits for researchers in providing insight into the author's knowledge about the influence of Profitability, *Leverage*, and Liquidity on *the Financial distress of the Mining and Metal Manufacturing Company Sub-Sector* and for academics, it is expected to provide benefits in conceptual contributions to the development of science and insights into the Influence of Profitability, *Leverage*, and Liquidity on *Financial distress of Mining and Metal Manufacturing Companies Sub-Sector in 2018-2022* and for Mining and Metal Companies, the results of this study are expected to be used as evaluation material by the management of Mining and Metal Companies in decision-making and the implementation of effective strategies on the Influence of Profitability, *Leverage*, and Liquidity, on *Financial distress of Mining & Metal Manufacturing Companies Sub-Sector in 2018-2022*.

## Literature Review

### 1. *Signaling Teori*

*Signaling theory* was developed in financial economics to account for the fact that insiders or commonly called insiders, companies generally have better and faster information regarding the company's current conditions and prospects compared to outside investors (Prayuningsih Ayu G.I, 2021). The emergence of *asymetric information* makes it difficult for investors to objectively assess the quality of the company. Signal theory discusses the company's encouragement to provide information to external parties, which is expected to attract investors to invest in the company. Investors catch these positive signals so that investors invest their capital in the company, then indirectly the

value of a company will increase after the company gives a signal to external parties. With information about the company's *financial distress* condition, it is hoped that investors will be more careful and careful to invest in a company. *Financial distress* is a signal for investors so that investors will not be wrong to invest the capital. If the company does not experience *financial distress*, investors will not hesitate to invest in the company.

## 2. *Financial distress*

*Financial distress* is a condition in which a company or individual has difficulty meeting their financial obligations, such as paying debts, loan interest, or other bills. This condition can occur when the income or cash flow received is not enough to cover all existing *financial* obligations. *Financial distress* is an early sign of a more serious financial problem, such as bankruptcy. Signs of a Company experiencing *financial distress*, difficulties in paying debts or loan interest on time, declining in the value of assets such as property or investments, difficulties in selling assets to meet obligations, decrease in revenue or sales, decline in operating performance and profit, difficulties in obtaining new loans or additional capital (Syahputra Miftah R & Karyadi, 2022).

In *Financial distress*, there are several formulas to calculate *financial distress*, including the *Altman Z Score Method* and *the Springate Method*. These are two approaches used to evaluate the financial health of a company. Although both have the same goal, which is to identify the risk of bankruptcy, they differ in terms of approaches and factors considered. One of the most reliable tools in analyzing bankruptcy ratios is the *Altman Z Score Method*, in some cases success in predicting bankruptcy has been proven with *the Altman Z Score Method*, besides that it is also relatively simple and easy to understand. The following is the formula for *financial distress* using the *Altman Z Score Method*.

## 3. Profitability

Profitability is a measure of the extent to which a company or business entity can generate profits or profits from its operations, it depends on the company's ability to generate more revenue than the costs incurred to run the business.

*Return On Asset* (ROA) is useful for measuring the extent of the company's effectiveness in utilizing all the resources it has, Companies that have a high ROA identify that the Company can manage asset productivity well in obtaining net profits. The importance of profitability ratio in predicting *financial distress* and argues that companies with high profitability are less likely to be affected by *financial distress*. The Profitability indicator in this study uses ROA (*Return On Asset*). The following is the formula of the ROA ratio (Rinofah R et al., 2022).

#### 4. **Leverage**

*Leverage* is a term used in a variety of contexts, but in financial and business contexts, *leverage* refers to the use of funds and loans or debts to increase potential profits or investment returns (Prayuningsih Ayu G.I, 2021).

*The Debt to Equity Ratio* (DER) is one of the most commonly used leverage ratios and provides a relatively simple idea of how much a Company is dependent on debt. DER can provide an indication of how much the proportion of capital derived from debt is compared to equity. The following is the formula of the DER ratio.

#### 5. **Liquidity**

Liquidity is the ability of an asset or investment to quickly without significant losses and can be converted into cash or highly liquid assets, such as cash. In the context of finance, Liquidity refers to the extent to which an asset or investment can be sold or cashed out easily without experiencing a significant decrease in market value (Simanjuntak et al, 2017)

Current Ratio is one of the commonly used metrics to measure Company Liquidity. This ratio measures the Company's ability to meet its short-term obligations by using current assets. The following is the formula of the Liquidity ratio.

### **Research Methods**

The scope of this research is Mining and Metal Companies listed on the Indonesia Stock Exchange (IDX) in 2018–2022. This research was conducted in 2018-2022 to find out what the increase and decrease will have on mining and metal companies on the IDX.

The researcher used the method of researching in the annual financial statements of companies listed on the Indonesia Stock Exchange (IDX) for the 2018-2022 period.

The research carried out is a quantitative research method, because what is needed from the object in this study is the data expressed in the form of numbers, which is the result of calculating and measuring the value of each variable. The quantitative approach is used to measure independent variables and bound variables using numbers processed through statistical analysis. This study uses secondary data obtained from the annual reports of companies listed on the Indonesia Stock Exchange (IDX) for 2018-2022.

Data collection techniques used are Observation, Literature Study, Documentation, according to the research procedure so that the required data is obtained. In this study, the secondary data is in the form of financial statements of Mining and Metal Companies sourced from the official website of the Indonesia Stock Exchange (IDX) [www.idx.co.id](http://www.idx.co.id). In addition, it is also obtained from journals, scientific works, articles, and book references as a reference in research.

The data analysis technique here uses quantitative research methods. Research Methods based on the philosophy of positivism, objects that are observed as objects in quantitative research, these objects can be observed as a sample or the entire population, data collected from these objects. Data analysis aims to answer the problems that exist in the research. The calculation uses statistical methods assisted by *the Eviews 9 Enterprise Edition program* to measure the influence of Profitability Ratio, *Leverage*, and Liquidity and *Financial distress* on Mining and Metals Companies.

## **Results and Discussion**

This research has been carried out by testing data taken from the Indonesia Stock Exchange as many as 50 samples from 11 mining and metal companies. The data processing in this study uses *Eviews 9 Enterprise Edition* and the research results are as follows.

Panel data regression is carried out through three types of approaches, namely: *fixed effect model*. Each approach has its advantages and disadvantages. The selection of the approach model in each study depends on the assumptions used and the fulfillment of the correct statistical data processing requirements, so that the results can be statistically

accounted for. In addition, the selection of the approach model used must go through two types of tests, namely the Chow test, and the Hausman test. Before conducting a regression test on the panel data, the first step to do is to determine the approach model. The following are the results of the regression test using *the cfixed effect model approach*.

After testing the *fixed model approach*, it is seen from the processed data table that the *fixed model* has a significant effect between the variables X1 (*Profitability*), X2 (*Leverage*), X3 (*Liquidity*) on *Financial distress*. then the Chow test and the Hausman test are carried out to determine the most appropriate approach model to be used between the two approaches.

The results of the Chow Test show that the value of the *Cross-section Probability F* is 0.0155, then *the value of Cross-section F* > 0.05 and the value of the *Cross-section Chi-square probability* is 0.0027, then the value *of the Cross section Chi-square* > 0.05. So that H0 is accepted and the model selected based on the results of the Chow Test is a *Fixed Effect Model*.

The results of the Hausman test show that the *probability value of the random cross section* is 0.7240, so the value of the probability > 0.05. So that H0 is accepted and the model selected based on the results of the hausman test is a *Random Effect Model*.

### Uji Hipotesis

Dependent Variable: Financial distress

Method: Pooled EGLS (Cross-section weights)

Date: 01/09/24 Time: 12:09

Sample: 2018 2022

Included observations: 5

Cross-sections included: 11

Total pool (balanced) observations: 55

Linear estimation after one-step weighting matrix

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Financial distress	26729.83	1030.211	25.94597	0.0000
Profitability	2723.943	3378.363	0.806291	0.4247
Leverage	399.9920	165.8178	2.412239	0.0204
Liquidity	42.84839	22.05154	1.943102	0.0589

### First Hypothesis Test (H1)

The first hypothesis proposed in this study is to test how the effect of *Return on asset* (X1) on *Financial Distress* (Y). In the table above, the Probability *Return on Asset* value of 0.4247 is greater than 0.05 with a t-Statistical value of 0.806291. This means that *Return on Asset* (X1) is not significant to *Financial Distress*.

Investors assess the Company's future prospects by looking at the Company's profitability growth. High profitability has a positive impact on the Company because it can increase the value of the Company, increase investor confidence, and can attract new investors to invest. Profitability can reflect the profit from financial investment, meaning that profitability has no effect on the value of the Company because the greater the internal resources, the better the growth of the Company's profitability means that the Company's future prospects are considered better, meaning that the value of the Company will also be assessed better in the eyes of investors.

The Company's ability to generate profits increases, so the Company's performance also increases. So the results of this study show that the profitability ratio in this case *Return On Asset* has no effect on *financial distress*.

### Second Hypothesis Test (H2)

The second hypothesis proposed in this study is to examine how the *Debt To Equity ratio* (DER) affects *Financial distress* (Y). In this table, the Probability of 0.0204 is less than 0.05 with a t-Statistic value of 2.412239. This means that the *Debt To Equity ratio* (X2) has a positive and significant effect on *Financial distress* (Y). Therefore, it can be concluded that the result of the second hypothesis (H2) is *Debt to Equity ratio* (X2) is significant to *Financial distress* (Y).

This can be seen from the routine of reporting financial performance, supervision of management activities by the board of commissioners, and intensive external enhancement to encourage the creation of efficiency in the Company through fair competition. The increase in maximum supervision of financial performance is due to the encouragement of high institutional investors, which makes institutional ownership influential on the Company's financial performance. The institution usually has its own investment division, this creates a strict and optimal supervision effort, where the

manager's personal interests can be hindered which then makes the interests between the manager and the owner can be harmonized.

The supervision carried out needs to be limited so that the role of each party can be carried out properly. The greater the power to supervise management, the greater it also encourages management to improve financial performance and align management interests. So the results of this study show that Leverage has no effect on *Financial distress*.

### **Third Hypothesis Test (H3)**

The third hypothesis proposed in this study is to test how the current *ratio* (X3) affects *financial distress* (Y). In the table above, the Probability *Current ratio* value of 0.0589 is greater than 0.05 with a t-Statistics value of 1.943102. This means that *the current ratio* (X3) has a negative and insignificant effect on *financial distress* (Y).

The company must be able to manage management in order to make a profit. Investors prospects the Company in the future by looking at the growth of the Company's value. It has a positive impact on the Company because it can increase the value of the Company, with investor confidence, and can attract investors to invest. The Company's ability to generate profits increases, so the Company's performance also increases. So the results of this study show that the Liquidity ratio, in this case *the Cureent ratio*, partially exerts a positive and significant influence on *Financial distress*.

### **The Effect of Return on Asset (ROA) on Financial Distress**

This effect is to test whether there is a simultaneous effect on Return *on Asset* on *Financial distress in H1*. In the results of the table above, *the probability* value of F is 0.034590, 0.05 lower. This means *that Return on Asset* has no effect on *Financial distress*. The first hypothesis (H1) which states that *Return on Asset* has no significant effect on *financial distress*.

Financial performance from the achievement of the Company's success in various activities that have been carried out using the rules of financial implementation properly and correctly. Profitability can reflect the return on financial investments, meaning that profitability affects the value of the Company due to its increasing internal resources. The

better the profitability ratio, the higher the financial performance because the better the asset productivity in obtaining net profits and the higher the trust and interest of investors to invest. So the results of this study show that *Return on Asset* has a negative and insignificant effect on *Financial distress*.

The results of Wulandari (2019) research Proxy *Return on Asset* (ROA) does not have a significant effect on *financial distress*. This shows that the higher the Company's profitability does not guarantee that the Company has the possibility of experiencing *financial distress*, and vice versa. The results of Sitompul's (2022) research show that the multiple Linear regression analysis in this study shows that return on assets has no effect on financial distress. This is because ROA is a strength of the Company in generating profits with existing assets, ROA shows the effectiveness of a Company in using assets to create income. The return on assets (ROA) variable statistically has a negative and significant effect on financial distress. This indicates that the higher the Company's ROA, the more likely the risk of the Company experiencing financial distress.

### **The Effect of *Debt To Equity ratio* terhadap *Financial distress***

The second hypothesis proposed in this study is to test how the *Debt to Equity ratio* (X2) affects *financial distress*. In the table, *the probability* value of 0.2107 is greater than 0.05 with a t-Statistic value of 1.271570. This means that *the Debt To Equity Ratio* has a positive and significant effect on *Financial distress* (Y). So it can be concluded that the result of the second hypothesis (H2) is that *the Debt to Equity ratio* has a positive effect on *Financial distress* (Y).

Institutional shareholders by third parties such as governments, financial institutions, legal institutions, overseas institutions, trust funds and other institutions. The existence of institutional ownership in a company will encourage increased monitoring of management performance. So the results of this study show that *the Debt to equity ratio* has no effect and is not significant on *Financial distress*.

The results of Yudhistira (2019) research The DER variable does not have a negative and insignificant influence on the Z-Score. This research is also supported by Ashari and Sampurno (2017) that there is an influence of negative *Debt to Equity Ratio* (DER) in predicting the condition of *the Company's financial distress*. The results of Nursisin

(2021) showed that the variable Debt to Equity Ratio did not have a significant effect on financial distress in the pharmaceutical sub-sector listed on the Indonesia Stock Exchange for the 2013-2017 period.

In line with the results of Wulandari (2019) research, the *Debt To Equity Ratio* (DER) proxy does not have a significant effect on financial distress. It can be said that the sample of companies in this study finance their operational activities more by using capital obtained from third parties in the form of debt. A large company tends to rely on most of the financing on bank loans or creditors. Therefore, it can be said that large companies tend to have a large leverage ratio as well, but even though they have a large leverage ratio with a large company size, it can be said that the company is more able to avoid financial difficulties or *financial distress* by diversifying its business. Therefore, it can be concluded that it does not affect the possibility of *financial distress*.

### **The Effect of *Current ratio* (CR) terhadap *Financial distress***

The third hypothesis proposed in this study is to test how the current *ratio* (X3) affects *financial distress* (Y). In the Probability Table, 0.9861 is smaller than 0.05 with a t-Statistic value of 0.017474. This means that *the current ratio* has a positive and significant effect on *financial distress* (Y). Therefore, it can be concluded that the result of the third hypothesis (H3) is that the Current ratio (X2) has a positive and significant effect on *Financial distress* (Y).

Good implementation made investors give a positive response to the Company's performance. It can be seen from the routine reporting of financial performance. Consistent supervision of management activities by the board of commissioners and auditors, as well as intensive external enhancement to encourage the creation of efficiency in the Company through fair competition. Institutional shareholders by third parties such as financial institutions, legal institutions, overseas institutions, trust funds and other institutions. The supervision carried out needs to be limited so that the role of each party can be carried out properly. The greater the power to supervise management, thus encouraging management to improve financial performance and align the interests of management with *stakeholders*. So the results of this study show that the *Current Ratio* partially has a positive and significant effect on *financial distress*.

This result has been tested by Sinembela and Rahmawati (2021) to have an influence and significant on the financial performance of mining and metal companies listed on the Indonesia Stock Exchange. Refers to the extent to which an asset or investment can be sold or cashed out easily without experiencing a significant decrease in market value. An important factor in measuring how easily a person or company can meet its financial obligations or finance its business activities. Besides that, it also has an important concept in financial management, because lack of liquidity can cause serious financial problems. Too many illiquid assets or too many debts maturing in a short period of time may interfere with the Company's financial smoothness. *The current ratio* explains one of the company's financial ratios that is very *fundamental* because it shows the magnitude of an entity's ability to overcome financial problems, especially debts with a short period or less than one year from what it owns. Sufficient control is necessary to maintain the company's activities and smooth operations which aims to avoid any acts of misappropriation or abuse by the company.

## Conclusion

Based on the results, *the probability value of Return on Asset* of 0.7349 is greater than 0.05. This means that *Return on Asset* (X1) has a positive and significant effect on *financial distress*. Therefore, it can be concluded that *Return on Asset* (ROA) partially has a positive and significant effect on *financial distress*.

Based on the results, *the probability value* of 0.2107 is greater than 0.05. This means that *the Debt to Equity Ratio* (X2) means that DER has no positive and insignificant effect on *Financial distress* (Y).

Based on the results, *the probability Current ratio* of 0.9861 is less than 0.05. This means that *the current ratio* (X3) has a positive and significant effect on *financial distress* (Y), so it can be concluded that *the current ratio* partially has a positive and significant effect on *financial distress*.

## REREFENCES

- Adaria D, Komalasari A, Kusumawati N, & Andi Kiagus. (2022). The Effect Of *Financial Distress* On Company Value Before And During The Covid-19 Pandemic (A Study On Property And Real Estate Companies). *Journal of Business and Economic Accounting*, 8(1).
- Antoniawati A, & Purwohandoko Purwohandoko. (2022). Analysis Of The Influence Of Profitability, Liquidity, And Leverage On *Financial Distress* In Transportation Companies Listed On The Idx In 2018-2020. *Journal of Management Science*, 10(1).
- Azalia Vania & R Yulastuti. (2019). Influence Leverage, Liquidity, Profitability, And Company Size To *Financial Distress*. *Journal of Accounting Science and Research*, 8(6).
- Carolina V, Marpaung I., E., & Pratama D. (2017). Financial Ratio Analysis to Predict *Financial Distress* Conditions (Empirical Study on Manufacturing Companies Listed on the Indonesia Stock Exchange for the 2014-2015 Period). *Maranatha Journal of Accounting*, 9(2), 137–145.
- Chrissentia, T., & Syarief J. (2018). Analysis of the Effect of Profitability Ratio, Leverage, Liquidity, Firm Age and Institutional Ownership on *Financial Distress*. *WATCH*, 16(1), 45–62.
- Darmiasih R, W. N., Endiana, M. D. I., & Pramesti A, A. G. I. (2022). The Influence Of Capital Structure, Cash Flow, Good Corporate Governance And Company Size On *Financial Distress*. *Kharisma Journal*, 4(1), 2716–2710.
- Desii Damayanti, & Luh. (2017). Analysis of the Influence of Financial Performance, Audit Committee Size and Managerial Ownership on Financial Distress Prediction (Study on Manufacturing Companies Listed on the Indonesia Stock Exchange for the Period 2011 – 2015). *Ganesha University of Education*, 7(1).
- Durri, Sina, & Zuyyina. (2017). Analysis of the Influence of Financial Ratios and Corporate Governance Mechanisms on *Financial Distress* , An Empirical Study on Manufacturing Companies Listed on the Indonesia Stock Exchange in 2012 – 2015. *Thesis*.
- Hery. (2018). Analisis Laporan Keuangan. *Grasindo*. ISBN, 375–540.
- Khotimah, K., & Yuliana, I. (2020). Pengaruh Profitabilitas terhadap Prediksi Kebangkrutan (Financial Distress) dengan Struktur Modal sebagai Variabel Moderating. *Jurnal Forum Ekonomi*, 22(1), 37–43.
- Maulidia L, & Asyik F, N. (2020). The Effect Of Profitability, Leverage, And Liquidity On *Financial Distress* In Food And Beverage Companies On The Indonesia Stock Exchange. *Journal of Accounting Science and Research*, 9(2).

- Mesak, D. (2019). Financial Ratio Analysis in Predicting Financial Conditions Distress in Indonesia Stock Exchange. *Journal of Agricultural and Socio- Economic Sciences*, 86(2), 28–45.
- Muslih A., & Amin Nuryanto M. (2022). The Influence Of Profitability, Capital Structure And Company Size On Company Value. *Journal of Trisakti Economics*, 2, 319–330.
- Pebriani, Reny Aziatul, and Rafika Sari. 2021. "Factors Affecting Profitability in Investment Companies in the IDX for the Period 2015 – 2019." *Scientific Journal of Contemporary Global Economics* 12(1):21. doi: 10.36982/jiegmk.v12i1.1288.
- Prayuningsih Ayu G.I. (2021). Pengaruh Profitabilitas, Likuiditas, Leverage, Rasio Aktivitas Dan Pertumbuhan Penjualan Untuk Memprediksi Kondisi *Financial Distress*. *Karma (Karya Riset Mahasiswa Akuntansi)*, 1(1).
- Rinofah R, Sari P.P, & Juliani T. (2022). The Effect of Financial Performance on *Financial Distress: A Study on Food and Beverage Industry Sub-Sector Companies Listed on the Indonesia Stock Exchange for the 2016-2020 Period*. *Journal of Sharia Financial Economics and Business*, 4(3), 2656–4351.
- Rohmadini, A., Saifi, M., & Darmawan. (2018). The Effect of Profitability, Liquidity and Leverage on *Financial Distress* (Study on Food & Beverage Companies Listed on the Indonesia Stock Exchange for the 2013-2016 Period). *Journal of Business Administration (JAB)*, 61(2), 78–92.
- Rosada, FLA, & Idayati, F. (2017). The effect of profitability on the value of automotive companies on the Indonesia Stock Exchange. *Journal of Science and Accounting Research*, 6(1).
- Septiani, N. M. I., & Dana, I. M. (2019). The Effect of Liquidity, Leverage, and Institutional Ownership on *Financial Distress* in Property and Real Estate Companies. *E-Journal of Management of Udayana University*, 8(5), 31–50. Department of Management, Faculty of Economics, State University of Surabaya, Ketintang Campus, Surabaya 60231.
- Setyowati, W. , & Sari, N. R. N. (2019). Pengaruh Likuiditas, Operating Capacity, Ukuran Perusahaan Dan Pertumbuhan Penjualan Terhadap *Financial Distress*. *Jurnal Magisma* , 7(2), 135–145.
- Setyowati Widhy, & Sari Nanda R.N. (2019). Pengaruh Likuiditas, Operating Capacity, Ukuran Perusahaan Dan Pertumbuhan Penjualan Terhadap *Financial Distress* (Studi Pada Perusahaan Manufaktur Yang Terdaftar Di Bei Tahun 2016-2017). *Jurnal Magisma*, 7(2).

- Simanjuntak, C. , Titik, F., & Aminah, W. (2017). Pengaruh Rasio Keuangan Terhadap *Financial Distress*. *Jurnal Manajemen*, 4(2).
- Syahputra Miftah R, & Karyadi. (2022). Pengaruh Profitabilitas Dalam Memprediksi *Financial Distress* PT. Pos Indonesia. *Management Studies and Entrepreneurship Journal*, 3(5), 2731–2738.
- Waqas, H. , & Md-rus, R. (2018). Predicting *financial distress* : Applicability of Oscore and logit model for Pakistani firms. *Journal of Business and Economic Horizons*, 14(2), 389–401.
- Wijarnarto, H. , & Nurhidayati, A. (2017). Pengaruh Rasio Keuangan Dalam Memprediksi *Financial Distress* Pada Perusahaan di Sektor Pertanian dan Pertambangan yang Terdaftar di Bursa Efek Indonesia. *Jurnal Akuntansi & Bisnis*, 3(1).

