

## The Effect Of Leverage, Liquidity And Profitability Toward Financial Distress On Food And Beverage Companies Listed On The Indonesia Stock Exchange

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### Abstract

*This research objective is to find out whether leverage, liquidity and profitability have significant effect toward financial distress on companies listed in as consumer goods industry, food and beverages sector in Indonesia Stock Exchange from the year 2018-2021. The research designs used in this research are descriptive research and causal research. There are 16 companies which are taken as the number of samples with period from 2018-2021. The data analysis method includes: descriptive statistic, normality test, multicollinearity test, heteroscedasticity test, autocorrelation test, multiple linear regression analysis, t-test, f-test, and coefficient of determination. Based on the data analysis, this research reveals that (1) Leverage has a significant effect on financial distress and the relationship; (2) Liquidity has a significant effect on financial distress; (3) Profitability has a significant effect on financial distress; (4) All of the independent variables simultaneously have effect on financial distress. The adjusted R<sup>2</sup> amounted to 90.8%, meaning that the independent variables in this research can explain the dependent variable by 90.8%. 9.2% is being explained by another variable that is not in this research.*

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

### I. INTRODUCTION

Every company to ever exist has a purpose to always thrive and never fall. Companies must be able to face increasingly tough competition and generate high financial performance in order to achieve this purpose, especially in this globalization era. If a company cannot manage to balance their income and expense, or even surpass the original target, it might enter a road of continuous decline in company's financial performance and this might result in financial distress.

According to Brahma, financial distress occurs when a company's operational profit, net profit, and book value of equity are all negative (Inggamal, 2020). Bankruptcy and financial trouble may have been averted if the corporation had recognized the warning indications. Company executives are expected to be able to use information from financial distress projections as effectively as feasible, particularly in selecting strategies to mitigate the danger of corporate losses that lead to bankruptcy. It may be used as a basis for projecting financial difficulties for investors when deciding whether to continue investing or cease investing.

Analyzing financial statements is required to determine a company's financial situation. Financial ratios are one of the analytical tools that may be used. Reviewing a company's financial statements for decision-making purposes is known as financial statement analysis. It is used by external stakeholders to evaluate an organization's general health, financial performance, and business value. It serves as a financial management monitoring tool for internal components. Financially significant information about a company's operations in all areas is captured in its financial statements. As a result, they may be assessed based on past, present, and anticipated performance. A variety of strategies are routinely employed in financial statement analysis. Three of the most crucial approaches are horizontal analysis, vertical analysis, and ratio analysis. When conducting a horizontal analysis, line item values across a period of two or more years are looked at to evaluate data horizontally. Meanwhile, vertical analysis looks at the proportions of the business as well as the vertical effects that line items have on other areas of the company. And in ratio analysis, significant ratio metrics are employed to compute statistical linkages (Jannah et al., 2021). The liquidity ratio, leverage, and profitability are the financial parameters employed in this study as a reference for forecasting financial distress.

Financial distress arises when a corporation is unable to meet payment obligations or when cash flow projections indicate that the company will soon be unable to meet its obligations. Financial distress is a significant liquidity crisis that cannot be rectified without changing the size or structure of the company's activities. A situation when a company's finances are in poor shape or are in a crisis is referred to as financial distress. Financial distress happens before bankruptcy and occurs when a firm loses money for a long period of time. The bankruptcy prediction model that has arisen is a financial distress anticipation and early warning

system since the model may be used to identify and even improve circumstances before they reach a crisis or bankruptcy state. Through financial statement analysis utilizing established financial ratios, financial statements may be utilized as a basis for determining a company's financial distress position. Financial distress, according to Hanifah (Farah, 2018), is a stage of a downturn in financial conditions that happened prior to bankruptcy or liquidation, and is indicated by the company's deteriorating capacity to meet its commitments to creditors. Financial hardship may range from short-term liquidity issues to bankruptcy, which is the most severe kind of financial trouble.

The Debt to Equity ratio is used as a proxy for leverage in this study. Any approach involving the use of debt (borrowed funds) rather than fresh equity (value of owned assets minus liabilities) in the purchase of an asset is referred to as leverage. According to Kasmir, debt to equity ratio is a ratio used to analyze debt to equity, and the higher the ratio, the more unprofitable the firm is since the bigger the risk borne for failures that may occur (Sari, 2016). As a result, the firm's capacity to pay its obligations will be reduced, and the danger of financial distress will be increased, because financial risk signals that the company is in financial trouble. The debt-to-equity ratio is computed by dividing a company's total liabilities by its shareholder equity.

The current ratio is used to represent liquidity in this study. Liquidity indicates that the corporation can satisfy its financial commitments in the short term by utilizing existing current money, (Safitri, 2020) The current ratio is a liquidity ratio that assesses a company's ability to satisfy its short-term obligations. It compares a company's current assets and current liabilities. The higher the current asset to current liability ratio, the stronger the company's capacity to fulfill its short-term commitments and avoid financial trouble. The current ratio may be calculated using the following formula: Simply divide the existing assets by the current liabilities of the organization.

Return on assets is used as a proxy for profitability in this study. Profitability ratios assess a company's capacity to utilise its assets and regulate its costs in order to earn an acceptable rate of return. According to (Emeralda et al., 2021), if the ROA ratio is low, it indicates that the company's assets are less productive in creating profits, and situations like this will make it difficult for the company's finances to seek internal funds for investment, perhaps leading to bankruptcy. ROA is calculated by dividing a firm's net income by the average of its total assets.

**Table 1 Phenomena Table**

Company	Year	Leverage (DER)	Liquidity (CR)	Profitability (ROA)	Financial Distress (Zmijewski)
PT. Akasha Wira International Tbk	2018	0.829	1.388	0.060	-1.993
	2019	0.448	2.004	0.102	-3.003
	2020	0.369	2.970	0.142	-3.414
	2021	0.345	2.509	0.204	-3.766
PT. Campina Ice Cream Industry Tbk	2018	0.134	10.839	0.062	-3.946
	2019	0.131	12.634	0.073	-4.019
	2020	0.130	13.267	0.041	-3.879
PT. Wilmar Cahaya Indonesia Tbk	2021	0.122	13.309	0.087	-4.127
	2018	0.197	3.638	0.079	-3.733
	2019	0.231	4.800	0.155	-3.944
	2020	0.243	4.663	0.116	-3.728
	2021	0.223	4.797	0.110	-3.774

Source: Processed Data (2022)

For PT. Akasha Wira International Tbk, the leverage ratio decreased over the years, the same result with PT. Campina Ice Cream Industry Tbk, meanwhile at PT. Wilmar Cahaya Indonesia Tbk the leverage ratio is increasing over the years, although in a slow pace. Although, it was said that a good debt ratio is between 0,5 to 1,5 is considered good in most industries.

As for the liquidity, PT. Campina Ice Cream Industry Tbk is at the highest rank between the three, with PT. Wilmar Cahaya Indonesia Tbk came in second and PT. Akasha Wira International Tbk came in last. Although, it was said that a good debt ratio is between 1,5 to 3 is considered good, making the performance of the three companies good if not great.

For the Profitability, PT. Akasha Wira International Tbk with increasing return on assets ratio over the years held the first place, PT. Wilmar Cahaya Indonesia Tbk following as the second, and lastly PT. Campina Ice Cream Industry Tbk. A good ROA ratio is between 5% - 20%. The three companies' ROA ratios are already within or more than that range, meaning the companies are doing great.

Going to the financial distress calculation with Zmijewski's X-Score method, it is known that a company that is undergoing financial distress will have an X score being more than 0, meanwhile if the X score is less than 0, the company is not undergoing financial distress. Meaning PT. Akasha Wira International Tbk, PT. Campina Ice Cream Industry Tbk and PT. Wilmar Cahaya Indonesia Tbk are both not undergoing a financial distress.

This research aims to provide explanation and understanding on: 1) To analyze whether leverage has significant effect towards financial distress for food and beverages companies listed on Indonesia Stock Exchange, 2) To analyze whether liquidity has significant effect towards financial distress for food and beverages companies listed on Indonesia Stock Exchange, 3) To analyze whether profitability has significant effect towards financial distress for food and beverages companies listed on Indonesia Stock Exchange, 4) To analyze whether leverage, liquidity and profitability simultaneously have significant effect toward financial distress for food and beverages companies listed on the Indonesia Stock Exchange.

Based research Muh. Pepi Yusup Paisal (2021), entitle "*Pengaruh Likuiditas, Profitabilitas, dan Leverage Terhadap Financial Distress (Studi Empiris Pada Perusahaan Manufaktur Subsektor Food and Beverage Yang Terdaftar di Bursa Efek Indonesia (BEI) Periode 2014-2019)*". Results show that Liquidity has positive and significant effect on financial distress for food and beverages companies listed on Indonesia Stock Exchange for the period 2014-2019.

Research Dede Iskandar (2019), entitle "*Pengaruh Rasio Likuiditas, Profitabilitas Dan Leverage Terhadap Financial Distress Pada Perusahaan Sektor Pertanian Sub Sektor Perkebunan Yang Terdaftar Di Bei Tahun 2016-2018*" Results show that Liquidity has significant effect on financial distress for agriculture companies listed on Indonesia Stock Exchange for the period 2014-2018.

Research Septi Livia Alya (2019), entitle "*Analisis Pengaruh Likuiditas, Leverage Dan Profitabilitas Terhadap Financial Distress (Studi Pada Perbankan Syariah Yang Terdaftar Di Bursa Efek Indonesia Periode 2014-2018)*". Results show that Leverage has negative and significant effect on financial distress for banking companies listed on Indonesia Stock Exchange for the period 2014-2018.

Research Rachmawati Umi Hanifa (2019), entitle "*Pengaruh Likuiditas, Profitabilitas, Leverage, Dan Aktivitas Terhadap Financial Distress Perusahaan (Studi Empiris Pada Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia Tahun 2016-2018)*". Results show that Leverage has positive and significant effect on financial distress for manufacture companies listed on Indonesia Stock Exchange for the period 2016-2018.

### **Hypothesis Development**

#### **The Effect of Leverage towards Financial Distress.**

The leverage ratio indicates how much of the company's capital requirements are met by debt. The phrase "leverage" refers to a company's capacity to satisfy short-term obligations. If a company's finance is heavily reliant on debt, it runs the danger of future payment issues. This ratio indicates the company's ability to pay off both long and short-term loans. Loan capital is anticipated to aid businesses so that they do not face financial troubles according to Dianova & Nahumury, 2019 in Sanbowo, 2021. Through this study, DER (debt to equity ratio) will be used to represent leverage with the ratio of total liabilities divided with total shareholders' equity.

If the firm depends too much on debt financing, it may face more obligations in the future, putting it at danger of financial hardship. The less debt a corporation has, the better and safer it is to prevent financial distress.

H<sub>1</sub>: Leverage partially has a significant effect towards financial distress on food and beverages companies listed on the Indonesia Stock Exchange.

#### **The Effect of Liquidity towards Financial Distress.**

Liquidity demonstrates a company's capacity to pay down debt in the short term using current assets. A low current ratio suggests a lack of short-term liquidity, whereas a high current ratio indicates an abundance of current assets, implying great liquidity and low risk according to Hanafi, 2007 (Fatmawati & Rihardjo, 2017). Through this study, CR (current ratio) will be used to represent liquidity with the ratio of current assets divided with current liabilities.

The higher the current ratio, the better the company's capacity to repay its short-term debt. As a result, the stronger a company's liquidity, the better its capacity to pay off its obligations and the less likely it is to face financial difficulties.

H<sub>2</sub>: Liquidity partially has a significant effect towards financial distress on food and beverages companies listed on the Indonesia Stock Exchange.

#### The effect of Profitability towards Financial Distress.

Profitability is a term used to describe a company's capacity to make a profit or the success of its management. So, if the firm makes a lot of money, then means it's doing well, and vice versa. Companies with a high degree of profitability are less likely to face financial difficulties. According to Dendawijaya, the ability of management to make profits is referred to as profitability (Hanifa, 2019). Through this study, ROA (return on asset ratio) will be used to represent profitability with the ratio of net income divided with total assets.

The lower the company's profitability indicates the management ineffective assets and the smaller the ability to generate profits, the more likely the company is to experience financial distress. On the other hand, the higher the company's profitability indicates the effectiveness and efficiency of the company's asset management and generates greater profits, the less likely the company is to experience financial distress.

H<sub>3</sub>: Profitability partially has a significant effect towards financial distress on food and beverages companies listed on the Indonesia Stock Exchange.

#### The effect of Leverage, Liquidity and Profitability simultaneously toward Financial Distress.

The purpose of the last hypothesis is to determine whether liquidity, leverage, and profitability simultaneously have an effect on financial distress.

H<sub>4</sub>: Leverage, liquidity and profitability simultaneously have significant effect toward financial distress on food and beverages companies listed on the Indonesia Stock Exchange.

#### Research Model

The ratio of leverage, liquidity and profitability to financial distress are among the factors used to examine the influence on financial distress. The research model may be described as follows:

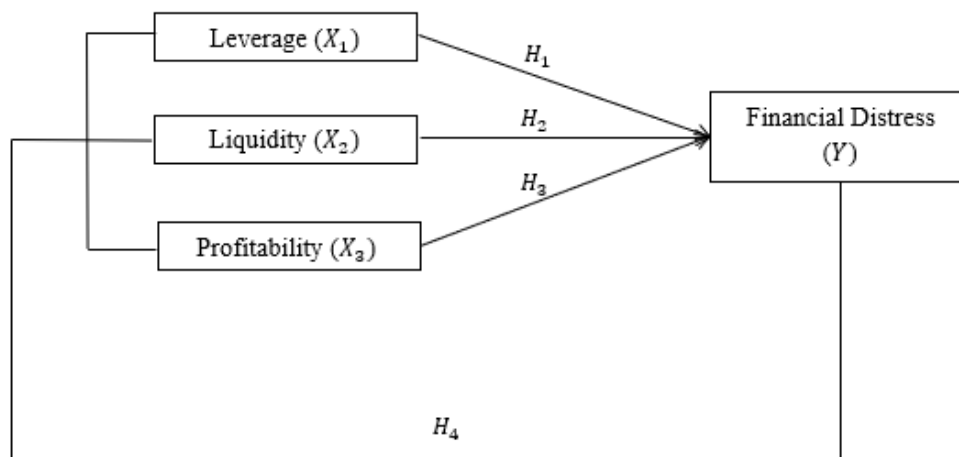


Figure 1 Research Model

Source: Processed Data (2022)

## II. METHOD

The type of the research design used in this research is the quantitative approach. A quantitative approach is one that use numerical data in order to test variables (Ghozali, 2015). Because the research data is in the form of financial statement data, quantitative approaches are used in this study. The firms that were sampled in this study were from the years 2018 to 2020, and the data was created by the companies themselves. The data was gathered from the Indonesia Stock Exchange (IDX) website at [www.idx.co.id](http://www.idx.co.id) in the form of written material and paperwork, as well as reports. Purposive method sampling is a way of selecting a sample in the study, in which the sample is chosen based on the assessment of particular criteria in order to get a representative sample. The documentation approach was utilized to collect data for this study. Documents are historical records of past occurrences (Sugiyono, 2018). The documentation technique used in this study was to collect secondary data in the form of financial statements from companies in the food and beverage sub-sector that were registered and published by the Indonesia Stock Exchange (IDX) for the 2018-2021 period via the [www.idx.co.id](http://www.idx.co.id) website and their respective official websites.

### III. RESULT AND DISCUSSION

#### Result

#### Data Analysis

#### Descriptive Statistics Process

In order to make a group of data more understandable, descriptive statistics are used to define the properties of the data.

**Table 2 Descriptive Statistics table**

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
DER	64	.12	1.77	.6447	.42440
CR	64	.73	13.31	3.1394	2.92997
ROA	64	.00	.42	.1024	.08030
Financial Distress	64	-4.49	-.73	-2.7516	.97271
Valid N (listwise)	64				

Source: Processed Data (2022)

From table 2 The result of the previous table displays the value of N, or the total number of samples that need to be inspected is 64 samples. From the table show that Leverage (Debt to Equity ratio), X<sub>1</sub> has a minimum value of 0,1220 which belongs to PT. Campina Ice Cream Industry Tbk (CAMP) and also a maximum value of 1,7660 belonging to PT. Budi Starch & Sweetener Tbk (BUDI), The average (mean) data of leverage from 64 samples is 0.644703 and the standard deviation is 0.4243969. The result of the previous table displays the value of N, or the total number of samples that need to be inspected is 64 samples. From the table show that Liquidity (Current Ratio), X<sub>2</sub> has a minimum value of 0,7320 which belongs to PT. Multi Bintang Indonesia Tbk (MLBI) and also a maximum value of 13,3090 belonging to PT. Campina Ice Cream Industry Tbk (CAMP), The average (mean) data of liquidity from 64 samples is 3.139391 and the standard deviation is 2.9299716. The result of the previous table displays the value of N, or the total number of samples that need to be inspected is 64 samples. From the table show that Profitability (Return on Assets Ratio), X<sub>3</sub> has a minimum value of 0,0010 which belongs to PT. Sekar Bumi Tbk (SKBM) and also a maximum value of 0.4240 belonging to PT. Multi Bintang Indonesia Tbk (MLBI), The average (mean) data of liquidity from 64 samples is 0.102438 and the standard deviation is 0.0803000. The result of the previous table displays the value of N, or the total number of samples that need to be inspected is 64 samples. From the table show that Financial Distress (Zmijewski), Y has a minimum value of -4.4890 which belongs to PT. Delta Jakarta Tbk (DLTA) and also a maximum value of -0.7310 belonging to PT. Budi Starch & Sweetener Tbk (BUDI), The average (mean) data of liquidity from 64 samples is -2.751578 and the standard deviation is 0.9727054.

#### Multiple Linear Regression Analysis

Multiple linear regression is a statistical test used to determine the degree and nature of the relationship between the dependent variable and a number of independent variables in the regression model. Financial distress is the research's dependent variable. And leverage, liquidity and probability are the independent variables.. The result of data processing is presented in the following table:

**Table 3 Multiple Linear Regression Analysis**

		Coefficients <sup>a</sup>								
		Unstandardized Coefficients			Standardized Coefficients			Correlations		
Model		B	Std. Error	Beta	t	Sig.	Zero-order	Partial	Part	
1	(Constant)	1.122	.045		24.701	.000				
	LN_DER	-.492	.035	-1.028	-13.874	.000	-.894	-.873	-.531	
	LN_CR	-.123	.036	-.252	-3.376	.001	.721	-.400	-.129	
	LN_ROA	.115	.014	.337	8.473	.000	.518	.738	.324	

a. Dependent Variable: LN\_FD

Source: Processed Data (2022)

The outcome shown in Table 4.8 above can be deduced from the following formula:

$$Y=1.122-0.492X_1-0.123X_2+0.115X_3+e$$

This can be explained as follows:

1. The constant value is 1.122, which may be explained by the fact that the Zmijewski X Score will be 1.122 provided the independent variables Debt to Equity, Current Ratio, and Return on Asset remain constant.
2. The Debt to Equity's coefficient of regression is – 0.492, which means that if Debt to Equity increases by 1 point, the Zmijewski X Score will decrease by – 0.492. This demonstrates a negative correlation between Debt to Equity and Financial Distress.
3. The Current Ratio's coefficient of regression is – 0.123, which means that if the Current Ratio increases by 1 point, the Zmijewski X Score will decrease by – 0.123. This demonstrates a negative correlation between Current Ratio and Financial Distress.
4. The Return on Asset has a coefficient of regression of 0.115, which means that if the ratio increases by 1 point, the Zmijewski X Score will also increase by 0.115. This demonstrates a positive correlation between Return on Asset and Financial Distress

**Hypothesis Test**

**Partial T Test**

A statistical test called partial hypothesis testing determines whether or not each independent variable significantly affects the dependent variable. Comparing the t count to the t table and comparing the significance value were used in this study's partial hypothesis testing. The output data of variables for the t test can be seen in the following table:

**Table 4 Partial Hypothesis Testing**

Model		Coefficients <sup>a</sup>								
		Unstandardized Coefficients		Standardized Coefficients		t	Sig.	Correlations		
		B	Std. Error	Beta				Zero-order	Partial	Part
1	(Constant)	1.122	.045			24.701	.000			
	LN_DER	-.492	.035	-1.028		-13.874	.000	-.894	-.873	-.531
	LN_CR	-.123	.036	-.252		-3.376	.001	.721	-.400	-.129
	LN_ROA	.115	.014	.337		8.473	.000	.518	.738	.324

a. Dependent Variable: LN\_FD

Source: Processed Data (2022)

The T table of this study yields a result of 2.000 with a significance level of 5%, confidence level of 95%, and df (n-k-1) of 60. This result could be explained as follows:

- (1) The Debt to Equity Ratio (leverage) T count is –13.874, which is lower than the value shown in the T table (–2.000). ROA has a significance level of 0.000, which is less than 0.05. This demonstrates that leverage has a significant impact on financial distress.
- (2) The Current Ratio (liquidity) T count is – 3.376, which is lower than the value shown in the T table (– 2.000). ROA has a significance level of 0.001, which is less than 0.05. This demonstrates that liquidity has a significant impact on financial distress.
- (3) The Return on Asset (profitability) T count is 8.473, which is higher than the value shown in the T table (2.000). ROA has a significance level of 0.000, which is less than 0.05. This demonstrates that profitability has a significant impact on financial distress.

**Simultaneous F Test**

The F-test uses statistics to determine whether or not the independent variables in the regression model simultaneously have a significant effect on financial distress. Comparing the f count to the f table and the significance value were used in this study to test the simultaneous hypothesis testing. The output data of variables for the F test can be seen in the following table:

**Table 5 Simultaneous Hypothesis Test**

Model	ANOVA <sup>a</sup>					
		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.175	3	2.392	207.988	.000 <sup>b</sup>
	Residual	.690	60	.011		
	Total	7.865	63			

a. Dependent Variable: LN\_FD

b. Predictors: (Constant), LN\_ROA, LN\_DER, LN\_CR

Source: Processed Data (2022)

In this study, there are a total of 64 samples, 3 independent variables, and a F-value of 207.988 is determined from the table. Table 4.11's F-count of 207.988, which is higher than 2.758, indicates that every independent variable have significant effect on financial distress at the same time. The significance value of 0.000 which is lower than 0.05, also supports the idea that all independent factors function simultaneously to have a significant effect on financial distress.

### R<sup>2</sup> Test (Coefficient of Determination)

This research's independent variables were put to the test to see how well it could explain the dependent variable using coefficient of determination. The corrected R<sup>2</sup> value from this study will be used in the test. The key justification is that, as was stated in the preceding chapter, it is preferable to use adjusted R<sup>2</sup> because, whenever there is an additional independent variable included in the regression model, the findings will stay objective. As opposed to R<sup>2</sup>, which always rises whenever a new independent variable is introduced, whether or not that variable has a meaningful effect on the dependent variable (Ghozali, 2018). The result of the measurement of the coefficient of determination can be seen in the following table:

**Table 6 Coefficient of Determination (adjusted R<sup>2</sup>)**

#### Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.955 <sup>a</sup>	.912	.908	.10724

a. Predictors: (Constant), LN\_ROA, LN\_DER, LN\_CR

Source: Processed Data (2022)

The coefficient of determination (adjusted R<sup>2</sup>) is 0.908, or 90.8%, as shown in Table 4.11 above. It could be stated that the independent variables of leverage (Debt to Equity Ratio), liquidity (Current Ratio), and profitability (Return on Asset) could explain the dependent variable of financial distress (Zmijewski X Score) by 90.8% and the other 9.2% could be explained by any other variables not covered by this research.

## Discussion

### The Effect of Leverage (Debt to Equity Ratio) Towards Financial Distress (Zmijewski X Score)

The result of the T-test on the samples reveal a significant value of 0.000 and a T-count value of –13.874. T-tables with a 5% significance level, a 95% confidence level, and a df (n-k-1) of 60, measuring to –2.000, are being used in this study. The research's average debt to equity ratio has a notable level of 0.000, which is less than 0.05. As opposed to this, the T-count number is –13.874, which is lower than the T-table for this study, which is –2.000. This outcome could be described as leverage (Debt to Equity Ratio) having a major impact on financial distress (Zmijewski X Score). Leverage's major impact on financial distress is supported by the notion that it does (Supriadi, 2022).

Leverage has a significant effect on financial distress, and as this research uses the Debt to Equity Ratio (DER) to calculate leverage, it can also be said that the better debt to equity ratio a company generates, the more likely it is to experience financial distress.

### The Effect of Liquidity (Current Ratio) Towards Financial Distress (Zmijewski X Score)

The result of the T-test on the samples reveal a significant value of 0.001 and a T-count value of –3.376. T-tables with a 5% significance level, a 95% confidence level, and a df (n-k-1) of 60, measuring to –2.000, are being used in this study. The research's average current ratio has a notable level of 0.001, which is less than 0.05. As opposed to this, the T-count number is –3.376, which is lower than the T-table for this study, which is –2.000. This outcome could be described as liquidity (Current Ratio) having a major impact on financial distress (Zmijewski X Score). Liquidity's major impact on financial distress is supported by the notion that it does (Supriadi, 2022).

Liquidity has a significant effect on financial distress, and as this research uses the Current Ratio (CR) to calculate liquidity, it can also be said that the better current ratio a company generates, the less likely it is to experience financial distress.

**The Effect of Profitability (Return on Asset) Towards Financial Distress (Zmijewski X Score)**

The result of the T-test on the samples reveal a significant value of 0.001 and a T-count value of 8.473. T-tables with a 5% significance level, a 95% confidence level, and a df (n-k-1) of 60, measuring to 2.000, are being used in this study. The research's average current ratio has a notable level of 0.000, which is less than 0.05. As opposed to this, the T-count number is 8.473, which is higher than the T-table for this study, which is 2.000. This outcome could be described as profitability (Return on Asset) having a major impact on financial distress (Zmijewski X Score). Profitability's major impact on financial distress is supported by the notion that it does (Susanti et al., 2020).

Profitability has a significant effect on financial distress, and as this research uses the Return on Asset (ROA) to calculate profitability, it can also be said that the better current ratio a company generates, the less likely it is to experience financial distress.

**The Effect of Leverage (Debt to Equity Ratio), Liquidity (Current Ratio) and Profitability (Return on Asset) Toward Financial Distress (Zmijewski X Score)**

The F-test is used to examine the validity of the hypothesis, and the F-result table's is 2.758 with  $\alpha = 0.05$  and  $k = 3$ . The test's outcome reveals that the F-count for this test's leverage (DER), liquidity (CR), and profitability (ROA) values are 207.988, with 0.000 as the significant threshold. This means that the F-count is higher than the 2.758 on the F-table, and the significant level is lower than 0.05. This could also be expressed as a simultaneous significant impact on financial distress from leverage (Debt to Equity Ratio), liquidity (Current Ratio), and profitability (Return on Asset). As a result, the concept that leverage, liquidity and profitability have a major effect on financial distress is acknowledged (Putri et al., 2021).

The research's coefficient of determination (adjusted  $R^2$ ) test yielded a result of 0.908, or around 90.8%. This finding suggests that the leverage (DER), liquidity (CR), and profitability (ROA), three of the independent variables simultaneously have an effect on 90.8% of the dependent variable, financial distress (Zmijewski X Score), while any other variables not mentioned in this study may have an impact on the remaining 9.2%.

**IV. CONCLUSION**

The test results from this study, which use a multiple linear regression model and is supported by IBM SPSS 26.0, are presented below:

In Indonesia Stock Exchange (IDX) listings for the years 2018 to 2021, leverage has a significant effect on the performance of consumer goods industry, food and beverages sector companies. This assertion is based on the T-test result, which demonstrates that the significance value of Debt to Equity Ratio (DER) as a measure of leverage that resulted in 0.000, which is lower than 0.05, and the T-count number is -13.874, which is lower than the T-table for this study, which is -2.000. As the signaling theory claimed, it proposes how businesses should be able to transmit signals to the readers of the financial statement. Since the Debt to Equity Ratio has significant effect towards Financial Distress, this shows that when the reader, such as investors, could know the company's financial situation, if they are currently in financial distress or not through calculating the Debt to Equity Ratio.

In Indonesia Stock Exchange (IDX) listings for the years 2018 to 2021, liquidity has a significant effect on the performance of consumer goods industry, food and beverages sector companies. This assertion is based on the T-test result, which demonstrates that the significance value of Current Ratio (CR) as a measure of liquidity that resulted in 0.001, which is lower than 0.05, and the T-count number is -3.376, which is lower than the T-table for this study, which is -2.000. As the signaling theory claimed, it proposes how businesses should be able to transmit signals to the readers of the financial statement. Since the Current Ratio has significant effect towards Financial Distress, this shows that when the reader, such as investors, could know the company's financial situation, if they are currently in financial distress or not through calculating the Current Ratio.

In Indonesia Stock Exchange (IDX) listings for the years 2018 to 2021, profitability has a significant effect on the performance of consumer goods industry, food and beverages sector companies. This assertion is based on the T-test result, which demonstrates that the significance value of Return on Assets (ROA) as a measure of liquidity that resulted in 0.000, which is lower than 0.05, and the T-count number is 8.473, which is higher than the T-table for this study, which is 2.000. As the signaling theory claimed, it proposes how businesses should be able to transmit signals to the readers of the financial statement. Since the Return on Asset has significant effect towards Financial Distress, this shows that when the reader, such as investors, could know the company's financial situation, if they are currently in financial distress or not through calculating the Return on Asset.

For consumer goods industry, food and beverages sector companies listed on the Indonesia Stock Exchange (IDX) from 2018 to 2021 leverage, liquidity and profitability all have a significant effect on financial distress. This claim is based on the F-test, where the F count values were 207.988 which is higher 2.758, the T-



table, and the significant level was 0.000, which is lower than 0.05. According to the adjusted  $R^2$  of this test, which has a value of 0.908, 90.8% of the dependent variable, financial distress, is influenced by the three independent variables of leverage, liquidity and profitability, while the remaining 9.2% is influenced by any other variables not mentioned in this research. As the signaling theory claimed, it proposes how businesses should be able to transmit signals to the readers of the financial statement. Since the Debt to Equity Ratio, Current Ratio and Return on Asset have significant effect toward Financial Distress, this shows that when the reader, such as investors, could know the company's financial situation, if they are currently in financial distress or not through calculating the three ratios.

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