

THE INFLUENCE OF LIQUIDITY, PROFITABILITY, AND SOLVENCY TOWARD FINANCIAL DISTRESS OF CONSUMER GOODS INDUSTRY LISTED IN INDONESIA STOCK EXCHANGE

Edoardo ^{1)*}, Friyan ²⁾

^{1,2)} Universitas Pelita Harapan Medan

^{*)}e-mail: : 2ledoardo@gmail.com^{1)*} friyan.satria@lecturer.uph.edu ²⁾

ABSTRACT

Every company main goal is to generate more profit to its shareholders. However, in the journey of that, many companies fall into bankruptcy because of indecision, mismanagement, and lack of knowledge. Before bankruptcy, the company financial conditions will show some traces of falling into bankruptcy, which is a state called as financial distress. Because of lack of knowledge, indecision, and wrong judgment, they end up liquidate their assets or even worse, falling into bankruptcy. Thus, financial distress information is necessary for managements to know about, not only companies, but also investors can benefits from this information as they now know which company is currently in financial distress and might not bring profit to them. Therefore, in this research study, writer will research several factors that influence financial distress and how will they influence it. Thus, in this research study, the dependent variable is financial distress that is calculated using Altman Z-Score. Meanwhile, the independent variables are Liquidity (Current Ratio), Profitability (Return on Asset ratio), and Solvency (Debt to Asset Ratio). The data collection method that is used in this research is the secondary data where the data that is gathered in this research is collected by using the documentation method. The data that is gathered will be in form of the financial statement that is published by the company on the Indonesia Stock Exchange. The data analysis in this research will be using numerical as well as the statistical calculation test which will have the purpose to test the hypothesis of the research. In order to help with the statistical calculation in the research, a window program called SPSS (Statistical Package for Social Science) will be used. There are some tests that will be used in this research which are descriptive test, classic assumption test, as well as Hypothesis testing.

Keywords: *liquidity, profitability, solvency, financial distress, consumer goods industry.*

6. INTRODUCTION

Every operating company or organization has a chance of experiencing financial distress. It is just a matter of how high or small the chance is. A situation where a company or organization unable to pay off its current obligations or at least experience some difficulty in it and in danger of falling into bankruptcy is called financial distress. Financial distress often occurs when the company or organization has high-fixed costs, has a small amount of current assets, or relies too much on income sources that are highly sensitive to economic recessions. A company or organization that is in financial distress will experience costs linked to the situation. Most of the time, the company or organization will be unable to or will face some difficulties in raising their funds because the cost of borrowing additional capital will generally increase. Every company or organization that is in financial distress will put their short-term liabilities or obligation into their first priority. In addition, most of the time, employees of a company that experience financial distress will shoulder a lot of burden from the company and thus, increase their stress rate and lower their confidence as fears of being unemployed and the increase of workload.

After a company or organization experiencing financial distress, they need to quickly make their move to get out of this situation. If a company or organization did not do anything to the situation or make a wrong decision, the company or organization might worsen the situation and instead of recovering from financial distress, the company might even be required to sell or liquidate company assets or even the whole company and fall into bankruptcy. Not to mention that being in financial distress brought bad a reputation to its company or organization. Therefore, the company or organization market value might experience a sharp decrease, as investors would not want to invest in an incompetent company or organization.

This study analyzes the influence of several factors toward financial distress of companies that are working in consumer goods industry that are listed in the Indonesia Stock Exchange. In this research study, Altman Z score statistics is used as a method to calculate financial distress. These factors could be the liquidity aspect, the profitability aspect, or even the firm size aspect. However, only current ratio, return on asset ratio, and debt to total asset ratio will be used in this research study. Financial Ratio can be used as a tool to predict the financial distress of a company. The lack of control management in financing aspect could make a company or organization experiencing a state of financial distress, especially consumer goods companies since their revenue mostly comes from their own product sales. As experiencing financial distress means that the company or organization is having difficulties in paying off their short-term obligations, thus one of the most used indicators is current ratio, which is one of the liquidity ratios and falls under the financial ratios. Current ratio is part of liquidity and usually used to quantify the ability a company has in order to pay off all its liabilities with its current assets, assets that can be liquidated much faster than other assets.

Liquidity is a ratio that describes a company or organization's ability to pay off its current obligations. Any company and organization must have some liquidity to avoid experiencing the state of financial distress. To control and manage the liquidity of a company or organization, they could use liquidity ratio to measure it. One of the ratios under liquidity is current ratio. This ratio is a method to calculate a company's ability to liquidate their current assets to pay off their current obligations. The calculation of current ratio is total current assets divided by total short-term liabilities. Current ratio uses current assets as the base and not total assets because only current assets could be liquidated quickly. While using total assets as the base, and then it will contain non-current assets that are not difficult to liquidate. This ratio completely complements the financial distress situation as basically when the current ratio results turn out to be bad, that usually means the company or organization are lacking in the ability to pay off its short-term obligation. Most investors will calculate their desired company current ratio first to understand the company liquidity. This ratio will be used as one of the indicators in this study as Murni (2018), Amanda, Tasman (2019), and many other authors also use this ratio as one of the indicators that influence financial distress.

Profitability is a ratio that describes a company or organization's ability to generate more profit in a certain period of time. One of the indicators used to assess a company or an organization's performance is profits as every company's goal are to generate profit. Profitability ratio includes all revenues and expenses incurred by the company or organization as the use of assets and liabilities in a period. As every company and organization seeks for profit, the higher the profit earned by a company or organization, the higher the value of that company or organization to investors, shareholders, and others as it

illustrates the successful performance of that company or organization. One of the ratios under profitability ratio, which is Return on Asset Ratio, will be used in this study as one of the indicators as Murni (2018), Lumbantobing (2019), and many other authors also use this ratio as one of the indicators that influence financial distress.

Return on Asset (RoA) ratio is a ratio that describes the company or organization profit relative to its total assets. This ratio is used to point out how well a company or organization utilizes its assets to generate earnings. The higher the ratio means the better the performance of a company or organization. RoA ratio is calculated by net profit and dividing it with total assets in a period.

Solvency ratio is also one of the financial ratios. Solvency ratio is a ratio that measures the extent to which company or organization assets are financed from debt. This ratio has shown an influence on investment rates and opportunities in a company or organization where the level of debt will indirectly affect investors interested in investing in that company or organization as the higher the debt, the higher the risk as well. Debt is one of the methods to acquire more financial funds for a company or organization. However, the higher the debts, the higher the risks that company or organization have to face, especially when their debts exceed their assets by a margin. Thus, a company or organization could control their level of debt by using this Solvency ratio. One of the solvency ratios, which is Debt-to-Asset Ratio, will be used in this study as one of the indicators as Amanda, Tasman (2019), Lumbantobing (2019), and many other authors also use this ratio as one of the indicators that influence financial distress.

Debt-to-Asset Ratio is a ratio that describes the total amount of debt relative to the assets owned by a company or organization. With this ratio, analysts can use it to compare two or more companies or organizations that are in the same industry, in order to find out which company or organization has a better financial or financially stable. Debt-to-Asset ratio can be calculated by dividing total debt with total assets of a company or organization in a period. The higher the ratio, the higher the Degree of Leverage (DoL) of the company or organization have, and in return, the higher the risk of investing in that company or organization.

Finally, the writer decided to choose the consumer good companies for this research study as there are not many journals regarding the financial distress of this sectors. In addition, this sector is more prone to financial distress as its main revenue relies upon its products, which could be fatal if the products did not sell well just like what is happening in 2020 where many companies enter financial distress as they cannot sell their goods due to pandemics. Based on the background above, writer is interested to discuss more the research with the title **“The Influence of Liquidity, Profitability, and Solvency toward Financial Distress of Consumer Goods Industry Listed in Indonesia Stock Exchange”**.

2. LITERATURE REVIEW

2.1. Du Pont Theory

According to Priyatnasari and Hartono (2019), Du Pont theory states that financial ratios related to profit margin, total assets, and sales can provide a reflection of the financial condition of a company and can find out the factors that affect the financial performance. Du Pont can be used as a method to evaluate the efficiency of company performance. If the company can maximize its activity ratio and manage to attain high profit margin, thus the company financial performance will increase as well.

2.2. Signaling Theory

According to Dirman (2020), signaling theory is an act that is done by the management of a company to provide instructions to investors about how they assess the company's prospect. These instructions can come in forms of information about what the management has done to realize the goals of the company and thereby, providing information to external parties about the company's future prospects. There are two types for this information content, which are good news (such as good company condition) and bad news (such as corporate loss). This information accuracy is important since it will influence the thoughts of the public and investors and will change the company's stock price.

2.3. Financial Distress

Financial distress is a term commonly used to describe any situation where an individual's or company's financial condition unable to pay off their bills, especially loan payments to creditors according to CFI Education. According to Murni, financial distress is a condition where the company's financial condition is in an unhealthy state of crisis. This financial distress also might lead the individual or company to bankruptcy if it is not addressed immediately.

The increasingly fierce competition between companies, especially after globalization, requires each company to further strengthen their management fundamentals so that they can anticipate global developments. The inability to do so will result in reduction of the company value (such as the volume of business, assets, or firm size) which will eventually bring the company down to bankruptcy. Therefore, financial distress information can be utilized as a means of early warning for bankruptcy and to measure the extent of the company's ability to take action regarding future global developments that might occur and influence their business. Furthermore, bankruptcy usually happens because of the inability of a company to generate profit, where there is an unhealthy financial condition of the company. Thus, the financial distress prediction model is useful to analyze the current company financial condition and to be informed of financial distress conditions earlier and thereby, the company can take actions to anticipate what leads to bankruptcy.

Financial ratios analysis is able to be used to predict the possibility of financial distress by analyzing several ratios, such as liquidity, profitability, and so on, as stated by Gitman and Zutter (2015). This is very important as by using these ratios to predict the possibility of experiencing financial distress, the individual or company could plan to evade financial distress or at least have expected it to avoid unexpected surprise that lead to bankruptcy.

2.4. Liquidity

Liquidity ratio is the ratio used to measure how liquid a company is (Kasmir, 2012). A company can be said to be liquid if the company is able to pay off its short-term obligations within the due date. When the value of the liquidity ratio is high, the company has the ability to meet its short-term debt obligations. If the company is in a liquid condition, the company will automatically be able to overcome financial distress. In Wahono et al. (2017) research, liquidity has a negative effect on predicting financial distress. The following hypotheses are proposed:

H₁: Liquidity has an influence toward Financial Distress.

2.5. Profitability

Profitability is the company's ability to generate profits, where profit is one indicator of how well the company's performance. Profitability includes all revenues and costs

incurred by the company as the use of assets and liabilities in a period. The main purpose of the company is to have high profits. High profits will illustrate the level of success of the company in carrying out its operational activities (Rohmadini et al., 2018). If the level of profitability of the company is getting higher, it is unlikely that the company will experience financial distress (Gobenvy, 2014). Ananto et al., (2017) and Wahono, Mardani, & Suproho (2017) in their research found that profitability has a negative effect on financial distress. The previous study researched by Lumbantobing (2019), and Tan (2012), shows that profitability ratio significantly negatively affects the company’s financial distress. The following hypotheses are proposed:

H₂: Profitability has an influence toward Financial Distress.

2.6. Solvency

Solvency or leverage ratio is a ratio used to measure the extent to which a company's assets are financed by debt. Solvency arises from the activity of using company funds from third parties in the form of debt. The use of this funding source will result in the obligation arising for the company to return the loan along with interest on the loan. If this situation is not matched by a good company income, it is likely that the company will easily experience financial distress (Gobenvy, 2014). Rohmadini et al. (2018) in his research found the results that Solvency affects financial distress. Previous study researched by Hidayat and Merianto (2014), and Pindado et al. (2008), shows that this debt to total asset ratio significantly positive affected the company’s financial distress. The following hypotheses are:

H₃: Solvency has an influence toward Financial Distress.

2.7. Liquidity, Profitability, and Solvency toward Financial Distress

H₄: Liquidity, Profitability, and Solvency have a significant influence toward Financial Distress.

3. METODE PENELITIAN

This study research is conducted by using the quantitative approach to examine the study research problems identified and the changes in the dependent variable in respond to the independent variables. In addition, the research design used in this study research is the causal research design, which is about investigating the possible relationship of the data by observing the consequences and the factors that might have caused a certain result.

In this study research, the population includes every companies listed under Consumer Goods Industry in Indonesian Stock Exchange starting from year 2018 until 2020.

The sampling technique used in this study research is the purposive sampling method. This method is uses to determine the samples by using several criteria made by the researcher that should help in analyzing the study research problems.

Table 3.1 Determination of Sample

No.	Criteria	Amount
1	Companies that were listed under Consumer Goods Industry in Indonesia Stock Exchange	67
2	Consumer Goods Industry Companies which did not issue and publish the annual report that ended in every December 31 for the period of 2018 until 2020	-19

3	Consumer Goods Industry Companies which did not use IDR (Indonesia Rupiah) as the nominal currency for the financial statements during the period from 2018 until 2020	0
4	Consumer Goods Industry Companies which experience loss or deficit during the period from 2018 until 2020	-12
5	Consumer Goods Industry Companies which has incomplete data in their annual report to calculate the variables needed during the period from 2018 until 2020	-17
Amount of companies chosen as sample		19
Total number of data sampled		57

The data gathered or collected in this study research is a secondary data where the financial data is taken from the published financial statements in Indonesia Stock Exchange Website. The data gathered will be in the form of yearly financial statements that is published by each company on the Indonesian Stock Exchange. The method used in collecting data is documentation method, which involves the records of published financial information, and also obtained by studying literatures, journals, articles, and other written records related to this study research topic.

To simplify data analysis, researchers often use SPSS (Statistical Package for Social Science), which is a software that help the users in analyzing data and perform statistical calculations both parametric and non-parametric with a windows base. Some tests that are used in this research are descriptive test, classic assumption test, as well as hypothesis testing.

4. RESULT AND DISCUSSION

4.1 Descriptive Statistics

Table 4.1 Descriptive Statistics

Descriptive Statistics					
	N	Min	Max	Mean	Std. Deviation
CR	57	.7319	6.0239	2.462915	1.4212059
ROA	57	.0009	.4239	.101534	.0840660
DAR	57	.1406	.6914	.383882	.1546186
Financial Distress	57	.7225	12.8089	5.927651	3.4046642
Valid N (listwise)	57				

From the data on Table 4.1, the minimum, maximum, mean, and standard deviation of the research study are as shown. The Current Ratio (X1) consist of 57 samples with the minimum of 0.7319, maximum of 6.0239, mean of 2.462, and standard deviation of 1.4212. The minimum value comes from current ratio of MLBI Company on 2019, while the maximum value comes from current ratio of WIIM Company on 2019. The Return on Asset (ROA) ratio (X2) consist of 57 samples with the minimum of 0.0009, maximum of 0.4239, mean of 0.1015, and standard deviation of 0.0840. The minimum

value comes from return of asset of KAEF Company in 2019, while the maximum value comes from return of asset of MLBI Company in 2018.

The Debt to Total Asset (DAR) ratio (X3) consist of 57 samples too with the minimum of 0.1406, maximum of 0.6914, mean of 0.3838, and standard deviation of 0.1546. The minimum value comes from debt to total asset ratio of ULTJ Company in 2018, while the maximum value comes from debt to total asset ratio of COCO Company in 2018.

The Financial Distress (Y) consist of 57 samples too with the minimum of 0.7225, maximum of 12.8089, mean of 5.9276, and standard deviation of 3.4046. The minimum value comes from Financial Distress value of COCO Company in 2018, while the maximum value comes from Financial Distress value ratio of ULTJ Company in 2019.

4.2. Data Quality Testing

Table 4.2 One-Sample Kolmogorov-Smirnov (K-S) test

One-Sample Kolmogorov-Smirnov Test		Unstandardized Residual
N		57
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	.92321170
Most Extreme Differences	Absolute	.084
	Positive	.068
	Negative	-.084
Test Statistic		.084
Asymp. Sig. (2-tailed)		.200 ^{c,d}

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

From the One-Sample Kolmogorov-Smirnov (K-S) test, it can be seen that the Asymp Sig. (2-tailed) level is 0.200, which means the distribution of data is normal as the value is higher than 5% or 0.05.

Table 4.3 Multicollinearity Test

Coefficients ^a		Collinearity Statistics	
Model		Tolerance	VIF
1	(Constant)		
	CR	.367	2.726
	ROA	.965	1.036
	DAR	.359	2.782

a. Dependent Variable: Financial Distress

From the Table 4.3 shown above, it can be seen that the value of tolerance is higher than 0.10 and the value of VIF (Variance Inflation Factor) is less than 10.00. The tolerance value for CR (Current Ratio, X1) is 0.375 while the VIF is 2.664. As for ROA (Return on Asset ratio, X2) is 0.987 while the VIF is 1.013. Meanwhile, the tolerance value of DAR (Debt to Asset Ratio, X3) is 0.374 while the VIF value is 2.672. This indicates that multicollinearity did not occur in this research study.

Table 4.4 Heteroscedasticity Test

		Correlations				
			CR	ROA	DAR	Unstd. Resid
Spearman's rho	CR	Correlation Coeff	1.000	.405**	-.833**	.125
		Sig. (2-tailed)		.002	.000	.352
	N		57	57	57	57
Unstd. Resid	ROA	Correlation Coeff	.405**	1.000	-.499**	.197
		Sig. (2-tailed)				
	N		57	57	57	57
Unstd. Resid	Unstd. Resid	Correlation Coeff	.125	.197	-.076	1.000
		Sig. (2-tailed)	.352	.141	.574	
	N		57	57	57	57

As seen above, all the Sig (significance) value of each independent variable is higher than 0.05, which indicates that heteroscedasticity did not occur in this research study. The value of each independent value starting from Current Ratio to Debt to Asset Ratio is 0.352, 0.141, and 0.574 respectively. Which, all the value is higher than 0.05.

Table 4.5 Autocorrelation Test using Durbin-Watson Test

Model Summary ^b						
Model	R	R ²	Adjusted R ²	Std. Error of the Estimate	Durbin-Watson	
1	.963 ^a	.926	.922	.9489807	.948	

a. Predictors: (Constant), DAR, ROA, CR
 b. Dependent Variable: Financial Distress

It can be seen from Table 4.5 that the Durbin-Watson (d) value for this research study is 0.948. As the total samples (N) of this research study is 57, and the independent variables (k) are 3, therefore, based on Durbin-Watson table, the dL (lower bound) is 1.4637 and the dU (upper bound) is 1.6845. Thus, the result of this test, indicates that this data have autocorrelation. However, writer decide to use Durbin's Two Step Method to overcome the autocorrelation.

Table 4.6 Autocorrelation Test using Durbin's Two Step Method

Model Summary ^b						
Model	R	R ²	Adjusted R ²	Std. Error of the Estimate	Durbin-Watson	
1	.948 ^a	.898	.892	.19460	1.876	

a. Predictors: (Constant), LnX3_1, LnX2_1, LnX1_1
 b. Dependent Variable: LnY_1

It can be seen from Table 4.6 that after using the Durbin's Two Step Method, the Durbin-Watson (d) value for this research study become 1.876. After the transformations for this test, the total samples (N) of this research study becomes 56, while the independent variables (k) remain the same, which are 3, therefore, based on Durbin-Watson table, the dL (lower bound) is 1.4581 and the dU (upper bound) is 1.6830. As long as the Durbin-Watson (d) value remain in between of dU and 4-dU, the results indicates that there is no autocorrelation occurring in this research study. As the new Durbin-Watson value is 1.876, which is higher than dU, 1.6830, and lower than 4-dU, which is 2.3170. Therefore, the result of this test, indicates that this data have no autocorrelation.

Table 4.7 Multiple Linear Regression Analysis

Coefficients ^a					
Model	Unstandardized Coeff		Beta	t	Sig.
	B	Std. Error			
1 (Constant)	4.938	.883		5.593	.000
CR	1.309	.147	.547	8.887	.000
ROA	10.482	1.536	.259	6.826	.000
DAR	-8.595	1.368	-.390	-6.283	.000

a. Dependent Variable: Financial Distress

Hence, based on the unstandardized coefficients shows in the table 4.7, the multiple linear regression equation may be summarized as follows:

$$Y = 4.938 + 1.309 X_1 + 10.482 X_2 - 8.595 X_3 + e$$

Table 4.8 Partial T-Test

Coefficients ^a					
Model	Unstandardized Coefficients			t	Sig.
	B	Std. Error	Beta		
1 (Constant)	4.938	.883		5.593	.000
CR	1.309	.147	.547	8.887	.000
ROA	10.482	1.536	.259	6.826	.000
DAR	-8.595	1.368	-.390	-6.283	.000

a. Dependent Variable: Financial Distress

The t table value in this research is 2.307. From Table 4.8, the result of the above data can be concluded as follows:

Current ratio (X1), has a t count of 8.887 which is higher than 2.307 (t table). In addition, it has a significant value of 0.000 which is lower than 0.05. Moreover, the coefficient value is positive 1.309. Therefore, the first hypothesis (H₁) will be accepted and it can be concluded that current ratio has a significant positive influence toward Financial Distress on consumer goods companies listed in Indonesia Stock Exchange during the period of 2018 through 2020.

Return on Asset ratio (X2), has a t count of 6.826 which is higher than 2.307 (t table). In addition, it has a significant value of 0.000 which is lower than 0.05. Moreover, the coefficient value is positive 10.482. Therefore, the second hypothesis (H₂) will be accepted and it can be concluded that return on asset ratio has a significant positive influence toward Financial Distress on consumer goods companies listed in Indonesia Stock Exchange during the period of 2018 through 2020.

Debt to Asset ratio (X3), has a t count of -6.283 which is lower than -2.307 (-t table). In addition, it has a significant value of 0.000 which is lower than 0.05. Moreover, the coefficient value is negative 8.595. Therefore, the third hypothesis (H₃) will be accepted

and it can be concluded that debt to asset ratio has a significant negative influence toward Financial Distress on consumer goods companies listed in Indonesia Stock Exchange during the period of 2018 through 2020.

Table 4.9 Simultaneous F-Test

ANOVA ^a					
Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	601.407	3	200.469	222.604	.000 ^b
Residual	47.730	53	.901		
Total	649.137	56			

a. Dependent Variable: Financial Distress

b. Predictors: (Constant), DAR, ROA, CR

The F table value in this research is 2.78. From Table 4., the result of the above data can be concluded that the F value of this research study is 222.604, which is higher than the 2.78 (f table). In addition, it has a significant value of 0.000, which is lower than 0.05. Therefore, the fourth hypothesis (H₄) will be accepted and it can be concluded that current ratio, return on asset ratio, and debt to asset ratio simultaneously has a significant influence toward Financial Distress on consumer goods companies listed in Indonesia Stock Exchange during the period of 2018 through 2020.

Table 4.10 Coefficient of Determination (R²)

Model Summary ^b				
Model	R	R ²	Adjusted R ²	Std. Error of the Estimate
1	.963 ^a	.926	.922	.9489807

a. Predictors: (Constant), DAR, ROA, CR

b. Dependent Variable: Financial Distress

From Table 4.10, it can be seen that the adjusted coefficient of determination (R²) value is 0.922. The results indicates that this multiple regression model account for 92.22% of the total variability. This means that Current Ratio, Return on Asset ratio, and Debt to Asset Ratio have the ability to explain 92.22% of the Financial Distress of consumer goods companies listed in Indonesia Stock Exchange. Meanwhile, the remaining 7.78% of Financial Distress of consumer goods companies listed in Indonesia Stock Exchange can be explained by other variables that are not mentioned on this research study.

5. CONCLUSION

1. Liquidity has a significant positive partial effect toward financial distress of consumer goods companies listed in Indonesia Stock Exchange from 2018 through 2020 periods.

This indicates that the higher current assets a company have will decrease the chance of financial distress since the current assets can be considered as a safety net on an emergency to pay off its current obligations. Since liquidity has a significant influence toward financial distress, this also indicates the importance of this value. A company with lower current assets value compared to its current liabilities may have higher risks of entering financial distress and falling into bankruptcy.

2. Profitability has a significant positive partial effect toward financial distress of consumer goods companies listed in Indonesia Stock Exchange from 2018 through 2020 periods. This indicates that the higher the ability of a company has in generating more profit compared to its assets, will decrease the chance of financial distress since this indicates that the management of the company is doing a good job by utilizing its assets as the company can generate more profit using the available assets. In addition, according to signaling theory, investors tend to be influenced with this ratio as higher value of profitability indicates that the company is doing well financially according to its size and thus will bring more profit (such as dividends) toward investors, which will eventually bring more funds to the company in forms of equity. Since profitability has a significant influence toward financial distress, this also indicates the importance of this value. A company with lower profit compared to its assets may have higher risks of entering financial distress and falling into bankruptcy as that shows the company financial condition is not good enough with the size of its asset.
3. Solvency has a significant negative partial effect toward financial distress of consumer goods companies listed in Indonesia Stock Exchange from 2018 through 2020 periods. This indicates that the higher the debt of a company compared to its asset, will increase the chance of financial distress since this indicates that the management of the company are relying more on debt to fund the company operations. This is not a good job since by doing so, it will bring higher risk to the company if it did not generate enough profit. In addition, according to signaling theory, the results of higher debt value of a company will influence the thought of investors since investing on this company will bring higher risk as the company has too many debts, which eventually will not invest in the company and thus the company will not receive additional funds in terms of equity. Since solvency has a significant influence toward financial distress, this also indicates the importance of this value. A company with too high debt value compared to its assets may have higher risks of entering financial distress and falling into bankruptcy as the company might not be able to pay off its liabilities with its assets in case of emergency.
4. Liquidity, Profitability, and Solvency have a simultaneous significant influence toward financial distress of consumer goods companies listed in Indonesia Stock Exchange from 2018 through 2020 periods. This indicates that financial distress of consumer goods companies listed in Indonesia Stock Exchange during that period will be influenced whenever the variables (liquidity, profitability, and solvency) change simultaneously. This is in accordance with the Du Pont Theory and Signaling theory where good company performance will eventually bring more funds to the company and thus lower the chance of financial distress.

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