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THE EFFECT OF CURRENT RATIO, DEBT RATIO AND RETURN ON ASSETS ON FINANCIAL DISTRESS ON MANUFACTURING COMPANIES LISTED ON IDX FOR THE 2017-2019 PERIOD

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Abstract: The problem of fluctuating financial conditions due to the impact of the MEA free market, if allowed to drag on can result in bankruptcy. Therefore, it is very important to have research related to financial distress, to find out these conditions can be seen and measured through financial statements using financial ratios, namely Current Ratio, Debt Ratio and Return on Assets. The sample of this study amounted to 33 company financial statement data obtained from 2017-2019. This research is based on a quantitative approach using statistical testing of the hypothesis using multiple linear regression with the help of SPSS version 23 program. The results of this study show that partially the current ratio variable, debt ratio and return on assets have a significant effect on financial distress. Simultaneously, the variable current ratio, debt ratio and return on assets have a significant effect on financial distress. And the current ratio variable has a dominant effect on financial distress.

Keywords: *Financial Distress, Current Ratio, Debt Ratio, Return on Assets*

1. Preliminary

The development of the business world increasingly requires companies to race to overcome increasingly fierce and complex competition, so companies are required to be able to carry out management effectively and efficiently in order to achieve the expected goals.(Istanti 2020)Financial Management emerged in the United States where it developed rapidly, causing new problems ranging from finding funds to the structure of its own capital. Global financial management is a science and art that studies the function of POAC in the financial resources of macro and microeconomic units (Mondy 2016) MEA is a group of countries in Southeast Asia that implement a single market system, financial management in the scope of AEC is an attempt by managers to maximize stock prices in order to compete in the free market, within the scope of Indonesia in facing the single market system Indonesia has advantages and disadvantages, if In terms of shortages, Indonesia will experience quality loss, price loss and competitiveness. Therefore, if this condition occurs in Indonesian manufacturing companies and financial management is not yet good and the role of the government is not maximized, it will experience problems. *financial distress*. Monetary pain is a declining monetary condition preceding insolvency (Triswidjanti 2017), through monetary proportions and fiscal reports of an organization can be seen the state of an organization happens monetary trouble or not.

Fiscal reports are a vital instrument to acquire data in regards to the monetary position and results that have been accomplished by the organization concerned. (Fahmi

2017) In light of the definition above, it tends to be presumed that what is implied by Fiscal reports are data media that sums up all bookkeeping measures in the organization that are helpful for invested individuals for dynamic in the organization.

As indicated by Kasmir (2019) Financial proportions are exercises to look at the numbers in the fiscal summaries by contrasting one number with another. Examinations can be made between one part with parts in one monetary report or between parts that exist between monetary statements.From the above definition it very well may be reasoned that what is implied by monetary proportions is a course of contrasting a number and pertinent and critical figures situated in fiscal summary posts so the eventual outcome of the correlation will be settled on a choice. In surveying a state of an organization encountering monetary misery or not, it is important to dissect monetary proportions utilizing a few proportions including:Liquidity Ratio according to (Kasmir 2019) The types of liquidity ratios commonly used in practice to measure the ability to meet short-term obligations are as follows:

1. Current Ratio
   As indicated by Kasmir (2019)The current proportion is a proportion to gauge the organization's capacity to pay momentary commitments or obligations that are expected promptly when charged completely. As such, how much current resources are accessible to cover momentary liabilities that are expected soon. The current proportion can likewise be said as a structure to quantify the degree of safety (edge of security) of an organization. With the formula:
   $$Current\ Ratio = \frac{\text{Current Asset}}{\text{Current Debt}}$$
2. Leverage Ratio
   As indicated by Kasmir (2019) solvency proportion or influence proportion is a proportion used to gauge the degree to which the organization's resources are financed with obligation. This implies how much obligation trouble borne by the organization contrasted with resources. From a wide perspective it is said that the dissolvability proportion is utilized to quantify the organization's capacity to pay every one of its commitments, both present moment and long haul. As follows:
3. Debt Ratio
   As per Kasmir (2019) Debt Proportion is an obligation proportion used to gauge the proportion between all out obligation and all out resources. At the end of the day, how much the organization's resources are financed by obligation or how much the organization's obligation influences resource the board.With the formula:
   $$Debt\ Ratio = \frac{\text{Total Liability}}{\text{Total Assets}}$$
4. Profitability Ratio
   According to Kasmir (2019) profitability is a ratio to assess the ability of a company to generate profits or profits during a certain period. Kasmir (2019) (Kasmir 2019). As follows:

Return on Assets

According to Kasmir (2019)ROA is a ratio used to measure how much net profit will be generated from each fund embedded in assets. With the formula:

$$\text{ROA} = \frac{\text{Net Profit After Tax}}{\text{Total Assets}}$$

Monetary trouble is utilized to gauge the state of an organization if it is encountering a declining monetary conditin Triswidjanti (2017) Financial misery is the condition of the organization's working income isn't adequate to meet its present commitments then the organization is compelled to make a remedial move. Monetary misery is characterized as the phase of declining conditions that happened before the event of chapter 11 or before the organization was exchanged.To predict financial distress, the Almant Z-Score formula can be used as follows:

Z-Score = 6.56X1+ 3.26X2+ 6.72X3+ 1.05X4

Information:

X1 = Working Funding to Add up to Resources
X2 = Held Procuring to Add up to Resources (Held Income/All out Resources)
X3 = Procuring Before Interest and Duties (EBIT) to Add up to Resources (Income Before Interest Costs/All out Resources)
X4 = Market Worth of Value to Book Worth of Absolute Liabilities (Book Worth of Value/Book Worth of Complete Obligation)

As per Altman there are removed figures for the Z esteem that can clarify if the organization will fizzle later on and Altman separates them into three classifications, to be specific:

Table 1
Z-score Value Interpretation

Z-score Nilai	Interpretation
Z>2.6	Sorted as an extremely sound organization
1,1<Z<2,6	Being in the hazy situation so it is sorted as an organization that has monetary troubles, yet the chance of being saved and the chance of failing is similarly reliant upon the approach choices of the organization's administration as the leader.
Z<1.1	sorted as an organization that has exceptionally huge monetary hardships and high danger so the chance of chapter 11 is extremely enormous.

2. Research methods

Research location and time

The area of this examination is on the Indonesian stock trade, this exploration was directed by taking the organization's fiscal summary information online through the site www.idx.co.idwhich is the authority site of the Indonesia Stock Trade. The examination time did in this read was intended for a very long time, beginning in December 2020 until January 2021.

Research approach

This review utilizes a quantitative methodology, Quantitative investigation serves to see the example of the connection between the autonomous variable and the reliant variable.

Technique for gathering information

The information taken in this review are auxiliary information, concurring to Sugiyono (2017) information got in a roundabout way from organizations that are utilized as units of examination utilizing the accompanying strategies:

1. Library exploration (library research) An information assortment that is finished by perusing and concentrating on the writing just as looking for speculations that are identified with the issue under concentrate on a portion of the hypothetical establishments to test the reality of the theory.
2. Documentation review, documentation study is a method of gathering information where the creator straightforwardly notices, concentrates on utilizing monetary reports and records that are firmly identified with the exploration being completed, by directing an overview at the Indonesia Stock Trade library then, at that point gathered, chose and classified for investigation purposes. .
3. Internet Exploration (Online Exploration) In this review the creators attempted to acquire different information and other data related and can uphold this examination.

Data analysis

Testing the information in this examination utilizing different straight relapse investigation which serves to decide how far the impact of the free factor on the reliant variable. The regression model is formulated with the following equation:

$$Y = \alpha + \beta_1 X1 + \beta_2 X2 + \beta_3 X3 + e$$

Information:

Y = Variable *dependent (Financial Distress)*
α = Constant
β_1 = Regression coefficient for the variable Current Ratio
β_2 = Regression coefficient for the variable Debt Ratio
β_3 = Regression coefficient for the Return on Assets variabel variable
X1 = Independent Variable Curent Assets Ratio
X2 = Independent variable Debt Ratio
X3 = independent variable Return on Assets
e = *Error Estimate*

3. Results and Discussion

Descriptive statistics

Graphic measurements capacity to depict and portray information through least, most extreme, normal and standard deviation through current proportion, obligation proportion, return on resources and monetary pain. In light of the graphic factual table, it shows that N or the measure of information for each legitimate variable is 33. In this review, the monetary trouble variable (Y) shows a base worth of - 20.05, a greatest worth of 12.15, from the 2017-2019 period it is realized that the mean worth is - 0.4479, and the standard deviation esteem is 5.89823. The current proportion variable has the least worth of 0.08 and a high worth of 5.56 with a normal worth of 1.1133 and a standard deviation of 1.08146. The obligation proportion variable has the most minimal worth of 0.07 and the most noteworthy worth of 1.54 with a normal worth of 0.5770 and a standard deviation of 0.33664. The profit from resources variable has the most minimal worth of - 1.47 and the most noteworthy worth of 0.27, the meas worth of - 0.1470 and the standard deviation of 0.365153.

Classic assumption test

The ordinariness test plans to test whether in the relapse model, the free and ward factors have an ordinary dispersion or not. In light of the perceptions, this examination table is liberated from strange information dispersion. This end was taken on the grounds that the information in this review had a worth of asypm sig 2 followed above 0.05.

Multicollinearity test plans to test whether in the relapse model there is a connection of free factors. A decent relapse model ought not have a connection between's the free factors. It is supposed to be liberated from multicollinearity if the resistance esteem is > 0.10 or near 0.10 and the VIF esteem is < 10. The test outcomes are as per the following: the current proportion information is 0.627 > 0.100 and the VIF esteem is 1.595 < 10.00. The resilience an incentive for the obligation proportion information is 0.929 > 0.100 and the VIF esteem is 1.077 < 10.00. The resilience an incentive for the profit from resources information is 0.616 > 0.100 and the VIF esteem is 1.622 < 10.00. Heteroscedasticity test in this test is utilized to decide if in the relapse model there is a disparity of change from the residuals of one perception to one more perception through the Glejser test. It tends to be seen that the sig values in the three autonomous factors are above 0.05, with upsides of 0.151, 0.677 and 0.599 so that there are no indications of heteroscedasticity. Autocorrelation test is utilized to decide if there is autocorrelation in each examination variable. Autocorrelation test should be possible through the Durbin Watson test. In light of the test outcomes, it very well may be seen that the Durbin-Watson esteem in the table shows 1.849 where this worth will be looked at utilizing a 5% certainty degree. As far as possible worth of the Durbin-Watson table (du) is 1.651 and the worth of 4-du = 2.349. It very well may be inferred that the information in this review are liberated from autocorrelation on the grounds that the Durbin-Watson test scores are somewhere in the range of 1,651 and 2,349 (1,651<1,849<2,349). Different relapse coefficient testing was directed to test how far the impact of the autonomous variable on the reliant variable.Based on the regression model equation as follows:

Y = 1.003 + 1.554X1 – 1.081X2 + 3.218X3

1. The above condition can be shown as follows: Consistent (a)
   The worth of the consistent (a) is 1.003 demonstrating that if the autonomous variable comprising of the current proportion, obligation proportion and return on resources is equivalent to 0 (zero) or steady, then, at that point the reliant variable monetary pain will be worth 1.003.
2. Current Proportion
   In light of the coefficient esteem ((β_1) is 1.544, which implies that it shows a positive (unidirectional) connection between the current proportion and monetary misery, in particular if the current proportion variable increments by 1 (one) unit, monetary pain will increment by 1.544 as well as the other way around, expecting different factors are consistent.
3. Debt Proportion
   In view of the coefficient esteem ((β_2) is - 1.081 which demonstrates the heading of the negative relationship (inverse course) between the obligation proportion and monetary trouble, in particular if the obligation proportion variable increments by

1 (one) unit, monetary misery will diminish by - 1.081 as well as the other way around, expecting different factors are steady. .

4. Return on Resources
   In view of the coefficient esteem ((β_3) is 3.218 which demonstrates the heading of the relationship positive (unidirectional) between return on resources and monetary misery, ie in the event that the profit from resources variable increments by 1 (one) unit monetary pain will increment by 3.218 as well as the other way around, accepting different factors are consistent.

The coefficient of assurance (R2) basically gauges how far the model's capacity to clarify the reliant variable or at the end of the day to test the godness-attack of the relapse model. The aftereffects of the assurance test in this review got the worth of(adjusted R2) of 0.846 or 84.6%, which implies that 84.6% of monetary misery is impacted by free factors comprising of the current proportion, obligation proportion and return on resources. Furthermore, the leftover 15.4% is impacted by different variables not found in this review.

F Test (Simultaneous)

Concurrent impact test is utilized to decide if the free factors at the same time or all the while influence the reliant variable.

Table 2
F . Test Results
ANOVAa

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	958,327	3	319,442	59,796	.000b
	Residual	154.924	29	5.342		
	Total	1113,251	32			

a. Dependent Variable: INV_Y
b. Predictors: (Constant), ROA, INV_X2, INV_X1

Table 2 shows that Fcount is 59.796, while Ftable is gotten from Ftable = F (k: nk-1) and produces a Ftable worth of 2.93. Then, at that point the worth clarifies that the worth of Fcount > Ftable. With an importance level of 0.000 < 0.05. so the autonomous factors current proportion, obligation proportion and return on resources all the while significantly affect monetary misery.

t test (Partial)

The t test is utilized to decide if every autonomous variable comprising of the current proportion, obligation proportion and return on resources has a huge impact or not on the reliant variable Monetary misery.

Table 3
t test results
Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.003	.613		1,635	.113
	Current Ratio	1.544	.169	.799	9.133	.000
	Debt Ratio	-1.081	.109	-.714	-9,926	.000
	Return On Assets	3.218	1.439	.197	2.235	.033

a. Dependent Variable: Financial Distress

In this review utilizing a two-way test with a huge level (α) of 0.05 (then, at that point the worth of α/2 is 0.025) and df (n=33, k=3-1, df = 33-3-1= 29) then, at that point the ttable worth is 2.045. In view of the t-test table, it tends to be seen that:

1. Current Proportion (X1)

a.Based on tcount and ttable

In view of table 3, the tcount esteem is 9.133, the worth is more prominent than ttable 2.045. So it tends to be presumed that the autonomous variable current proportion (X1) to some degree significantly affects the reliant variable of monetary misery (Y).

b.Based on the critical level (α=0.05)

In light of table 3, it very well may be seen that the critical worth of 0.000 is more modest than 0.05. So it tends to be presumed that the free factor current proportion (X1) is important to the reliant variable monetary pain (Y). Consequently H0 is dismissed and Ha is acknowledged, so it very well may be presumed that the Current Proportion to some extent significantly affects Monetary Misery.

2.Debt Proportion (X2)

a.Based on tcount and ttable

In view of table 3, the tcount worth of - 9.926 is more than more prominent than ttable 2,045. So it very well may be inferred that the autonomous variable obligation proportion (X2) somewhat significantly affects monetary misery (Y).

b.Based on the critical level (α=0.05)

In view of table 3, it tends to be seen that the huge worth of 0.000 is more modest than 0.05. So it very well may be presumed that the autonomous variable obligation proportion (X2) is important to the reliant variable monetary misery (Y).

In this manner H0 is dismissed and Ha is acknowledged, so it tends to be reasoned that the Obligation Proportion to some degree significantly affects Monetary Trouble.

3.Return on Resources (X3)

a.Based on tcount and ttable

In view of table 3, the tcount esteem is 2.235, the worth is more prominent than ttable 2.045. So it tends to be presumed that the autonomous variable profit from resources (X3) to some degree significantly affects the monetary misery variable (Y).

b.Based on the huge level (α=0.05)

In light of table 3, it tends to be seen that the huge worth of 0.033 is more modest than 0.05. So it tends to be presumed that the free factor return on resources (X3) is important to the reliant variable monetary pain (Y).

In this manner H0 is dismissed and Ha is acknowledged, so it tends to be reasoned that the Profit from Resources to some degree significantly affects Monetary Trouble.

4. Conclusion

In view of the plan of the issue, destinations, hypothetical examinations, theories and the aftereffects of the tests completed, it very well may be closed as follows that CR has a critical and huge impact on FD, implying that the level of the organization's capacity to meet momentary commitments affects FD. DR significantly affects FD, implying that the degree of resource financing by obligation affects FD. ROA significantly affects FD, implying that the organization's capacity to create benefits influences FD. Ideas that can be offered identified with the consequences of this review are normal in future exploration utilizing autonomous factors outside of this review.

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