

The Effect Of Liquidity Ratio Leverage Ratio And Activity Ratio In Predicting Financial Distress

Agung Joni Saputra

Universal University Batam Indonesia

agungjs13@gmail.com

Abstract :

Financial distress is the financial condition of companies that experience financial difficulties before the company goes bankrupt. This study aims to determine the effect of: (1) liquidity ratios in predicting financial distress; (2) leverage ratio in predicting financial distress; (3) activity ratio in predicting financial distress; (4) liquidity ratios, leverage ratios, and activity ratios in predicting financial distress. Data analysis method used a quantitative method approach. Analysis technique used is descriptive statistical, logistic regression, test coefficient of determination, and hypothesis testing. The results of the study show that partially the activity ratio has a significant and negative influence in predicting financial distress, while the liquidity ratio and leverage ratio do not have a significant influence in predicting financial distress. Simultaneously liquidity ratios, leverage ratios, and activity ratios have a significant influence in predicting financial distress

KeyWords: Liquidity Ratio, Leverage Ratio, Activity Ratio, Financial Distress

Introduction :

At present competition in the business world feels very tight, therefore company management must have the ability to earn profits and maintain the survival of the company (Rahayu&Sopian, 2017). Economic conditions that continue to change often affect the financial performance of companies both small, medium and large scale (Andre &Taqwa, 2014). If management cannot manage its financial performance properly, financial distress will occur. Financial distress is the financial condition of a company that experiences difficulties or decreases before the company experiences bankruptcy (Putri&Merkusiwati, 2014). Indonesia is one of the countries that has contributed greatly to the world manufacturing industry. In 1990 Indonesia's manufacturing industry was ranked 18th, 2000 ranked 15th, 2010 ranked 14th, 2015 ranked 11th and in 2016 ranked 9th (Praditya, 2017). Even though Indonesia contributed significantly , but the contribution of the manufacturing industry to Indonesia's economic growth is still considered minimal. According to data from the Central Statistics Agency (BPS), Indonesia's economy in the second quarter of 2018 grew 5.27 percent compared to the second quarter of 2017. When viewed from the creation of Indonesia's economic growth sources in quarter II-2018 (year on year), the processing industry has the highest source of growth of 0.84 percent; followed by large-retail trade, car and motorcycle repair by 0.69 percent; agriculture, forestry and fisheries by 0.64 percent; construction of 0.55 percent; and warehousing transportation by 0.35 percent. The current economic growth is still considered not able to encourage employment. One reason is that the economy has not relied on manufacturing industries with high labor absorption but in sectors with lower labor absorption such as the service sector. Economical Institute for Development of Economics and Finance (indef), BhimaYudhistira said that the industry's contribution to the economy in the past 10 years had fallen. Of the 26%, the manufacturing industry's contribution to Gross Domestic Product (GDP) fell to 20% (Putra, 2018). The decline in the contribution of the manufacturing industry was caused by several problems in the manufacturing sectors, one of which was the consumer goods industry sector. The Joint Indonesian Pharmaceutical Companies Committee said that the growth of the national pharmaceutical sub-sector had slowed to less than 5% in the past two years. This is due to the implementation of the BPJS (Insurance provided by government), so that economic growth in the pharmaceutical manufacturing industry is slow to increase (Fauzia, 2018). Apart from the pharmaceutical sub-sector industry, the cigarette sub-sector industry also reduced production volume by 7% since January to April 2018. According to

IsmanuSoemiran, Chair of the Indonesian Cigarette Association, this is due to an increase in excise fees each year which also results in a decrease in cigarette producers up to 51% since 2012 - 2017 (Ihsan, 2018). Based on INDEF data, from several types of cigarettes, Hand Kretek Cigarettes provide great value to the Indonesian economy. During 2013-2017 the number of Hand Kretek Cigarettes declines decreased by 22.63%. The decline in Hand Kretek Cigarettes was able to affect GDP -0.82%, -1.24% real wages, inflation 0.41%, household consumption -0.96%. In addition, there are also problems in the basic industry sector & chemistry. One of the cement sub-sector industrial companies, PT. Holcim Indonesia Tbk experienced a decline in sales in 2017 from Rp. 9.46 trillion to Rp. 9.38 trillion. There are several contributing factors, namely the pressure of the selling price, the increase in coal prices, and the increase in the financial burden due to the loss of the exchange rate of the loan (Hutapea, 2018). Recently, several companies have gone bankrupt because they cannot fulfill their obligations. Some of these companies include: (1) PT. Sariwangi Agricultural Estate Agency and PT. Plantation Airlines IndorubSumberWadung went bankrupt because it was in debt of Rp. 1 trillion (Djumena, 2018); (2) NyonyaMeneer herbal medicine factory which was established from 1919 bankruptcy, because it had a debt of Rp. 7.4 Billion (Password, 2018); (3) Royal Standard (RS) Group that covers Jaya envelopes is declared bankrupt. The company has a debt of Rp333 billion from 18 creditors out of a total of Rp1,258 trillion in tagihan RS Group expenses from a total of 23 creditors (Sandi, 2018); (5) PT Indotirta Jaya Abadi, a company that manufactures Aguaría brand bottled water, was declared bankrupt. Aguaría was declared bankrupt of debt debts not paid to a number of creditors. From the decision of the panel of judges, Aguaría was declared bankrupt and had debts of around Rp 210 billion to a number of creditors (Radlis, 2018). There is also a publicly listed company listed on the Indonesia Stock Exchange (BEI) bankrupt because it cannot fulfill its obligations, Dwi Aneka Jaya KemasindoTbk (DAJK) stated. This research has been done a lot before, but there are differences in results from various previous studies. Aisyah, Kristanti, &Zultilisna (2017) states that liquidity ratios, leverage ratios, and activity ratios have no influence in predicting financial distress. This result is the same as the results of the research of Rahayu&Sopian (2017) and Putri&Merkusiwati (2014) which state that liquidity ratios and leverage ratios have no influence in predicting financial distress. However, the results of research conducted by Hidayat&Meiranto (2014) state that liquidity ratios, leverage ratios, and activity ratios are the most reliable ratios in predicting financial distress. The results of this study are the same as the results of the study (Yustika, 2015) which states that liquidity ratios and liquidity ratios and leverage ratios have an influence in predicting financial distress. The difference in the results of the study was due to two factors. First, there were differences in the object of research studied. Although the objects used by public companies were different, the two sectors were different. Secondly, there were differences in research years. thus enabling the company's financial performance to undergo changes. The formulation of the problem in this study are: (1) What is the influence of the liquidity ratio in predicting financial distress ?; (2) What is the influence of leverage ratios in predicting financial distress ?; (3) What is the influence of the activity ratio in predicting financial distress? The objectives in this study are: (1) To determine the effect of liquidity ratios in predicting financial distress; (2) To determine the effect of leverage ratios in predicting financial distress; (3) To determine the effect of activity ratios in predicting financial distress.

Study Of Literature And Hypothesis Formulation:

Financial Distress:

According to Luciana (2013: 546) in Suprihatin& Mansur (2016) financial distress is the stage of the decline in financial conditions that occur before the occurrence of bankruptcy or liquidation. According to Andrade in (Andre &Taqwa, 2014) financial distress is a situation where a company cannot fulfill obligations to third parties. Whereas according to Platt and Platt (2002) in Aisyah et al. (2017) financial distress is the process of decreasing the company's financial position experienced before the company goes bankrupt or liquidates. From several meanings understood, it can be concluded that financial distress is a declining financial condition of the company so that it cannot fulfill its obligations to third parties and has the potential to experience liquidation or bankruptcy. There are company criteria if you experience financial distress. According to Plat in Andre &Taqwa (2014), the criteria for companies that experience financial distress are:

1. Several years obtained negative operating net income;
2. Stop negative payments;

3. Experiencing major restructuring or termination of business. The usefulness of financial distress information for companies according to Plat in Andre & Taqwa (2014) is:

1. Speed up management actions to prevent problems before bankruptcy occurs;
2. Management can take merger or take over actions so that the company is able to manage the company better;
3. Give an early warning sign of bankruptcy in the future.

Financial Ratio:

According to James C Van Horne in Kasmir (2016: 104) financial ratio is an index that connects two accounting numbers and is obtained by dividing one number by another number. According to Kasmir (2016: 104) financial ratios are activities comparing numbers in financial statements with how to divide one number by another number. Comparisons can be made between one component with components in one financial report or between components that exist between financial statements. Then the numbers that are compared in the form of numbers - numbers in one period or several periods. According to Suprihatin & Mansur (2016) the ratio describes a relationship or balance between an amount with another number and use a ratio analysis tool that can explain or give an illustration to the analyst about the good or bad state or financial position of a company, especially if the ratio is compared with the comparison ratio used as a standard. According to Syahri (2008 : 297) in Hantono (2018: 9) financial ratios are the numbers obtained from the comparison of a financial statement post with another post that has a relevant and significant relationship such as debt and capital, between cash and total assets, between prices principal production with total sales and so on. Based on the description of the theory above, it can be concluded that financial ratios are financial analysis techniques by comparing the components in the financial statements which then produce a description or explanation of the state of the company's financial position.

Liquidity Ratio:

According to Fred Weston in Kasmir (2016: 129) liquidity ratio is a ratio that describes the company's ability to meet short-term obligations. This means that if the company is billed, the company will be able to fulfill the debt, especially debt that has matured. According to Kasmir (2016: 130) there are two assessments of the measurement of liquidity ratios, that is, if the company is able to fulfill its obligations, said the company is in a liquid state. Conversely, if the company is unable to fulfill these obligations, the company is said to be in an illiquid state..

Leverage Ratio:

Leverage ratio is a ratio used to measure the extent to which a company's assets are financed by debt. This means how much the debt burden borne by the company compared to its assets or measures the company's ability to pay all its obligations, both short and long term if the company is dissolved (liquidated) (Kasmir, 2016: 151). The research results of Hidayat & Meiranto (2014) state that there is a significant influence on leverage ratios in predicting financial distress in a company.

Research Methods:

This study uses a type of comparative causal research, namely research that in addition to measuring the strength of the relationship between two or more variables, also shows the direction of the relationship between independent variables and dependent variables (Kuncoro, 2013: 15). consumption via the internet with the website <http://www.idx.co.id/>. The observation period starts from 2015 to 2017. The population used in this study is all manufacturing companies in the consumer goods industry sector that are listed on the Indonesia Stock Exchange (IDX). The choice of consumer goods industry companies is due to a decline in the contribution of manufacturing companies to the consumer goods industry sector. The sampling technique used in this study is purposive sampling, which means the selection of samples is based on certain criteria (Andre & Taqwa, 2014). The sample criteria categorized as financial distress in this study are:

Consumer goods industry sector companies that have been listed on the Indonesia Stock Exchange since 2015.

Consumer goods industry sector companies that continuously report their finances from 2015 to 2017.

Consumer goods industry sector companies that do not carry out mergers, acquisitions and other business changes.

Consumer goods industry sector companies that deliver complete data during the 2015-2017 observation period are related to variables of liquidity, leverage and activity.

Operational Definition Of Variables:

The dependent variable studied was financial distress. In this study, companies are said to experience financial distress if for two consecutive years they experience negative net operating income (net operating income), while companies that do not experience negative operating profit for two consecutive years are not categorized as experiencing financial distress. Financial distress is measured using a dummy variable with measurement (1) if the company experiences financial distress and (0) if the company does not experience financial distress.

Liquidity ratio is a ratio that describes the company's ability to meet short-term obligations (Kasmir, 2016: 130). The higher the liquidity ratio owned by the company, it will minimize the company's opportunity to be indicated financial distress (Hidayat&Meiranto, 2014). In this study the liquidity ratio is proxied by Current Ratio (CR).

$$\text{Current Ratio (CR)} = \frac{\text{Aktiva Lancar}}{\text{Utang Lancar}} \times 100\%$$

Leverage ratio is a ratio used to measure the extent to which a company's assets are financed by debt. This means how much the debt burden borne by the company compared to its assets (Kasmir, 2016: 151). The higher the leverage ratio, the more vulnerable a company will be to experience financial distress (Hidayat&Meiranto, 2014). In this study the liquidity ratio is proxied by the Debt to Asset Ratio (DER).

$$\text{Debt to Asset Ratio (DER)} = \frac{\text{Total Utang}}{\text{Total Aset}} \times 100\%$$

Activity ratio is a ratio used to measure the effectiveness of a company in using its assets. Or it can also be said that this ratio is used to measure the level of efficiency (effectiveness) of company resource users (Kasmir, 2016: 172). The greater the ratio of activity owned by the company, the smaller the company will experience financial distress (Hidayat&Meiranto, 2014). In this study the liquidity ratio is proxied by Total Asset Turn Over (TATO).

$$\text{Total Asset Turn Over (TATO)} = \frac{\text{Penjualan}}{\text{Total Aset}} \times 100\%$$

Analysis :

Research Description:

This study was conducted to show an overview of the effect of liquidity ratios, leverage ratios, and activity ratios on manufacturing companies in the consumer goods industry sector. The object of research in this study is a manufacturing company of the Consumer Goods Industry sector listed on the Indonesia Stock Exchange in the period of 2015 to 2017. Researchers use secondary data namely company financial statements taken from the site <https://www.idx.co.id> for 3 year, namely 2015 to 2017. The dependent variable (Y) in this study is financial distress, while the independent variable (X) used is the liquidity ratio (current ratio), leverage to asset ratio, and activity ratio (total asset turn over).

The sample selection is done using a purposive sampling method which is sampling based on certain criteria. Based on the predetermined criteria, from 51 manufacturing companies the consumer goods industry sector listed on the Indonesia Stock Exchange obtained 25 companies as research samples. The 25 companies consisted of 4 companies that experienced negative operating net income for two consecutive years or experienced financial distress and 21 companies that did not experience negative operating profit for two consecutive years or non-financial distress. The 25 companies are then multiplied by the observation period of 3 years. So that the number of samples used is 75.

In this study the dependent variable (Y) is categorized into two, namely 0 for companies categorized as financial distress and number 1 for companies that experience financial distress.

Table 1. Dependent Variable Encoding

Original Value	Internal Value
Non Financial Distress	0
Financial Distress	1

Statistik Deskriptif Analysis:

Descriptive statistics are statistics used to analyze data by describing or describing data that has been collected as a matter of course without the intention of making conclusions that apply to general or generalizations (Siyoto&Sodik, 2015: 111). The following is a descriptive statistic of the independent variable (X) studied:

Table 2. Descriptive Statistics

	N	Minimu m	Maximu m	Mean	Std. Deviation
Current Ratio	75	,584215 95	8,637842 17	2,837171298 5	1,90584646310
Debt To Asset Ratio	75	,038730 55	,9332303 4	,3952921713	,18880822894
Total Asset Turn Over	75	,060099 75	3,057322 32	1,187296441 2	,57535118128
Valid N (listwise)	75				

From the general description of descriptive statistics shown in table 2, the independent variable (X) can be explained as follows:

1. Liquidity Ratio:

The liquidity ratio used in this study is the current ratio. From table 4.3, the current ratio has the lowest value (minimum) of 0.58421595 obtained from PT. Multi Bintang Indonesia Tbk in 2015 and the highest value (maximum) of 8.63784217 obtained from PT. Delta Djakarta Tbk in 2017. The average value is 2.8371712985 and the standard deviation is 1.90584646310.

2. Leverage Ratio:

The leverage ratio used in this study is the debt to assets ratio. From table 4.3 the debt to assets ratio has the lowest value (minimum) of 0.03873055 obtained from PT. IntiAgri Resources Tbk in 2015 and the highest value (maximum) of 0.93323034 obtained from PT. Merck Sharp DohmePharmaTbk in 2015. The average value is 0.3952921713 and the standard deviation is 0.18880822894.

3. Activity Ratio:

The activity ratio used in this study is the total asset turn over. From table 4.3 the total asset turn over has the lowest value (minimum) of 0.06009975 obtained from PT. IntiAgri Resources Tbk in 2015 and the highest value (maximum) of 3,05732232 obtained from PT. WilmarCahaya Indonesia Tbk in 2017. As for the average value of 1.1872964412 and the standard deviation of 0.57535118128.

Hosmer And Lameshow's Test Goodness Of Fit:

Hosmer and Lemeshow's Goodness of Fit tests the null hypothesis that empirical data is suitable or in accordance with the model or there is no difference between the model and the data so that the model can be said to be fit (Yustika, 2015). Assess the feasibility of the regression model with the value of the goodness of fit test as measured by the Chi-Squares value at the bottom of the Hosmer and Lameshow test. This test is carried out to test:

H0: The hypothesized model is fit with data

Ha: The hypothesized model is not fit with the data.

The following are the test results of Hosmer and Lameshow's Goodness of Fit:

Table 3.Hosmer And Lemeshow Test

Step	Chi-square	Df	Sig.
1	3,349	7	,851

Based on the test results from table 3 the Chi-Square value is 3.349 with a significance value of 0.851. From these results, the value of Significance is greater than 0.05, which means that H0 is accepted and Haditolak. This shows that the empirical data is suitable or in accordance with the model or there is no difference between the model and the data so that the model can be said to be fit, so this regression model can be used for further analysis.

Test Model Overall Analysis (Fit Overall Models):

To assess the overall model (overall model fit) is indicated by Log loneliness value by comparing the value of -2Log Likelihood when the model only includes constants with the value of -2Log Likelihood (Block number = 0) with when the model includes constants and independent variables -2Log Likelihood (Block number = 1).

Table 4.- 2log Likelihood (Block 0: Beginning Block)

Iteration History ^{a,b,c}			
Iteration		-2 Log likelihood	Coefficients
			Constant
Step 0	1	66,909	-1,360
	2	65,957	-1,632
	3	65,950	-1,658
	4	65,950	-1,658
a. Constant is included in the model.			
b. Initial -2 Log Likelihood: 65,950			
c. Estimation terminated at iteration number 4 because parameter estimates changed by less than ,001.			

Table 5.-2 Log Likelihood (Block 1: Method = Enter)

Iteration History ^{a,b,c,d}						
Iteration		-2 Log likelihood	Coefficients			
			Constant	Likuiditas	Leverage	Aktivitas
Step 1	1	50,372	1,240	-,259	-1,260	-1,153
	2	40,025	2,738	-,416	-1,597	-2,508
	3	37,559	3,963	-,512	-2,078	-3,587
	4	37,316	4,709	-,572	-2,698	-4,042
	5	37,310	4,897	-,589	-2,906	-4,115
	6	37,310	4,905	-,590	-2,916	-4,117
	7	37,310	4,905	-,590	-2,916	-4,117
a. Method: Enter						
b. Constant is included in the model.						
c. Initial -2 Log Likelihood: 65,950						
d. Estimation terminated at iteration number 7 because parameter estimates changed by less than ,001.						

Based on the results from tables 4 and 5 show that Block Number = 0 is 65,950 and Block Number = 1 has decreased to 37,310. From these results it can be concluded that -2Logues (Block Number = 0) is greater than the value of -2Log Like (Block Number = 1) so that the whole model shows a regression model that is good and feasible to use.

Logistic Regression Analysis:

Logistic regression test was performed on all independent variables, namely liquidity ratios, leverage ratios, and activity ratios in predicting financial distress.

Table 6.Variables in the Equation

		B	S.E.	Wald	Df	Sig.	Exp(B)
Step 1 ^a	Likuiditas	-,590	,427	1,912	1	,167	,554
	Leverage	-2,916	4,436	,432	1	,511	,054
	Aktivitas	-4,117	1,260	10,677	1	,001	,016
	Constant	4,905	3,168	2,398	1	,122	134,962
a. Variable(s) entered on step 1: Likuiditas, Leverage, Aktivitas.							

Based on the results of table 6, the logistical equation is obtained, namely:

$$Y = 4.905 + (-0,590) \text{ Liquidity} + (-2,916) \text{ Leverage} + (-4,117) \text{ Activity}$$

The numbers that have been generated from the above tests can be explained as follows:

Constant (A)

From the results of the logistic regression analysis, a constant value of 4.905 is obtained which indicates that without the influence of the independent variables the probability of the occurrence of financial distress will increase by 4,905.

Regression Coefficient (B) Liquidity Ratio

The liquidity ratio variable (X1) has a regression coefficient of -0.590 which means that if the liquidity ratio increases by one unit then the probability of financial distress (Y) will decrease by 0.590, assuming that other variables remain.

Regression Coefficient (B) Leverage Ratio

The variable leverage ratio (X2) has a regression coefficient of -2,916 which means that if the leverage ratio increases by one unit then the probability of financial distress (Y) will decrease by 2,916, assuming that other variables remain.

Regression Coefficient (B) Activity Ratio

Activity ratio variable (X3) has a regression coefficient of -4,117 which means that if the activity ratio increases by one unit then the probability of financial distress (Y) will decrease by 2,916, assuming that other variables remain.

Qualification Matrix Analysis

The qualification matrix is used to show the predictive power of the regression model to predict the possibility of a company experiencing financial distress (Andre & Taqwa, 2014). To see the predictive power of the regression model can be observed in table 7.

Table 7 Classification Table^a

Observed			Predicted		
			Kondisi Perusahaan		Percentage Correct
Step 1	Kondisi Perusahaan	Non Financial Distress	Financial Distress	95,2	
					60
		6	6	50,0	
Overall Percentage				88,0	

a. The cut value is ,500

From table 7 it can be seen that according to observations, companies that experience financial distress are 12 companies, while real predictions show that companies that experience financial distress are as many as 6 companies. So the truth of the classification of this model is 6/12 or 50%. On the other hand, according to observations, companies that did not experience financial distress were 63 companies, while actual predictions showed that 60 companies did not experience financial distress. So the truth of the calcification of this model is 60/63 or 95.2%. The table above also shows overall percentage as much as 66/75 or 88% which means the accuracy of this model is 88%

Analysis Of The Determiation Coefficient Test:

The coefficient of determiation is used to find out how much the variability of the variables is able to clarify the variable variability of the dependent variable. The determination coefficient in logistic regression can be seen in the value of Nagelkarke R Square.

Table 8. Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	37,310 ^a	,317	,543

a. Estimation terminated at iteration number 7 because parameter estimates changed by less than ,001.

Table 8 shows the Nagelkarke R Square value of 0.543, which means that the dependent variable variable explained by the independent variable is 54.3%, the remaining 45.7% is explained by the variables of the other variables outside the research model. Or it can be concluded together the variable liquidity ratios, leverage ratios, and activity ratios can explain the predictions of financial distress by 54.3%.

T Test Analysis

The T test is used to test whether there are influences of each independent variable (liquidity ratio, leverage ratio, and activity ratio) partially in predicting financial distress. In this test, the T test is carried out using the Wald test.

Table 9.T Test Result (Wald Test) Logistic Regression Analysis

	B	Wald	Sig.
Likuiditas	-,590	1,912	,167
Leverage	-2,916	,432	,511
Aktivitas	-4,117	10,677	,001
Constant	4,905	2,398	,122

a. Variable(s) entered on step 1: Likuiditas, Leverage, Aktivitas.

The numbers generated by table 9 can be explained as follows:

1. From the results of the research table 9 the variable liquidity ratio has a significance value of 0.167. when compared with alpha 5%, the significance value is greater than the alpha value ($0.167 > 0.05$). This test results that statistically the liquidity ratio variable does not have a significant effect in predicting financial distress.
2. From the results of the research table 9 the variable leverage ratio has a significance value of 0.511. when compared with alpha 5%, the significance value is greater than the alpha value ($0.511 > 0.05$). This test results that statistically the leverage ratio variable has no significant effect in predicting financial distress.
3. From the results of the research table 9 the variable activity ratio has a significance value of 0.001. If compared with alpha 5%, then the significance value is smaller than the alpha value ($0.001 < 0.05$). This test results that statistically the activity ratio variable has a significant effect in predicting financial distress.

F Test Analysis:

The f test is used to test whether there is an influence of liquidity ratios, leverage ratios, and the ratio of activity simultaneously in predicting financial distress. In this test, the f test was carried out using the omnibus test.

Table 10. Omnibus Tests of Model Coefficients

		Chi-square	df	Sig.
Step 1	Step	28,641	3	,000
	Block	28,641	3	,000
	Model	28,641	3	,000

From the results of testing table 10 it is known that the chi-square value is 28,641 and the significance level is 0,000. When compared with an alpha value of 5%, then the significance value is greater than the alpha value ($0.000 > 0.05$). This test results in statistically variable liquidity ratios, leverage ratios, and activity ratios simultaneously having a significant effect in predicting financial distress.

Conclusions And Recommendations :

Conclusions:

The liquidity ratio in this study was measured by the current ratio. The results of this study indicate that the regression coefficient has a negative direction of -0.590 and a significance value of 0.167 which is greater than the alpha value of 0.05 so that it can be concluded that the liquidity ratio does not have a significant and negative influence on predicting financial distress. The results of this study are supported by Andre & Taqwa (2014) and Aisyah, Kristanti, & Zultilisa (2017) which state that liquidity ratios do not have a significant effect in predicting financial distress.

The leverage ratio in this study is measured by the debt to assets ratio. The results of this study indicate that the regression coefficient has a negative direction of -2,916 and a significance value of 0.511 which is greater than the alpha value of 0.05 so that it can be concluded that the leverage ratio does not have a significant and negative influence in predicting financial distress. The results of this study were supported by Putri & Merkusiwati (2014) Cinantya & Merkusiwati (2015) and Aisyah et al. (2017) which states that leverage ratios do not have a significant influence in predicting financial distress.

The activity ratio in this study is measured by total asset turnover. The results of this study indicate that the regression coefficient has a negative direction of -4.117 and a significance value of 0.001 which is smaller than the alpha value of 0.05 so it can be concluded that the activity ratio has a significant and negative influence on predicting financial distress. The results of this study are supported by Hidayat & Meiranto (2014) which states that the activity ratio has a significant influence in predicting financial distress.

The results of this study indicate that simultaneously, liquidity ratios, leverage ratios, and activity ratios have a significance value of 0.000 which is smaller than the alpha value of 0.05 so that it can be concluded that simultaneous liquidity ratios, leverage ratios, and activity ratios have a significant influence on predicting financial distress. The results of this study are supported by Aisyah et al., (2017) which states that simultaneous liquidity ratios, leverage ratios, and activity ratios have a significant influence in predicting financial distress. This study aims to determine whether the influence of liquidity ratios, leverage ratios, and activity ratios in predicting financial distress. Based on the analysis that has been done, then there are several conclusions that can be taken from this study, namely:

1. The liquidity ratio does not have a significant influence in predicting financial distress. The results of this study indicate that the regression coefficient has a negative direction of -0.590 and a significance value of 0.167 which is greater than the alpha value of 0.05 so it is concluded that the liquidity ratio does not have a significant and negative influence in predicting financial distress. From the entire sample that has been investigated shows that there is no difference between liquidity in companies that experience financial distress and liquidity in companies that do not experience financial distress. This is reinforced by the liquidity ratio data owned by companies that do not experience financial distress, but the liquidity ratio is below the liquidity ratio of companies that experience financial distress.
2. The leverage ratio does not have a significant effect in predicting financial distress. The results of this study indicate that the regression coefficient has a negative direction of -2,916 and a significance value of 0.511 which is greater than the alpha value of 0.05 so that the leverage ratio does not have a significant and negative influence in predicting financial distress. Every company that has a high or low debt to asset ratio ratio still has a chance of financial distress. Funding can be used for creditors to be used for business continuity, such as the purchase of assets both smoothly and permanently for the sustainability of production that produces profits. Asset turnover that generates profits for the company indicates that the company is effective in managing its assets, so the funds borrowed from creditors are likely to be paid off.
3. The activity ratio does not have a significant effect in predicting financial distress. The results of this study indicate that the regression coefficient has a negative direction of -4.117 and a significance value of 0.001 which is smaller than the alpha value of 0.05 so that it can be concluded that the activity ratio has a significant and positive influence in predicting financial distress. Based on the results of the management of the data there is a difference between the activities of companies that experience financial distress and companies that do not experience financial distress. Companies that are less effective in managing assets owned tend to experience financial distress more. Meanwhile, companies that can manage their assets effectively will reduce the chances of financial distress.

Recommendations:

Based on the coefficient of determination shows that the influence of the independent variable on dependence is 54.3%, while 45.7% is influenced by other variables such as profitability ratios, operating cash flows, firm size, corporate governance, managerial agency costs, interest coverage ratio and others other. Therefore, the next researcher is expected to be able to add variables that have influence in predicting financial distress, and extend the research observation period.

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