

## **THE EFFECT OF LIQUIDITY RATIO, SOLVENCY RATIO, AND PROFITABILITY RATIO ON FINANCIAL DISTRESS**

(Empirical Study on Retail Trade Subsector Companies Listed on Indonesia Stock Exchange in 2017-2021)

Dellavitrya Putri Khairunnisa<sup>1</sup>, Heikal Muhammad Zakaria Hakim<sup>2</sup>

<sup>1,2</sup>Fakultas Ekonomi, Universitas Singaperbangsa Karawang

[dellavitrya@gmail.co.id](mailto:dellavitrya@gmail.co.id), [heikalzakaria@fe.unsika.ac.id](mailto:heikalzakaria@fe.unsika.ac.id)

---

### **ABSTRACT**

*This study aims to determine the effect of liquidity ratio, solvency ratio and profitability ratio on financial distress, especially in retail trading subsector companies listed on the Indonesia Stock Exchange in 2017-2021. The research method uses a verificative descriptive method. The population of this study is Retail Trading Subsector Companies Listed on the Indonesia Stock Exchange in 2017-2021. The samples used were 10 companies from a total of 36 companies taken using purposive sampling techniques. The data analysis methods used in this study are classical assumption test, multiple linear regression analysis, determination coefficient, partial test (t-test) and simultaneous test (F-test). The results of this study show that the Liquidity Ratio has a partial effect on financial distress, the Solvency Ratio has a partial effect on financial distress, the Profitability Ratio has a partial effect on financial distress as well as the Liquidity Ratio, Solvency Ratio and Profitability Ratio simultaneously affect on financial distress.*

---

---

### **ARTICLE INFO:**

#### **Keywords:**

*Liquidity Ratio, Solvency Ratio, Profitability Ratio, Financial Distress.*

---

### **INTRODUCTION**

The development of increasingly advanced technology has a huge impact in the business world. The real form of technological development in this economic field is the emergence of financial technology (fintech) which is very influential in the economic sector in Indonesia. Financial Technology (Fintech) is a service innovation in non-bank financial institutions that want to reach their consumers by utilizing information technology as a tool (Bank Indonesia Regulation, 2017). The emergence of market place or what is often referred to as e-commerce is a form of digitization in the process of purchasing goods, e-commerce is moving like a retail store that sells various kinds of goods for resale, the difference is if in retail stores we have to come directly to be able to buy goods, while e-commerce only requires applications to be used (Laudon, 2014). Behind the positive impact of the development of this technology, there is also a negative impact with the emergence of e-commerce which is very influential in the retail trade sector (reported by [cnnindonesia.com](http://cnnindonesia.com)).

The Indonesian Chamber of Commerce and Industry (Kadin) reported that the development of the retail industry in March 2020-March 2021 experienced a setback, more than 1500 outlets went out of business ([bisnis.com](http://bisnis.com)). Retail sector activity in Indonesia can decline due to changes in consumer behavior patterns that usually shop directly (offline) to stores but have changed since e-

commerce was present and exacerbated by the COVID-19 pandemic which requires most people to carry out social restrictions outside the home environment. The author's opinion is reinforced by an explanation from the University of Indonesia's Marketing and Consumer Behavior Expert, Sri Rahayu who said that in statista data shows that e-commerce in Indonesia grew by 37.4% at the beginning of the pandemic. This is because the price of goods in e-commerce is much cheaper than offline retail (ekonomibisnis.com).

The emergence of e-commerce will make retail trade subsector companies have to rack their brains on how to maintain their business continuity in the midst of the increasingly mushrooming e-commerce onslaught, companies that are unable to survive in business competition can be predicted to experience financial difficulties or financial distress and the company is threatened with bankruptcy which is unable to continue its business (Septiani and Dana, 2019). According to Rodoni and Ali (2010) Financial distress can be triggered by three conditions such as insufficient additional capital, liabilities that are too large beyond the company's ability as well as companies that continue to experience losses for several years.

This study uses liquidity ratios proxied by Current Ratio (CR). Current ratio is one of the most common indicators used in predicting companies that are potentially affected by financial distress. This current ratio is a current ratio used to measure the company's ability to meet its short-term obligations that are soon due using available current assets (Hery, 2017). In other words, this ratio describes the efficiency of using current assets. The higher this ratio, the better. This means that the company's financial performance can be said to be in a good position, and vice versa. The higher the current ratio of a company, it means that the smaller the risk of failure of the company in fulfilling its current obligations. The further the company is from the risk of default, the farther it is from the company's poor financial performance status which can also be said to be far from the possibility of financial difficulties. In the following, the author presents data on the average CR and the number of companies potentially affected by Financial Distress in retail trade subsector companies in 2017-2021

This study also used the solvency ratio proxied by the Debt to Asset Ratio (DAR). One indicator that is often used in predicting whether companies are exposed to financial distress or not is to use the Debt to Asset Ratio. According to Hery (2017: 166) Debt to Asset Ratio is a ratio used to measure how much of a company's assets are financed by debt. The greater the value of DAR, the riskier the company will be, this means that the company's debt is greater than the assets it has and vice versa if the level of debt is small it will cause interest expenses to also be smaller. If the company can handle its debt funding well, it is certain that this company will not be difficult to obtain loans because this company is able to cover its debts with its assets. Companies with high DAR conditions will make the company's financial performance weak and will later make this financial distress vulnerable to occur.

Previous studies discussing the effect of the Current Ratio (CR) partially on financial distress showed different results from each other. According to research by Sudaryo et al. (2021) stated that CR has a significant effect on Financial Distress is supported by the results of Mitha (2017) research which states that CR has a significant effect on Financial Distress. While different results were put forward by Agung & Lely (2020), showing that the liquidity ratio measured by CR value had no effect on the company's Financial Distress. This shows that the CR value cannot be used to predict the company's financial distress condition. The difference in research results is caused by several factors including differences in research locations, differences in criteria in determining samples and differences in research time.

This research is also based on the results of previous research on the effect of partial Debt

to Asset Ratio (DAR) on stock prices. According to the results of research by Marota et al. (2018) regarding solvency ratios, states that the value of DAR has a significant effect on financial distress. The results of Yudiawati & Indriani (2016) research also stated that the level of DAR of a company has a positive and significant influence on financial distress. While another study from Nakhar et al. (2017) showed that DAR has no influence on financial distress. Differences in research locations, analytical tools and research time are the causes of differences in research results.

The results of research conducted by Kholidah et al. (2016) stated that return on assets has a significant influence on the company's financial distress. Meanwhile, according to Ramadhani (2019) in his research stated that the profitability ratio proxied using return on assets has no effect on financial distress. The difference in the results of this study is due to the location of the study, the time of the study also used different predictions of financial distress. Indah and Arik (2019) conducted research on financial distress using financial ratios and stated that there is a significant simultaneous influence between the current ratio, debt to asset ratio and return on assets on financial distress of a company. This means that the financial difficulties faced can be seen and measured from the company's ability to meet short-term obligations, the use of a company's debt in managing its assets and the level of net profit obtained.

## **LITERATUR REVIEW**

### **Liquidity ratio**

The liquidity ratio is a ratio that describes how the company's ability to pay its short-term obligations as soon as possible at the time of collection. The company is said to be in a liquid state if the company is able to fulfill its obligations on time, and vice versa. The types of liquidity ratios that can be used in companies to measure their capabilities include current ratio, cash ratio, quick ratio, cash turn-over ratio and inventory to net working capital ratio.

### **Solvency Ratio**

The Solvency Ratio is a ratio that describes the extent to which a company's assets are financed with debt compared to its own capital. With this ratio, it can be known the position of the company and its fixed liabilities to other parties as well as the balance of existing assets and capital. The types of solvency ratios include debt to asset ratio, debt to equity ratio, long-term debt to equity ratio, tangible asset debt coverage, current liabilities to net worth, times interest earned and fix change coverage.

### **Profitability Ratio**

Profitability Ratio is a ratio that measures how the company's ability to seek profits in a certain period. This ratio also measures the level of management effectiveness of a company as indicated by profits generated from sales and investment income. Another name for this ratio is profitability ratio. In practice, the types of profitability ratios that can be used are return on assets, profit margin on sales, return on investment, return on equity, and earnings per share.

### **Financial Distress**

Financial distress or often known as financial difficulty explains the condition of the company which is often associated with the financial performance of a company. Hairudin et. Al

(2021) defines a state of declining company financial condition that occurs before bankruptcy is called financial distress. Furthermore, according to Hery (2017) explained that financial distress is a condition where the company experiences difficulties such as not being able to fulfill its obligations, company revenue cannot cover total costs and continuously experiencing losses in recent years. Financial distress conditions can disrupt the company's operational activities because it can be said that the company's condition is in an unhealthy state or crisis which must be immediately watched out for and anticipated (Oktaviani, 2020).

## **Research Hypothesis**

### **Effect of Partial Liquidity Ratio on Financial Distress**

An ability that shows the ability of a company to pay its current liabilities can be calculated using liquidity ratios. Current Ratio (CR) can be an indicator to predict financial distress. If a company can optimize the use of its current assets to be able to obtain high profits, then the company can be said to be in a liquid state. CR is a ratio that measures how much the company's ability to pay its short-term obligations at the time of collection using its current assets. If these short-term obligations can be paid, then the possibility of the company being affected by default is getting smaller which has an impact on the company's financial performance will be considered good or healthy. In other words, if the CR value of a company is high, the less likely the company is exposed to financial distress. This research is supported by Gilbert David and James D (2022) who state that the liquidity ratio proxied with CR partially has a significant effect on financial distress.

H1: Liquidity ratio affects financial distress.

### **Effect of Partial Solvency Ratio on Financial Distress**

The solvency ratio is an ability that measures the company's ability to pay all its obligations. This solvency ratio refers to fixed assets and funds used by a company, with consequences in the form of expenses that must be incurred by the company due to their use. Debt to Asset Ratio (DAR) can be an indicator to predict financial distress. This DAR is a comparison between all liabilities and all assets owned by the company. This ratio shows how much part of all assets are financed by debt or in other words this ratio measures how much the company uses its liabilities as capital to finance the company's operational activities. A company that has a high DAR value means that the company uses a lot of debt for its operational costs, the debt will continue to incur interest that must be paid by the company. And if the company's condition continues like that, it will be more difficult for the company to get a loan back because it is feared that the company will not be able to cover its obligations with its assets. In other words, if the DAR value of a company is high, it is in line with the possibility of financial distress is even greater.

H2: Solvency ratio affects financial distress.

### **Effect of Partial Profitability Ratio on Financial Distress**

An ability used to measure a company's ability to generate profits is the profitability ratio. This ratio shows the level of effectiveness of company management in how to generate the maximum

company profit. With the large amount of profit generated, it shows that the company will not be exposed to financial distress. Return on Assets (ROA) can be an indicator to predict financial distress. This ROA measures the company's level of revenue for the efficiency and effectiveness of assets owned by the company. When the company generates large profits with the optimal use of AET owned by the company, it can be said that the company is able to finance its operational activities and fulfill its obligations. The more the company's profit, it will show the company's financial performance is getting better, with the continued improvement of the company's financial condition, it will be further away from financial distress conditions. This research is supported by Farras Novita and Nailal Husna (2021) who state that the ratio of profitability proxied to ROA partially has a significant effect on financial distress.

H3: Profitability ratio affects financial distress.

## RESULT & DISCUSSION

1) *Table 1*  
**Result of Descriptive Analysis**

	N	Descriptive Statistics			
		Minimum	Maximum	Mean	Std. Deviation
CR	50	,65	4,30	1,5926	,98452
DAR	50	,23	,91	,5936	,20257
ROA	50	-,08	,16	,0265	,04359
FD	50	-3,02	11,78	3,1362	3,11678
Valid N (listwise)	50				

Based on the table 1, the value of N is as much as 50, meaning that the amount of data used in this study is as much as 50 data. This number was obtained from a research sample of 10 companies with a research period of 5 years from 2017 to 2021. From the descriptive analysis table above, it can be known that the minimum value of the variable liquidity ratio proxied with the current ratio is 0.65 derived from PT. Midi Utama Indonesia Tbk (MIDI) in 2020. Meanwhile, the maximum value of the variable liquidity ratio proxied with the current ratio is 4.30 which comes from PT. M Cash Integrasi Tbk (MCAS) in 2019. The mean value in 50 observation data is 1.5926 and the standard deviation is 0.98452 which when compared to the mean value is greater than the standard deviation ( $1.5926 > 0.98452$ ). It can be said that the deviation of data can be said to be good, with standard deviations that have a relatively smaller distribution. From the descriptive analysis table above, it can be known that the minimum value of the variable solvency ratio proxied with debt to asset ratio is 0.23 from PT. M Cash Integrasi Tbk (MCAS) in 2019. Meanwhile, the maximum value of the variable solvency ratio proxied with debt to asset ratio is 0.91 from PT. Kokoh Inti Arebama Tbk (KOIN) in 2021. The mean value in 50 observation data is 0.5936 and the standard deviation is 0.20257 which when compared to the mean value is greater than the standard deviation ( $0.5936 > 0.20257$ ). It can be said that the deviation of data can be said to be good, with standard deviations that have a relatively smaller distribution. From the descriptive analysis table above, it can be known the minimum value of the variable profitability ratio proxied with return on assets of -0.08 derived from PT. Duta Intidaya Tbk (DAYA) in 2021. Meanwhile, the maximum

value of the variable profitability ratio proxied to return on assets is 0.16 which comes from PT. M Cash Integrasi Tbk (MCAS) in 2018. The mean value in 50 observation data is 0.0265 and the standard deviation is 0.04359 which when compared to the mean value is greater than the standard deviation ( $0.0265 < 0.04359$ ). It can be said that the deviation of the data is said to be less good, with a standard deviation that has a relatively larger distribution. From the descriptive analysis table above, it can be known that the minimum value of the financial distress variable is -3.02 from PT. Duta Intidaya Tbk (DAYA) in 2021. Meanwhile, the maximum value of the financial distress variable is 11.78 which comes from PT. Ramayana Lestari Sentosa Tbk in 2019. The mean value in 50 observation data is 3.1362 and the standard deviation is 3.11678 which when compared to the mean value is greater than the standard deviation ( $3.1362 > 3.11678$ ). It can be said that the deviation of data can be said to be good, with standard deviations that have a relatively smaller distribution.

**Table 2**  
**Result of Autocorrelation Test**  
**Model Summary<sup>b</sup>**

Type	R	R Square	Adjusted R Square	d. Error of the Estimate	Durbin-Watson
1	.968a	.937	.933	.80648	1,120

Based on the Tabel 2 using the Cochrane-Orcutt test above with dL and dU values in the Durbin-Watson (DW) table of 1.4206 and 1.6739 and the results of the test above Durbin-Watson (DW) values of 1.867. So, the  $dU < DW < 4 - dU$  ( $1.6739 < 1.867 < 2.361$ ). Thus, it can be concluded that the regression model is free from autocorrelation symptoms.

**Table 3**  
**Result of Simultaneously Test (F-test)**  
**ANOVA**

Type		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	260,402	3	86,801	166,093	.000b
	Residuals	23,517	45	.523		
	Total	283,919	48			

Based on the table 3, the F value obtained is 166,093 with a significance level of 0.000. From the results of the F-test above, the  $F_{table}$  is also obtained at 2.81. Thus, based on the results obtained by  $F_{ca} > F_{table}$  ( $166.093 > 2.81$ ) and the significance level of  $0.000 < 0.05$ , it can be concluded that  $H_0$  is rejected and  $H_a$  is accepted. That is, the liquidity ratio proxied with the Current Ratio (CR), the solvency ratio proxied with the Debt to Asset Ratio (DAR) and the profitability ratio proxied with Return on Assets (ROA) simultaneously affect financial distress.

**Table 4**  
**Result of Partially Test (t-test)**  
**Coefficients<sup>a</sup>**

Unstandardized Coefficients		Standardized Coefficients				
Type	B	Std. Error	Beta	t	Sig.	
1	(Constant)	2,865	,707		4,054	,000
	CR	1,416	,278	,417	5,087	,000
	DAR	-7,635	1,389	-,478	-5,496	,000
	ROA	11,863	2,743	,208	4,325	,000

Based on the table 4, a ttable result of 2.01410 was obtained. After obtaining the calculated and ttable values, the following conclusions can be obtained. Based on the test results, tcalculated value of the Liquidity Ratio proxied with the Current Ratio (CR) is 5.087. This value is greater than the ttable value of 2.01410 or  $5.087 > 2.01410$ . The level of significance of the calculation result is 0.000. This value is less than 0.05 or  $0.000 < 0.05$ . Thus, it can be concluded that  $H_0$  is rejected and  $H_a$  is accepted. That is, the Liquidity Ratio proxied with the Current Ratio (CR) partially affects financial distress.

Based on the test results, the calculated value of the Solvency Ratio proxied with the Debt to Asset Ratio (DAR) is -5.496. This value is higher than the ttable value of 2.01410 or  $-(5.496) > - (2.01410)$ . The level of significance of the calculation result is 0.000. This value is less than 0.05 or  $< 0.05$ . Thus, it can be concluded that  $H_0$  is rejected and  $H_a$  is accepted. That is, the Solvency Ratio proxied with the Debt to Asset Ratio (DAR) partially affects financial distress. Based on the test results, the calculated value of the Profitability Ratio proxied with Return on Assets (ROA) is 4,325. This value is greater than the ttable value of 2.01410 or  $4.325 > 2.01410$ . The level of significance of the calculation result is 0.000. This value is less than 0.05 or  $0.000 < 0.05$ . Thus, it can be concluded that  $H_0$  is rejected and  $H_a$  is accepted. That is, the Profitability Ratio proxied to Return on Assets (ROA) partially affects financial distress.

### **The Effect of Liquidity Ratio on Financial Distress**

Based on the test results, the t calculated value is  $5.087 > t$  table is 2.01410 and the level of significance of the calculation results is  $0.000 < 0.05$ . This result supports the first hypothesis that the liquidity ratio proxied to the Current Ratio (CR) has a significant effect on financial distress in retail trading sub-sector companies listed on the Indonesia Stock Exchange for the 2017-2021 period. In addition, the regression coefficient variable liquidity ratio proxied with Current Ratio (CR) is positive, meaning that there is a unidirectional relationship between the liquidity ratio proxied with Current Ratio (CR) and financial distress. This can be interpreted that if there is an increase in the liquidity ratio proxied to the Current Ratio (CR), it will be followed by an increase in the number of financial distress and avoid the possibility of the company being affected by financial distress, and vice versa.

According to the test results, the liquidity ratio proxied to the Current Ratio (CR) is proven to provide a positive relationship and a significant influence on financial distress. Current Ratio is a ratio that measures how much current assets are compared to short-term liabilities to

assess the extent to which a company is financing its short-term liabilities from available current assets. The liquidity ratio proxied with the Current Ratio (CR) can be used as a measure of the level of the company's financial performance whether the company's financial performance is in good condition or vice versa, so that the liquidity ratio proxied with the Current Ratio (CR) is often used as one of the bases of reference for company management in assessing the possibility of the company being exposed to financial distress or not.

A high current ratio (CR) condition indicates that the company can finance its short-term liabilities by using its current assets well. With the company being able to finance its short-term obligations, it will cause the company to be far from the possibility of default risk and the company is in a liquid condition which means the company's financial performance can be counted as working well and it can also be said that the company is far from the possibility of being exposed to financial distress. Based on this, it can be concluded that if current assets can finance short-term liabilities, it will make the company's performance calculated in good condition. Thus, the liquidity ratio proxied with the Current Ratio (CR) is one of the indicators that can be used by company management in assessing whether the company is far from possible financial difficulties or vice versa. The results of this study are in line with several previous studies, namely Rizaki & Dillak (2020) and Ramadhani (2019) which explained that the liquidity ratio proxied with the Current Ratio (CR) has a significant influence on financial distress.

### **The Effect of Solvency Ratio on Financial Distress**

Based on the test results, the  $t$  calculated value  $- (5.496) > t_{table} - (2.01410)$  and the level of significance of the calculation results is  $0.000 < 0.05$ . This result supports the second hypothesis that there is a significant influence between the solvency ratio proxied and the Debt to Asset Ratio (DAR) on financial distress in retail trading sub-sector companies listed on the Indonesia Stock Exchange for the 2017-2021 period. In addition, the regression coefficient of the solvency ratio proxied with the Debt to Asset Ratio (DAR) is negative, meaning that there is an inverse relationship between the solvency ratio proxied and the Debt to Asset Ratio (DAR) and financial distress. This can be interpreted that if there is an increase in the solvency ratio proxied by the Debt to Asset Ratio (DAR), the number of financial distress will decrease and cause the possibility of the company being exposed to financial distress, and vice versa.

According to the test results, the solvency ratio proxied with the Debt to Asset Ratio (DAR) is proven to provide a negative relationship and a significant influence on financial distress. Debt to asset ratio is a ratio that measures how much total assets are compared to total long-term liabilities and short-term liabilities to assess the extent to which a company's assets are financed by company liabilities. The solvency ratio proxied with the Debt to Asset Ratio (DAR) can be used as a measure of the level of the company's financial performance whether the company's financial performance is in good condition or vice versa, so that the solvency ratio proxied with the Debt to Asset Ratio (DAR) is often used as one of the bases of reference for company management in assessing the possibility of the company being exposed to financial difficulties or not.

The condition of a high debt to asset ratio (DAR) indicates that the company has many assets financed by debt. With such conditions, it will cause the interest burden faced by the company to be greater and will make it difficult for the company to get funding assistance from other parties because it is feared that the company will not be able to cover all its obligations with its productive assets. Things like this can make the company's financial performance count in a weak condition and it can also be said that the company is vulnerable to the possibility of financial distress. Based on this, it can be concluded that more company assets financed by debt will make



the company's performance in a bad condition. Thus, the solvency ratio proxied with the Debt to Asset Ratio (DAR) is one indicator that can be used by company management in assessing whether the company is far from the possibility of financial distress or vice versa.

The results of this study are in line with research conducted by Dihin & Nadia (2022) which states that the solvency ratio proxied with the debt to asset ratio (DAR) has a significant effect on financial distress.

### **The Effect of Profitability Ratio on Financial Distress**

Based on the test results, the  $t$  calculated value is  $4.325 > t_{table}$  is  $2.01410$  and the level of significance of the calculation results is  $0.000 < 0.05$ . This result supports the third hypothesis that the ratio of profitability proxied to return on assets (ROA) has a significant effect on financial distress in retail trading sub-sector companies listed on the Indonesia Stock Exchange for the 2017-2021 period. In addition, the regression coefficient variable profitability ratio proxied to return on assets (ROA) is positive, meaning that there is a unidirectional relationship between the ratio of profitability proxied to return on assets (ROA) and financial distress. This can be interpreted that if there is an increase in the profitability ratio figure proxied by return on assets (ROA) it will be followed by an increase in the number of financial distress and avoid the possibility of the company being exposed to financial distress, and vice versa.

According to the test results, the ratio of profitability proxied to return on assets (ROA) is proven to provide a positive relationship and significant influence on financial distress. Return on assets is a ratio that measures how much the ratio of net income with total assets to assess the extent of a company's ability to generate net income using its assets. The profitability ratio proxied with return on assets (ROA) can be used as a measure of the company's financial performance level whether the company's financial performance is in good condition or vice versa, so that the profitability ratio proxied to return on assets (ROA) is often used as one of the bases of reference for company management in assessing the possibility of the company being exposed to financial difficulties or not.

The condition of high return on income (ROA) shows that the company can utilize all assets owned effectively and efficiently so that it can generate optimal profits and means that the company can cover its production costs. With the company being able to carry out its business activities well and generate optimal profits, it will cause the company to be far from the possibility of being exposed to poor financial performance status because the company can be counted as working well and it can also be said that the company is far from the possibility of being exposed to financial distress. Based on this, it can be concluded that if the company can generate optimal profits from the assets owned by the company, it will make the company's performance calculated in good condition. Thus, the ratio of profitability proxied to return on assets (ROA) is one indicator that can be used by company management in assessing whether the company is far from the possibility of financial distress or vice versa.

The results of this study are in line with several previous studies, namely Gillbert & James (2022) and Oktaviani (2020) which explain that the ratio of profitability proxied to return on assets (ROA) has a significant influence on financial distress.

### **The Effects of Solvency Ratio, Solvency Ratio and Profitability Ratio on Financial Distress**

Based on the test results, the value of  $F_{calculate}$   $166,093 > F_{table}$   $2.81$  and the level of significance of the calculation results is  $0.000 < 0.05$ . Thus, the results of this study support the fourth hypothesis that the liquidity ratio proxied with the current ratio (CR), solvency ratio proxied

with debt to asset ratio (DAR) and profitability ratio proxied with return on assets (ROA) simultaneously have a significant effect on financial distress.

Based on the results of the re-examiner, the resulting coefficient of determination is 0.912 or 91.2% which means that together the independent variables consisting of liquidity ratio proxied with current ratio (CR), solvency ratio proxied with debt to asset ratio (DAR) and profitability ratio proxied with return on asset (ROA) have an influence of 91.2% on the dependent variable financial distress. In other words, the liquidity ratio proxied by the current ratio (CR), solvency ratio proxied by debt to asset ratio (DAR) and profitability ratio proxied by return on assets (ROA) can explain financial distress of 91.2%.

The results of this study are in line with several previous studies, namely Anita & Hasna (2021), Mega Rosalina (2020) and Rafaisya & Yana (2022) which stated that liquidity ratios, solvency ratios and profitability ratios simultaneously affect financial distress. which explains that the liquidity ratio proxied to the Current Ratio (CR) has a significant influence on financial distress.

## CONCLUSION

This study aims to determine the influence of independent variables consisting of Liquidity Ratio proxied with Current Ratio (CR), Solvency Ratio proxied with Debt to Asset Ratio (DAR) and Profitability Ratio proxied with Return on Asset (ROA) to Financial Distress as dependent variables in retail trading subsector companies listed on the Indonesia Stock Exchange for the 2017-2021 period. Through predetermined sampel criteria, this study used 10 companies as research samples.

The Liquidity Ratio affects Financial Distress in retail trading subsector companies listed on the Indonesia Stock Exchange for the 2017-2021 period, due to the significance of  $(0.000) < (0.05)$  and  $t_{\text{calculated value}} (5.087) > t_{\text{table}} (2.01410)$  so that the liquidity ratio proxied with the Current Ratio (CR) has a significant effect on financial distress (H1 Accepted). This shows that the higher the value of the Liquidity Ratio, especially those that use the Current Ratio (CR), the risk of default of the company will be smaller and the company's performance will be better and will cause the further the company is exposed to the possibility of Financial Distress.

The Solvency Ratio affects Financial Distress in retail trading subsector companies listed on the Indonesia Stock Exchange for the 2017-2021 period, because of the significance of  $(0.000) < (0.05)$  and  $t_{\text{calculated value}} - (5.496) < t_{\text{table}} - (2.01410)$  so that the Solvency Ratio proxied with the Debt to Asset Ratio (DAR) has a significant effect on financial distress (H2 Accepted). This shows that the higher the value of the Solvency Ratio proxied with the Debt to Asset Ratio (DAR), the more likely that the company's assets are funded by debt and the company's performance can be calculated less well and will cause the company to be more vulnerable to the possibility of Financial Distress.

Profitability Ratio affects Financial Distress in retail trading subsector companies listed on the Indonesia Stock Exchange for the 2017-2021 period, because of the significance of  $(0.000) < (0.05)$  and the  $t_{\text{calculated value}} (4.325) > t_{\text{table}} (2.01410)$  so that the Profitability Ratio proxied with Return on Assets (ROA) has a significant effect on financial distress (H3 Accepted). This shows that the higher the value of the Profitability Ratio proxied with Return on Assets (ROA), the company can also use its assets well so that it can create optimal profits and the company's

performance will be better and will cause the further the company is exposed to the possibility of Financial Distress.

Liquidity Ratio, Solvency Ratio and Profitability Ratio simultaneously affect Financial Distress in retail trading subsector companies listed on the Indonesia Stock Exchange for the 2017-2021 period, because of the significance value of  $(0.000) < (0.05)$  and  $F_{\text{calculate}}$  value  $(166.093) > F_{\text{table}} (2.81)$  so that Liquidity Ratio, Solvency Ratio and Profitability Ratio simultaneously affect Financial Distress (H4 Received). This shows that the Liquidity Ratio, Solvency Ratio and Profitability Ratio together will affect Financial Distress.

## **BIBLIOGRAPHY**

- Catherina Sujatna, M. P., Hayatul, Y., dan Abdul Muluk, S. S. (2020). Meta Analisis : Financial Distress Di Perusahaan. *Responsive*, 3(2), 93.
- Damajanti, Anita, Wulandari, Hasnita dan Rosyati. (2021). PENGARUH RASIO KEUANGAN TERHADAP FINANCIAL DISTRESS PADA PERUSAHAAN SEKTOR PERDAGANGAN ECERAN DI BURSA EFEK INDONESIA TAHUN 2015-2018. *Jurnal Ilmiah: Fakultas Ekonomi Universitas Semarang*. Vol.19, No.1.
- David, Gilbert, Massie, James dan Wangke, Shinta. (2022). The Effect of Financial Ratios to Financial Distress Using Altman Z-score on Hotel and Tourism Companies Listed in Indonesian Stock Exchange. *Jurnal EMBA*. Vol.10 No.1, Hal. 1467-1475.
- Dewi, Ni Luh, Endiana, I dewa dan Arizonam I putu. (2019). PENGARUH RASIO LIKUIDITAS, RASIO LEVERAGE DAN RASIO PROFITABILITAS TERHADAP FINANCIAL DISTRESS PADA PERUSAHAAN MANUFAKTUR. *Kumpulan Hasil Riset Mahasiswa Akuntansi (KHARISMA)*. Vol. 1 No. 1 .
- Hairudin, Bakti, Umar dan Jayasinga, Heylin. (2021). Analisis Pengaruh Rasio Keuangan Terhadap Financial Distress Pada PT Sri Tugu Muda Lampung. *BEJ: Business and Entrepreneurship Journal*. Vol.2, No.1.
- Hery. (2017). Analisis Laporan Keuangan. Jakarta : PT. Grasindo.
- Kasmir. (2019). Analisis Laporan Keuangan Jakarta: PT. Raja Grafindo Persada.
- Kholidah, A. N., Gumanti, T. A., & Mufidah, A. (2016). ANALISIS RASIO KEUANGAN DALAM MEMREDIKSI FINANCIAL DISTRESS PADA PERUSAHAAN SEKTOR INDUSTRI DASAR DAN KIMIA YANG TERDAFTAR DI BEI TAHUN 2011-2015. *Bisma: Jurnal Bisnis dan Manajemen*. 10(3), 279–291.
- Laudon, Kenneth C. (2014). *E-commerce: Business, technology, society*. Boston: Pearson Education Limited.
- Marota, Rochman, Alipudin, Asep dan Maiyarash, Ayursila. (2018). PENGARUH DEBT TO ASSETS RATIO (DAR), CURRENT RATIO (CR) DAN CORPORATE GOVERNANCE DALAM MEMREDIKSI FINANCIAL DISTRESS PADA PERUSAHAAN BUMN

SEKTOR NON KEUANGAN YANG TERDAFTAR DI BURSA EFEK INDONESIA.  
JIAFE (Jurnal Ilmiah Akuntansi Fakultas Ekonomi). Vol 4, No.2.

- Novita, Farras. (2021). Pengaruh Likuiditas (CR), Leverage (DAR), Profitabilitas (ROA), dan Pertumbuhan Perusahaan (Growth) Terhadap Prediksi Financial Distress pada subsector Property dan Real Estate yang Terdaftar di BEI (Periode 2016-2019). Universitas Bung Hatta.
- Oktariyani, A. (2019). Analisis Pengaruh Current Ratio, DER, TATO dan EBITDA Terhadap Kondisi Financial Distress Pada Perusahaan Manufaktur yang Terdaftar di Bursa Efek Indonesia. *Akuntansi Dan Manajemen*, 14(1), 111- 125.
- Oktaviani, R. (2020). PENGARUH DEBT DEFAULT DAN FINANCIAL DISTRESS TERHADAP OPINI AUDIT GOING CONCERN (Studi pada Perusahaan Sektor Pertambangan yang terdaftar di Bursa Efek Indonesia periode 2014 – 2018).
- Oktaviani, B. (2020). Pengaruh Profitabilitas, Likuiditas, Leverage dan Ukuran Perusahaan Terhadap Financial Distress Pada Perusahaan Pertambangan yang Terdaftar di Bursa Efek Indonesia Periode Tahun 2015-2018. Universitas Jambi.
- Rahayu, F, Suwendra, I dan Yulianthini, N. (2016). Analisis Financial Distress Dengan Menggunakan Metode Altman Z-Score, Springate, Dan Zmijewski Pada Perusahaan Telekomunikasi. *Jurnal Jurusan Manajemen*. Vol.4 No.1.
- Ramadhani, R. (2019). PENGARUH RASIO KEUANGAN TERHADAP FINANCIAL DISTRESS PADA PERUSAHAAN MANUFAKTUR YANG TERDAFTAR DI BURSA EFEK INDONESIA PERIODE 2013-2017. Universitas Sumatera Utara.
- Septiani, Ni Made dan Dana, I Made. (2019). PENGARUH LIKUIDITAS, LEVERAGE, DAN KEPEMILIKAN INSTITUSIONAL TERHADAP FINANCIAL DISTRESS PADA PERUSAHAAN PROPERTY DAN REAL ESTATE. *E-Jurnal Manajemen*, 8(5), 3110 - 3137.
- Sudaryo, Y. (2021) Pengaruh Current Ratio (CR), Debt to Equity Ratio (DER) Dan Net Profit Margin (NPM) Terhadap Financial Distress, *EKONAM: Jurnal Ekonomi*, 3(1), pp. 12-22.
- Yati, Sri fan Pantunrui, Katarina Intan. (2017). ANALISIS PENILAIAN FINANCIAL DISTRESS MENGGUNAKAN MODEL ALTMAN (Z-SCORE) PADA PERUSAHAAN FARMASI YANG TERDAFTAR DI BURSA EFEK INDONESIA PERIODE 2013- 2015. *JURNAL AKUNTANSI, EKONOMI DAN MANAJEMEN BISNIS*. VOL.5, NO.1.
- Yudiawati, R., & Indriani, A. (2016). ANALISIS PENGARUH CURRENT RATIO, DEBT TO TOTAL ASSET RATIO, TOTAL ASSET TURNOVER, DAN SALES GROWTH RATIO TERHADAP KONDISI FINANCIAL DISTRESS (Studi Kasus Pada Perusahaan Manufaktur yang Terdaftar di BEI Tahun 2012-2014). *Diponegoro Journal of Management*, 5(2), 379-391.