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THE EFFECT OF PROFITABILITY, LIQUIDITY, LEVERAGE, ACTIVITY, AND OPERATING CASH FLOW ON FINANCIAL DISTRESS IN CONSUMER SERVICES SUB-SECTOR COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE FOR THE PERIOD 2018-2022

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ABSTRACT

This study aims to determine the effect of Return on Asset (ROA), Current Ratio (CR), Debt to Asset Ratio (DAR), Total Asset Turnover (TATO) and Cash Flow to Sales on Financial Distress in Consumer Services Sub-Sector Companies Listed on the Indonesia Stock Exchange for the 2018-2022 period. The object of this study is companies listed on the Indonesia Stock Exchange for the period 2018 to 2022. The population in this study was 50 companies. The sampling technique used was the purposive sampling method and a sample of 22 companies was obtained. The data analysis technique used was multiple linear regression analysis using Smart PLS 4.0 because the research data was not normally distributed. The results of this study indicate that the Current Ratio (CR) variable affects Financial Distress. Meanwhile, the variables Return on Asset (ROA), Debt to Asset Ratio (DAR), Total Asset Turnover (TATO) and Cash Flow to Sales do not affect Financial Distress in the consumer services sub-sector listed on the Indonesia Stock Exchange for the 2018-2022 period.

Keywords: Financial Distress; Return on Assets; Current Ratio; Debt to Asset Ratio; Total Asset Turnover; Cash Flow to Sales

PENGARUH PROFITABILITAS, LIKUIDITAS, LEVERAGE*, AKTIVITAS, DAN* OPERATING CASH FLOW *TERHADAP* FINANCIAL DISTRESS *PADA PERUSAHAAN SUBSEKTOR* CONSUMER SERVICES *YANG TERDAFTAR DI BURSA EFEK INDONESIA PERIODE 2018-2022*

ABSTRAK

Penelitian ini bertujuan untuk mengetahui pengaruh Return on Asset (ROA), Current Ratio (CR), Debt to Asset Ratio (DAR), Total Asset Turn Over (TATO) dan Cash Flow to Sales Terhadap Financial Distress Pada Perusahaan Jasa Sub-Ektor Jasa Konsumen Yang Terdaftar di Bursa Efek Indonesia Periode 2018-2022. Objek penelitian ini adalah perusahaan yang terdaftar di Bursa Efek Indonesia periode tahun 2018 sampai dengan 2022. Populasi dalam penelitian ini adalah 50 perusahaan. Teknik pengambilan sampel yang digunakan adalah metode purposive sampling dan diperoleh sampel sebanyak 22 perusahaan. Teknik analisis data yang digunakan adalah analisis regresi linear berganda dengan menggunakan Smart PLS 4.0 yang dikarenakan data penelitian tidak berdistribusi normal. Hasil dari penelitian ini menunjukkan bahwa variabel Current Ratio (CR) berpengaruh terhadap Financial Distress. Sedangkan variabel Return on Asset (ROA), Debt to Asset Ratio (DAR), Total Asset Turn Over (TATO) dan Cash Flow to Sales tidak berpengaruh terhadap Financial Distress pada Sub-sektor Jasa Konsumen Yang Terdaftar di Bursa Efek Indonesia Periode 2018-2022.

Kata Kunci: Financial Distress; Return on Assets; Current Ratio; Debt to Asset Ratio; Total Asset Turnover; Cash Flow to Sales

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INTRODUCTION

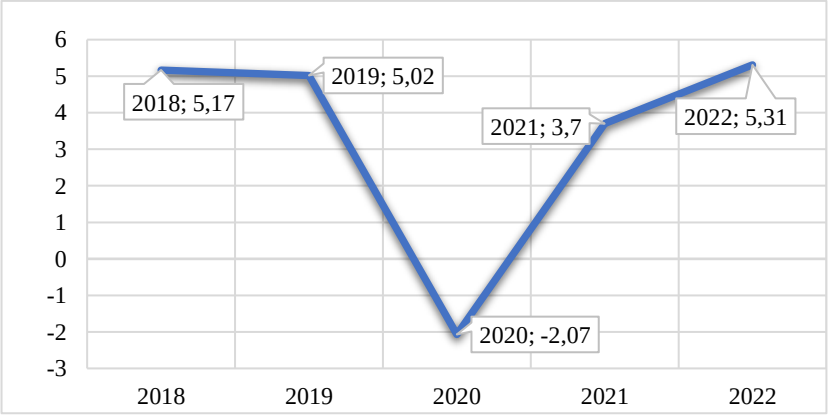
Along with the development of the era, especially in the business world, competition has arisen between large and small companies. Continuous changes in economic conditions have an impact on the performance and activities of the company. If a company has financial problems and risks, then this should not be allowed to continue for long. Because over time it can threaten the existence of the company and even more fatally it can lead to bankruptcy of the company. A company is established to generate profits and be able to survive the competition for a long time and not experience the dissolution of the company. But this will not always be successful as time goes by. In reality, many companies have been operating for a long time and are unable to survive and are forced to be liquidated. This can happen because the company is experiencing difficulties in its finances, resulting in bankruptcy of the company (Dewi et al., 2019).

Problems that arise in a company can cause failure so that the expected results will not produce results. Thus, it can trigger the company to go bankrupt. The bankruptcy of a company can be seen in the company's financial statements as well. Financial reports are useful in selecting decisions so that the information that will be presented in the future can be useful. In addition, financial reports are also useful for seeing the level of the financial health of a company which is expressed by the ratio and will reflect the ability to run its business, asset distribution, effectiveness of asset users, business results that have been achieved, obligations that must be paid and the potential for bankruptcy that occurs (Dewi et al., 2019).

One of the risks that may be experienced by companies that have financial problems is financial distress. Financial distress is a situation where the company's operating cash flow is insufficient to pay off current liabilities (such as trade debt or interest expenses) so the company is forced to take corrective action. It can be concluded that financial distress is a condition where the company's finances are in crisis or unhealthy.

Towards the end of 2019, precisely in November, the entire country was shocked by the COVID-19 virus originating from Wuhan City, Hubei Province, China. From this problem, the virus continues to spread rapidly and infects thousands of people. This virus shows a very rapid spread and continues to increase in various parts of the world including Indonesia. The Indonesian government swiftly issued a policy that so far is considered the most appropriate to stop the spread of the Covid-19 virus, one of which is the issuance of Government Regulation of the Republic of Indonesia Number 21 of 2020 concerning Large-Scale Social Restrictions in the Framework of Accelerating the Handling of Corona Virus Disease 2019 (Covid-19) is a government strategy to prevent the spread or break the chain of transmission of the Covid-19 virus (Ministry of Health, 2020), namely by maintaining a safe distance by studying from home, working from home, and praying at home.

The impact of the Covid-19 pandemic can be felt by consumer service companies. Consumer service companies are one of the sub-sectors of companies listed on the Indonesia Stock Exchange (IDX). Each company in the consumer service company consists of industries such as tourism & recreation and education & supporting services. The condition of consumer services in Indonesia has experienced a decline in economic development and development, due to the outbreak of Covid-19. This has caused a weakening of business activities which can result in financial distress.



Source: https://www.bps.go.id/, Data processed in Excel, 2023

Figure 1. Indonesia's Gross Domestic Growth (GDP)

Indonesia's Gross Domestic Product (GDP) growth from 2018 to 2022 tends to decline as seen in Figure 1. This was caused by the emergence of the COVID-19 pandemic, national economic growth experienced a significant contraction, namely in 2020 it was only 2.1%. Compared to the year before the pandemic, namely 2018, and 2019 Indonesia's GDP decreased by around 5%, in 2021 it started to strengthen to around 3.7%, and in 2022 it will strengthen further to around 5.3%. This data shows the impact of the pandemic and the progress of recovery.

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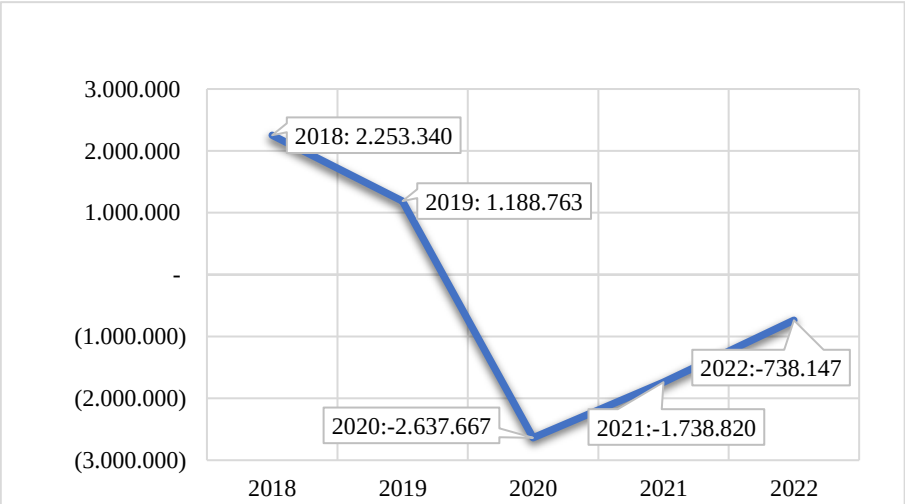
The choice of companies operating in the consumer services sub-sector is due to the potential for financial difficulties due to concerns felt by entrepreneurs in the tourism & recreation and education & support services industries since the COVID-19 pandemic broke out in Indonesia, with profits and losses decreasing every year as shown in Figure 2.



Source: https://www.idx.co.id/id, Data processed in Excel, 2023

Figure 2. Profit and Loss Growth of Consumer Services Sub-Sector Service Companies for The 2018-2022 Period

The profit (loss) report graph above shows the company's financial condition before the pandemic and when the pandemic emerged. Companies show a declining financial condition and record losses that they have to bear. Most companies in the consumer services sub-sector experienced a decline in revenue during the pandemic year, and some experienced continuous losses both in the year before the pandemic and during the pandemic. This condition explains that there are indications that these companies have experienced financial distress.

According to BPS, the business sector in the hotel, restaurant and tourism sub-sector is the company most affected during the pandemic. Based on official IDX news, as many as 10,000 restaurants and hotels have closed due to the prolonged pandemic conditions which have resulted in no income for business actors and companies operating in this sector. A decrease in income can cause ongoing losses, which is an early symptom of financial distress, for companies that are registered on the IDX if they experience this condition and cannot correct it, it can result in bankruptcy or even delisting. One of these cases occurred at PT. Grahamas Citrawisata Tbk (GMCW), which was officially announced by the Indonesian Stock Exchange (BEI) authorities, experienced delisting in 2019. The company showed an overall decline in performance and continuously declining revenues with an accumulation of operating expenses that could not be offset. This problem could not be resolved by the company, so it experienced losses that increased drastically from Rp. 51.28 billion to Rp. 342.43 billion. This condition was the trigger for the company to be delisted from the stock exchange (Sudiarsa, 2022).

Financial problems in a company can give rise to new problems in a company, so they need to be anticipated as early as possible. Financial distress will occur before the company experiences failure or bankruptcy. If financial distress disrupts the company's operational activities, the company must immediately take anticipatory action. According to Rodoni and Ali in Afriyeni (2012), if viewed from the company's financial condition, three conditions cause financial distress, namely the factor of insufficient capital or lack of capital, the amount of debt and interest burdens and suffering losses. These three conditions are interrelated, so they must be maintained in balance so that the company can avoid financial distress which can lead the company to bankruptcy.

Bankruptcy of a company can result in a variety of large losses, not only for shareholders but for employees as well and have an impact on national economic conditions. Thus, a company must avoid various conditions that can result in bankruptcy, one of which is through knowledge about financial distress.

In general, research on bankruptcy, failure and financial distress uses company financial performance indicators as a form of prediction to predict a company's condition in the future. These indicators are obtained from analysis of financial ratios contained in financial report information published by a company. Financial reports published by the company are a source of information about the company's financial position, performance and changes in position which are useful for supporting appropriate decision-making. This can be strengthened by seeing the results of research by Earning (2013) which states that financial ratios are useful in predicting company failure or bankruptcy with a bankruptcy prediction accuracy rate of 94% and 95% which is correct in the research.

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One indicator to find out the causes of financial distress in financial ratios requires measuring profitability. Profitability is a ratio that shows the efficiency and effectiveness of the use of company assets because this ratio measures the company's ability to generate profits based on the use of assets. The projected profitability ratio with Return On Assets (ROA) is used to see the efficiency of a company in managing the assets it owns. A company that has a high ROA indicates that the company can manage asset productivity well in obtaining net profits. So this will prevent the company from financial distress (Carolina et al., 2017). Research by Asfali (2019) proves that profitability as a proxy for return on assets (ROA) has a positive and significant effect on financial distress. In contrast to research conducted by Dewi et al (2019), Profitability has a negative effect on financial distress.

Liquidity is a ratio that can show a company's ability to fulfil its financial obligations when they are billed. Company liquidity is assumed in this research to be able to be a predictive tool for a company's financial distress and is measured using the current ratio (CR). The current Ratio is a short-term financial indicator, namely, the company's ability to pay off current liabilities using current assets. Where how much current assets are available to cover current liabilities (Ardian et al., 2017). Research on projected liquidity with the Current Ratio, Kartika & Hasanudin (2019) states that liquidity (CR) has a negative and significant effect on financial distress. Meanwhile, according to Zatira et al (2022), liquidity has a positive and significant effect on financial distress.

Leverage is a capital loan or debt that is used to increase profits for a company or investment. When a company cannot fulfil its obligations, this will increase the possibility of financial distress (Rahma, 2020). Liquidity in this research is projected using the Debt to Asset Ratio (DAR). According to Noor (2014), the Debt asset ratio (DAR) is the ratio of debt to total company assets which is calculated based on all debt compared to all assets. This ratio describes the level of risk of non-payment of debt by the company (Yudhistira, 2019). Research by Septiani & Dana (2019) found that leverage as measured by the debt to asset ratio (DAR) has a significant negative effect on financial distress. This is different from the research conducted by Rusli & Dumaris (2020, which proves that the Debt to asset ratio has a significant positive effect on financial distress in mining sector companies listed on the Indonesia Stock Exchange in 2015-2019.

Activity is a ratio that measures the extent to which assets are effectively used by looking at the level of asset activity. One measurement of this ratio is Total Asset Turnover. According to Altman (1993), total asset turnover is a standard financial ratio that illustrates or describes the ability to generate sales from company assets. The greater the total asset turnover means the more effective and efficient the management of total assets carried out by the management in a company. Apart from that, the greater the Total Asset Turnover, the smaller the possibility of the company experiencing failure (Sucipto & Muazaroh, 2016). Research conducted by Yuriani et al (2020) proves that activity has a positive effect on financial distress. This is different from research conducted by Simanjuntak et al (2017) proving that activity has a significant influence and has a negative direction on the prediction of financial distress.

Operating cash flow is part of the company's cash flow statement. Operating cash flow is cash flow from all incoming and outgoing events or transactions related to revenue and operating costs to determine net profit (Bachtiar & Handayani, 2022). Ratio cash flow to sales is a tool measuring cash flow with the use efficiency ratio group with cash flow to sales as a proxy. A company that has high operating cash flow has its source of funds for activities the operation like Paying off loans, maintaining the ability to operate the company, paying dividends and doing investments new without depending on source funding with a method comparing report finance by some period so that can know developments and trends (Carolina et al., 2017). Studies by Tutliha & Rahayu (2019) prove that Operating Cash Flow in a way partially influential and positive to financial distress. However, leaving behind research conducted by Masruroh (2020) Operating cash flow in a way partially influential negative and significant to financial distress.

In connection with the background behind the problem above and the results study previously varied, then will conduct a study with the title " Influence Profitability, Liquidity, Leverage, Activity, and Operating Cash Flow Against Financial Distress in Registered Consumer Services Sub-Sector Services Companies "On the Indonesian Stock Exchange for the 2018-2022 period."

As for the goals study, this is for: 1) Research and analyze the influence of Return On Assets (ROA) against financial distress company Consumer Services sub-sector services listed on the IDX for the 2018-2022 period. 2) Research and analyze the influence of the Current Ratio (CR) on the financial distress of consumer services sub-sector service companies listed on the IDX for the 2018-2022 period. 3) Research and analyze the influence of the Debt to Asset Ratio (DAR) on the financial distress of consumer services sub-sector service companies listed on the IDX for the 2018-2022 period. 4) Research and analyze the effect of Total Asset turnover (TATO) on the financial distress of Consumer Services sub-sector service companies listed on the IDX for the 2018-2022 period. 5) Research and analyze the influence of Cash Flow to Sales on the financial distress of Consumer Services sub-sector service companies listed on the IDX for the 2018-2022 period.

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LITERATURE REVIEW

Signaling Theory

The market in making financial decisions requires correct information, but not all the time the market does have sufficient information to make a decision. Information asymmetry will occur if management has different information about the company's prospects compared to outside investors. There is a way to reduce asymmetric information, namely by sharing signals with the market. Brigham & Houston (2021) revealed that the actions taken by companies in guiding investors about how company management views the company's prospects in the future are a signalling theory. This is done by companies so that they can see which companies have good quality and which companies have bad quality.

In financial distress, signal theory explains that if the company's financial situation is good and developing, then positive signals and negative signals will appear, this can give rise to confidence in investors so that they will provide loan funds. So that the company can pay off the debt it has borrowed, this signal can help investors make decisions about investing in the future. If the company makes a profit over a long period, then the company's performance can be considered good because the company can make a profit, whereas if the company continues to lose money, then this can be questioned. Because the company is not making a profit, the reason must be found out. The reason why you have to find out is to avoid ongoing financial distress. If this continues, it will result in investors no longer wanting to place their trust in the company, at a time when the company's financial condition continues to decline and is on the verge of bankruptcy (Simanullang, 2021).

Financial Distress Measurement

How to find out and calculate whether a company is experiencing financial distress can be done using several methods. One method that can be used is the Altman Z-Score. Altman in 1968 applied the multivariate discriminant analysis (MDA) model in his research. Similar to logistic regression, this method can be used to create models where the dependent variable is qualitative. The output of the MDA technique is a linear equation that can differentiate between two dependent variables. The five ratios used by Altman were then entered into a multivariate discriminant analysis (MDA).

Financial Distress indicators using the *Altman Z-Score method* used in this research are:

$$Z = 1.2X_1 + 1.4X_2 + 3.3X_3 + 0.6X_4 + 1.0X_5$$

Where:
Z: Overall index
X_1: Working capital/total assets
X_2: Retained earnings / total assets
X_3: Earnings before interest and taxes (EBIT)/total assets
X_4: Market value of equity/book value of total liabilities
X_5: Sales/total assets

Condition Difficulty Finance

Company Health Conditions can be seen from the most extreme side down to the very least extreme as follows:

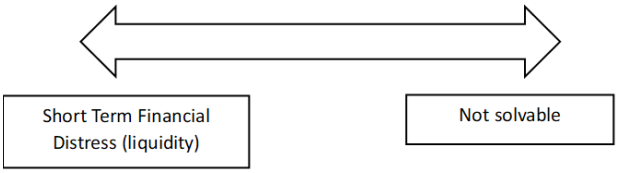

Figure 3. Condition Difficulty Finance

Difficulty financing in term short only nature temporary and not that serious. However, difficulty like this if not handled can develop become difficulty insolvable. If in solvable, then the company can liquidate or reorganized. Liquidation will choose if mark liquidation bigger compared to with mark company continued. The reorganization will choose if the company still show prospects. Thus, the value of the company if it is continued is greater than the value of the company if it is liquidated (Dewi. S, 2022).

Profitability

According to Kasmir (2012) cited by Sutra & Mais (2019) profitability is the ratio that can evaluate the ability of a company moment look for profit. Ratio This profitability shows size from the level of effectiveness management company. That matter is shown by profit earned, such as sales and income investment. It can be concluded from the use of this profitability ratio that it shows the efficiency of a company. Kasmir (2012) further stated that the use of this ratio can be done by comparing the various components contained in the financial statements, most importantly the profit and loss report and the balance sheet financial report. This measurement can be done in several operating periods. The aim is to be able to see the development of the company over a certain period,

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whether from decline or increase, as well as to find out the causes of these changes. Return on Assets (ROA) is an indicator for measuring a company's financial performance to measure the company's overall ability to gain profits with the total assets available within the company. ROA is used to see how much efficiency a company's operations have as a whole. The higher the ROA ratio, the better the company. The following is a formula for calculating the return on assets (return on assets):

$$\text{Return on Asset} = \frac{\text{Net profit}}{\text{Total Assets}} \text{ x } 100\%$$

Liquidity

Liquidity is a ratio that measures a company's ability to fulfil a company's short-term obligations by using the company's current assets against its current liabilities. The types of ratio liquidity are as follows: Current Ratio, Quick Ratio (Acit Test Ratio), Net Working Capital Ratio, Cash Flow Liquidity Ratio, Loan to Deposit Ratio (LDR). Ratio Fluent or Current Ratio is a ratio used To measure the ability of a company to pay obligation terms in short or debt that will be due with assets smoothly available. If the comparison between assets fluent with good debt more bigger, then the more high-ability company covers the obligation term in short. If the current ratio is 1:1 or 100%, it means that current assets can cover all current liabilities. So it can be said to be healthy if the ratio is above 1 or above 100%, which means current assets must be far above the amount of current debt (Halim, 2021). The following is the formula for calculating the Current Ratio:

$$\text{Current Ratio} = \frac{\text{Current assets}}{\text{Current Liabilities}} \text{ x } 100\%$$

Leverage

According to Kasmir (2016), cited by Nukmaningtyas (2018), the solvency ratio or leverage is a ratio used to measure how much of a company's assets are financed by debt. This means, how much debt is borne by the company compared to the assets owned by the company. It can be concluded that this ratio is used to measure how capable a company is of paying all its obligations, both short-term and long-term if the company experiences liquidation. As for the types the leverage ratio is as follows: Debt to Asset Ratio, Debt to Equity Ratio, Long Term Debt to Equity Ratio, Time Interest Earned Ratio, and Fixed Payment Coverage Ratio. Debt to asset ratio (DAR) is ratio leverage used to measure how many big assets a company financed by debt or how many large debts the company influences financing assets. A high debt-to-asset ratio will show that debt is used company To finance assets the more high, the will the more high risk to its finances. If the overall debt holds the company the more a lot, then the possibility a company experiences financial distress will the bigger (Aisyah et al., 2017). The following are: formula for count

Debt to asset ratio (DAR):

$$\text{Debt to Asset Ratio} = \frac{\text{Total Liabilities}}{\text{Total Asset}} \text{ x } 100\%$$

Activity

Ratio activity is a ratio used company to measure the effectiveness company at the time uses assets that the company owns (Qori'atuzzuhro, 2023). If activity is low then at a certain level of sales there will be greater excess funds embedded in these assets. It would be better to invest excess funds in other, more productive assets. There are several types of activity ratios as follows: receivable turnover, inventory turnover, working capital turnover, fixed assets turnover, and total assets turnover. According to Sudana (2011) cited by Jie & Pradana (2021), total asset turnover (TATO) is used by companies to measure the level of use of all company assets to generate sales. If the total asset turnover is greater, the better it will be because this shows the efficiency of the company's assets when supporting the company's sales activities. If the total asset turnover ratio is faster, the company can obtain greater income so that the profits it will earn will also increase. The following is the formula For calculating Total Asset Turn Over (TATO):

$$\text{Total Asset Turn Over (TATO)} = \frac{\text{Net sales}}{\text{Total Asset}}$$

Operating Cash Flow

Operating cash flow is all events and all cash in and out transactions related to income and operating costs to determine a company's net profit. Changes in cash can have a significant impact on a company's financial condition. A decrease in cash shows that the company's expenditure on operational activities is greater than its cash receipts. Meanwhile, the increase in company cash shows that the cash received is greater than the expenditure. According to Septiandra (2018) cited by Bachtiar & Handayani (2020), explaining that operating cash flow is a flow report that contains information on the company's cash flow, the amount of cash flow is what determines

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whether the company's operations can pay off loans. Cash flow to sales is used to measure the company's ability to convert sales into cash. The higher this ratio the company can convert company sales into cash. The following is the formula For calculating Cash flow to sales:

$$\text{Cash Flow to Sales} = \frac{\text{Operating Cash Flow}}{\text{Sale}}$$

Relationships between Variables and Formulation of Hypotheses

The Effect of Profitability on Financial Distress

According to Kasmir (2012) cited by Sutra & Mais (2019), profitability is a ratio that can assess a company's ability to seek profits. Profitability measured uses Return on Assets (ROA), where Return on Assets (ROA) has an effect negative to financial distress. Return on Assets (ROA) is an indicator measurement performance of a finance company To measure the ability company in a way comprehensive in obtaining profit with the total assets available inside the company. If ROA increases so company succeed in marketing the product, so sales the more increase and the company will increase profit company. That way it will interest investors' attention or potential investors to invest in companies that, so the possibility company experiencing financial distress becomes low.

This research is supported by research by Dewi et al (2019), and Kartika & Hasanudin (2019) who state that Profitability is an influential negative to financial distress. Based on the description above, the hypothesis in this research is as follows:

H_1: Return on Assets (ROA) gives negative influence to financial distress.

Influence Liquidity to Financial Distress

Liquidity is a ratio that measures the ability company to fulfil its obligation term short company with use asset fluent company towards its current debt. Liquidity measured uses the Current Ratio (CR), where the Current Ratio (CR) has an effect negative to financial distress. Current Ratio (CR) is a ratio used to measure the ability of a company to pay obligation terms in short or debt that will be due with assets smoothly available. If the company is able to pay its short-term obligations well, the possibility of the company experiencing financial distress will be lower. It can be concluded that if the liquidity level is lower, the possibility of the company experiencing financial distress will increase.

This research is supported by research Dewi et al (2019), and Kartika & Hasanudin (2019) that state that Liquidity is an influential negative to financial distress. Based on the description above, then the second hypothesis in this research is as follows:

H_2: Current Ratio (CR) gives negative influence to financial distress.

The Effect of Leverage on Financial Distress

According to Kasmir ((2016) cited by Nukmaningtyas (2018), ratio leverage is a ratio used to measure how much big assets from a company are financed by debt. Measured leverage uses the Debt to Asset Ratio (DAR), where the Debt Asset Ratio (DAR) has an effect positive to financial distress. Debt To Asset Ratio (DAR) is ratio leverage used to measure how much big assets a company financed by debt or how much large debt the company influences financing assets. If any company finances more Lots using debt, it can trigger difficult payments in the future, because of excess debt compared to the assets owned. This can conclude If the more leverage, then will the more the possibility is also high company will experience financial distress.

This research is supported by research by Asfali (2019) cited by Simanjuntak et al (2017), which state that Leverage is influential and positive to financial distress. Based on the description above, then hypothesis The third in this research is as follows:

H_3: Debt to Asset Ratio (DAR) gives positive influence to financial distress.

Influence Activity to Financial Distress

Ratio activity is a ratio used company to measure the effectiveness company at the time uses assets that the company owns (Qori'atuzzuhro, 2023). Measured activity uses Total Asset Turn Over (TATO), where Total Asset Turn Over (TATO) has an effect negative to financial distress. Total Asset Turn Over (TATO) is the ratio used company to measure the level of use of all assets company for production sales. If assets the company uses for activity operation, then the amount of company production will increase, so it will increase sales and profits owned by the company. It can be concluded that if the level of activity is higher, the possibility of the company experiencing financial distress is lower.

This research is supported by research by Simanjuntak et al (2017), and Kartika & Hasanudin (2019) which state that activity has a negative and significant effect on financial distress. Based on the description above, the fourth hypothesis in this research is as follows:

H_4: Total Asset Turn Over (TATO) gives negative influence on financial distress.

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The Effect of Operating Cash Flow on Financial Distress

According to Septiandra (2018) cited by Bachtiar & Handayani (2020) explaining that operating cash flow is a flow report that contains information on the company's cash flow, the amount of cash flow is what determines whether the company's operations can pay off loans. Operating cash flow is measured using cash flow to sales, where operating cash flow has a negative effect on financial distress. This ratio is used to measure a company's ability to convert sales into cash. The higher this ratio the company can convert company sales into cash. If the company has high cash flow, then the company can operate the company well, so it has a relatively low financial distress ratio. It can be concluded that if the operating cash flow is higher, the possibility of the company experiencing financial distress is lower.

This research is supported by research by Masruroh (2020), Mondayri & Tatan Jaka Tresnajaya (2022) which states that Operating Cash Flow has a negative and significant effect on Financial Distress. Based on the description above, the fifth hypothesis in this research is as follows:

H_5: Cash Flow to Sales gives negative influence on financial distress

Framework

Figure 4 shows the conceptual framework of this research whereby Return on Assets (ROA), Current Ratio (CR), Debt to Asset Ratio (DAR), Total Asset Turnover (TATO), and Cash Flow to Sales are the independent variables and Financial Distress is the dependent variable.

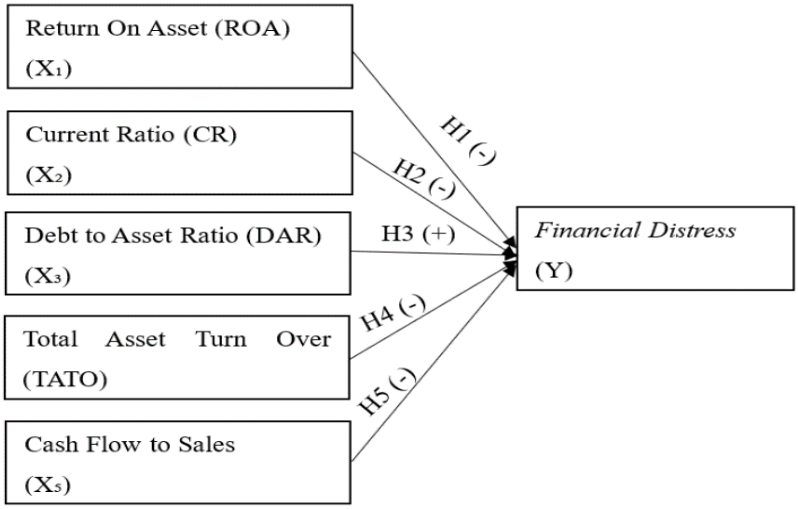

Figure 4. Framework

RESEARCH METHODOLOGY

The place for conducting this research is a company listed on the Indonesian Stock Exchange (BEI) in the consumer services sub-sector period year 2018 until 2022 obtained via the website www.idx.co.id. The time this research was conducted was from August until completion. Population is a generalized area consisting of objects or subjects that have certain qualities and characteristics that are applied by researchers to study and then draw conclusions (Sugiyono, 2013). Based on this definition of population, the population in this research is consumer services sub-sector companies listed on the Indonesia Stock Exchange in the 2018-2022 period. The sample is part of the number and characteristics of the population (Sugiyono, 2013). Sampling in this research used a purposive sampling method. Purposive sampling is a sampling technique with certain considerations. So the sample that can be used in this research is 22 companies listed on the Indonesia Stock Exchange in 2018-2022. The data source used in this research is secondary data originating from financial reports issued by the companies concerned successively in the period 2018 to 2022 on the Indonesia Stock Exchange (www.idx.co.id) and their respective official websites company.

Operational Variables

The operational variables in this research can be seen in Table 1.

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Table 1. Operations Variable Study

Research Variables	Measurement Indicator	Source	Scale
Financial Distress (Y)	$Z = 1{,}2\ X_1 + 1{,}4\ X_2 + 3{,}3\ X_3 + 0{,}6X_4 + 1{,}0\ X_5$	(Paisal, 2021)	Ratio
Profitability (X_1)	$Return\ on\ Asset = \frac{Net\ profit}{Total\ Assets}\ x\ 100\%$	(Andrianti et al., 2021)	Ratio
Liquidity (X_2)	$Current\ Ratio = \frac{Current\ assets}{Current\ Liabilities} x100\%$	(Thoyib et al., 2018)	Ratio
Leverage (X_3)	$DAR = \frac{Total\ Liabilities}{Total\ Assets}\ x\ 100\%$	(Jie & Pradana, 2021)	Ratio
Activity (X_4)	$TATO = \frac{Net\ sales}{Total\ Assets}$	(Indriani & Mildawati, 2019)	Ratio
Operating Cash Flow (X_5)	$Cash\ Flow\ to\ Sales = \frac{Operating\ Cash\ Flow}{Sale}$	(Wulandari & Jaeni, 2021)	Ratio

In this research, data analysis technique used was multiple linear regression to test the four hypotheses proposed. Each hypothesis was analyzed using Smart PLS 4 software to determine the relationship between the independent variable and the dependent variable. In this research, classical assumption tests were carried out consisting of normality and multicollinearity tests, coefficient of determination tests ($R2^{)}$, hypothesis tests (t tests), and multiple linear regression. The multiple linear regression model used in this research is as follows:

$$Y = a + b1ROA + b2CR + b3DAR + b4TATO + b5CFS + e$$

RESULTS AND DISCUSSION

Normality Test

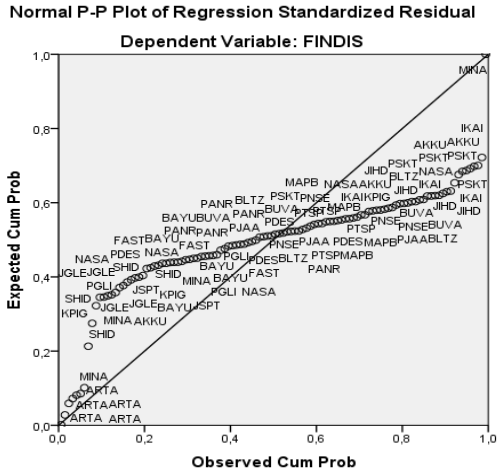

Figure 5. Normality Test

Table 2. Normality Test
One-Sample Kolmogorov-Smirnov Test

		F INDIS
N		11 0
Normal Parameters [a, b]	Mean	19.107056
	Std. Deviation	121.4054066
Most Extreme Differences	Absolute	,452
	Positive	,452
	negative	-,429
Kolmogorov-Smirnov Z		4,737
Asymp . Sig. (2-tailed)		,000

a. Test distribution is Normal.
b. Calculated from data.

Source: SPSS Processed Data, 2023

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From Figure 5, it can be seen that the distribution of data is far from the diagonal line. So, it was concluded that the regression model did not meet the normality assumption. In addition to seeing the image of the distribution of research data through the diagonal line, testing the normally distributed research data can be seen through the Kolmogorov – Smirnov value in Table 2.

Based on Table 2, it can be seen that the results of the normality test have a Kolmogorov – Smirnov value of 0.000, which means the significant value is below 0.05 so the data in this study is not normally distributed. Because the data is not distributed normally, the research will continue by analyzing the data using Smart PLS 4 software.

Multicollinearity Test Results

Table 3. Multicollinearity Test Results

No.	Variable	VIF	Information
1	*Return On Assets* (ROA)	1,512	There is no multicollinearity
2	*Current Ratio* (CR)	1,479	There is no multicollinearity
3	Debt to Asset Ratio (DAR)	2,100	There is no multicollinearity
4	*Total Asset Turn Over* (TATO)	1,489	There is no multicollinearity
5	*Cash Flow to Sales*	1,070	There is no multicollinearity

Source: PLS Processed Data, 202 3 Dependent: *Financial Distress* (Y)

Based on Table 3 for the multicollinearity test shows that all variables independent own more VIF value small out of 10, that is there is no correlation between variable free to financial distress. So, it can be concluded that there are no symptoms of multicollinearity in the research variables used.

Model Feasibility Test Results

Table 4 . *R Square Adjusted*

No.	Variable	R Square Adjusted	Information
1	*Financial Distress* (Y)	0.347	Feasible Correlation

Source: PLS Processed Data,202 3

Based on Table 4, it can be seen that the Adjusted R Square value is 0.347 or 34.7%. This shows that the variables ROA, CR, DAR, TATO, and Cash Flow to Sales together influence financial distress by 34.7% while the remaining 65.3% is influenced by other factors or variables not examined in this research.

Table 5. Hypothesis Test Results

Variable	*T Statistics*	*P Values*	Conclusion
ROA -> Financial Distress	0.297	0.383	No effect
CR -> Financial Distress	7,181	0,000	Influential
DAR -> Financial Distress	1,181	0.120	No effect
TATO -> Financial Distress	0.087	0.465	No effect
CFS -> Financial Distress	0.469	0.320	No effect

Source: PLS Processed Data, 202 3 Significant If *P Value* < 0.05

The Influence of Return on Asset (ROA) Variable on Financial Distress

This test is carried out to know does Return on Assets (ROA) has a significant influence against Financial Distress.
H 0: $\beta 1 = 0$: Return on Assets (ROA) no influential significance to Financial Distress.
H 1: $\beta 1 \neq 0$: Return on Assets (ROA) has an effect significant to Financial Distress.

Based on Table 5, it is known that the calculated t-value variable Return on Assets (ROA) of 0.297 more smaller than the t table = 1.983 with a mark significance of more than 0.383 big from 0.05. So, it can be concluded that H0 is accepted and H1 is rejected. This shows that There is no influence on Return on Assets (ROA) against financial distress.

The Influence of Current Ratio (CR) Variable on Financial Distress

This test is carried out to know whether the Current Ratio (CR) has a significant influence on financial distress.
H 0: $\beta 2 = 0$: Current Ratio (CR) no influential significance to Financial Distress.

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H 2: β2 ≠ 0: Current Ratio (CR) has an effect significant to Financial Distress.

Based on Table 5, it is known that the calculated t-value variable Current Ratio (CR) of 7,181 more bigger than t table = 1.983 with a significance value of 0.000 which is less than 0.05. So, it can be concluded that H2 is accepted and H0 is rejected. This shows that the Current Ratio (CR) has an effect positive and significant to financial distress.

The Influence of the Debt to Asset Ratio (DAR) Variable on Financial Distress

This test is carried out to know whether Debt to Asset Ratio (DAR) has a significant influence on Financial Distress.

H 0: β3 = 0: Debt to Asset Ratio (DAR) has no influential significance to Financial Distress.

H 3: β3 ≠ 0: Debt to Asset Ratio (DAR) has an effect significant to Financial Distress.

Based on Table 5, it is known that the calculated t value variable Debt to Asset Ratio (DAR) of 1,181 more smaller than t table = 1.983 with a significance value of 0.120 which is greater than 0.05. So, it can be concluded that H0 is accepted and H3 is rejected. This shows that there is no influence of the Debt to Asset Ratio (DAR) on financial distress.

The Influence of Total Asset Turn Over (TATO) Variable on Financial Distress

Testing this is done to know whether Total Asset Turn Over (TATO) has a significant influence on Financial Distress.

H0: β 4 = 0: Total Asset Turn Over (TATO) no influential significance to Financial Distress.

H 4: β 4 ≠ 0: Total Asset Turn Over (TATO) has an effect significant to Financial Distress.

Based on Table 5, it is known that the calculated t-value variable Total Asset Turn Over (TATO) is 0.087 smaller than t table = 1.983 with a significance value of 0.465 greater than 0.05. So, it can be concluded that H0 is accepted and H4 is rejected. This shows that there is no influence of Total Asset Turn Over (TATO) on financial distress.

The Influence of Cash Flow to Sales Variable on Financial Distress

Testing This is done to know whether Cash Flow to Sales has a significant influence on Financial Distress.

H0: β 5 = 0: Cash Flow to Sales No influential significant to Financial Distress.

H 5: β 5 ≠ 0: Cash Flow to Sales influential significant to Financial Distress.

Based on Table 5, it is known that the calculated t value variable Cash Flow to Sales is as big as 0.469 smaller than t table = 1.983 with a significance value of 0.320 greater than 0.05. So, it can be concluded that H0 is accepted and H5 is rejected. This shows that there is no effect of Cash Flow to Sales on financial distress.

Multiple Linear Regression

Table 6. Hypothesis Test Results

Variable	*Original Sample*	*P Values*	Conclusion
ROA -> *Financial Distress*	0.028	Positive	ROA -> *Financial Distress*
CR -> *Financial Distress*	0.676	Positive	CR -> *Financial Distress*
DAR -> *Financial Distress*	0.132	Positive	DAR -> *Financial Distress*
TATO -> *Financial Distress*	-0.008	Negative	TATO -> *Financial Distress*
CFS -> *Financial Distress*	0.038	Positive	CFS -> *Financial Distress*

Source: PLS Processed Data, 202 3 Significant If *P Value* < 0.05

Based on the data in Table 6, the following multiple linear regression equation is formed:

Y = 0.028X1 + 0.676X2 + 0.132X3 - 0.008X4 + 0.038X5

From the results of the regression equation above, the interpretation results are that the regression coefficient of the Return on Asset (ROA) variable is 0.028. This means that Return on Asset (ROA) has a positive relationship with financial distress. If Return on Asset (ROA) increases, then financial distress will increase and vice versa. The regression coefficient of the Current Ratio (CR) variable is 0.676. This means that Current Ratio (CR) has a positive relationship with financial distress. If Current Ratio (CR) increases, then financial distress will increase and vice versa. The regression coefficient of the Debt to Asset Ratio (DAR) variable is 0.132. This means that Debt to Asset Ratio (DAR) has a positive relationship with financial distress. If Debt to Asset Ratio (DAR) increases, then financial distress will increase and vice versa. The regression coefficient of the Total Asset Turn Over (TATO) variable is -0.008. This means that Total Asset Turn Over (TATO) has a negative relationship with financial distress. If Total Asset Turn Over (TATO) increases, then financial distress will decrease and vice versa. The regression coefficient of the Cash Flow to Sales variable is 0.038. This means that Cash Flow to Sales has a

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positive relationship with financial distress. If Cash Flow to Sales increases, then financial distress will increase and vice versa.

Discussion of Research Results

The Effect of Return on Asset (ROA) on Financial Distress

It is known that the results of the hypothesis test show that Return On Asset (ROA) has no effect on financial distress. So it can be concluded that H0 is accepted and H1 is rejected. This can be interpreted that Return On Asset (ROA) has no impact on financial distress in the consumer services sub-sector listed on the IDX in 2018-2022. The results of this proof prove that high or low Return On Asset (ROA) does not affect the high or low risk of financial distress.

If ROA increases, the company is successful in marketing its products, so that sales will increase and the company will get an increase in company profits. That way it will attract the attention of investors or potential investors to invest in the company, so that the possibility of the company experiencing financial distress is low.

This theory contradicts the results of this study which shows that Return On Asset (ROA) has no effect on financial distress in the consumer services sub-sector listed on the IDX in 2018-2022. The results of this study are in line with the results of research by Simanjuntak et al (2017) which states that profitability has no effect on predicting financial distress. The results of this study contradict the results of research conducted by Dewi et al (2019) and Kartika & Hasanudin (2019) which stated that profitability has a negative effect on financial distress.

The Effect of Current Ratio (CR) on Financial Distress

The results of the hypothesis test show that the Current Ratio (CR) has a significant positive effect on financial distress. So, it can be concluded that H2 is accepted and H0 is rejected. This can be interpreted that the Current Ratio (CR) does not have a negative effect on financial distress. The results of this proof prove that an increasing Current Ratio (CR) will trigger the possibility of financial distress, and vice versa.

Current Ratio (CR) is a ratio used to measure a company's ability to pay its short-term obligations or debts that will mature with available current assets. If the company is able to pay its short-term obligations well, the possibility of the company experiencing financial distress will be lower. It can be concluded that if the level of liquidity is lower, the possibility of the company experiencing financial distress increases.

This theory is contrary to the results of this study which shows that the Current Ratio (CR) has a significant positive effect on financial distress in the consumer services sub-sector listed on the IDX in 2018-2022. The results of this study are in line with the results of research by (Rusli & Dumaris, 2020) stating that the Current Ratio (CR) has a positive and significant effect on financial distress and is contrary to research by Dewi et al (2019) and Kartika & Hasanudin (2019) stating that the Current Ratio (CR) has a negative and significant effect on Financial Distress.

The Effect of Debt to Asset Ratio (DAR) on Financial Distress

It is known that the results of the hypothesis test show that the Debt to Asset Ratio (DAR) has no effect on financial distress. So, it can be concluded that H0 is accepted and H3 is rejected. This can be interpreted that the Debt to Asset Ratio (DAR) has no impact on financial distress in the consumer services sub-sector listed on the IDX in 2018-2022. The results of this proof prove that a high or low Debt to Asset Ratio (DAR) does not affect the high or low risk of financial distress.

Debt To Asset Ratio (DAR) is a leverage ratio used to measure how much of a company's assets are financed by debt or how much of the company's debt has an influence on asset financing. If a financing company uses more debt, this can trigger payment difficulties in the future, because the debt is greater than the assets it has. It can be concluded that the higher the leverage, the higher the possibility that the company will experience financial distress.

This theory contradicts the results of this study which show that Debt to Asset Ratio (DAR) has no effect on financial distress in the consumer services sub-sector listed on the IDX in 2018-2022. The results of this study are in line with the results of research by Yuriani et al (2020) which states that Debt to Asset Ratio (DAR) has no effect on predicting financial distress. The results of this study contradict the results of research conducted by Asfali (2019) and Simanjuntak et al (2017) which state that Debt to Asset Ratio (DAR) has a positive and significant effect on financial distress.

The Effect of Total Asset Turn Over (TATO) on Financial Distress

It is known that the results of the hypothesis test show that Total Asset Turn Over (TATO) has no effect on financial distress. So, it can be concluded that H0 is accepted and H4 is rejected. This can be interpreted that Total Asset Turn Over (TATO) has no impact on financial distress in the consumer services sub-sector listed on the IDX in 2018-2022. The results of this proof prove that high or low Total Asset Turn Over (TATO) does not affect the high or low risk of financial distress.

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Total Asset Turn Over (TATO) is a ratio used by companies to measure the level of use of all company assets to generate sales. If the company's assets are used for operational activities, the amount of the Company's production will increase, thereby increasing the sales and profits owned by the company. It can be concluded that the higher the level of activity, the lower the possibility of the company experiencing financial distress.

This theory contradicts the results of this study which show that Total Asset Turn Over (TATO) have no effect on financial distress in the consumer services sub-sector listed on the IDX in 2018-2022. The results of this study are in line with the results of research by Sulastri & Zannati (2018) which states that Total Asset Turn Over (TATO) has no effect on predicting financial distress. The results of this study contradict the results of research conducted by Kartika & Hasanudin (2019) and Rusli & Dumaris (2020) which state that Total Asset Turn Over (TATO) has a negative and significant effect on financial distress.

The Effect of Cash Flow to Sales on Financial Distress

It is known that the results of the hypothesis test show that Cash Flow to Sales has no effect on financial distress. So, it can be concluded that H0 is accepted and H5 is rejected. This can be interpreted that Cash Flow to Sales has no impact on financial distress in the consumer services sub-sector listed on the IDX in 2018-2022. The results of this proof prove that high or low Cash Flow to Sales does not affect the high or low risk of financial distress.

Operating cash flow is measured using cash flow to sales, where operating cash flow has a negative effect on financial distress. This ratio is used to measure the company's ability to convert sales into cash. The higher this ratio, the more the company is able to convert the company's sales into cash. If the company has high cash flow, then the company has the ability to operate its company well, so that it has a relatively low financial distress ratio. It can be concluded that the higher the operating cash flow, the lower the possibility of the company experiencing financial distress.

This theory contradicts the results of this study which show that Cash Flow to Sales has no effect on financial distress in the consumer services sub-sector listed on the IDX in 2018-2022. The results of this study are in line with the results of research by Nukmaningtyas (2018) which states that Operating Cash Flow has no effect on predicting financial distress. The results of this study contradict the results of research conducted by Masruroh (2020) and Mondayri & Tatan Jaka Tresnajaya (2022) which state that Operating Cash Flow has a negative and significant effect on financial distress.

CONCLUSION

Based on the data analysis that has been carried out and the discussion that has been described, the results of the study can be concluded as follows: (1) Return On Asset (ROA) does not affect Financial Distress in the consumer services sub-sector listed on the IDX in 2018-2022. This means that high or low Return On Asset (ROA) does not affect the high or low risk of financial distress. (2) Current Ratio (CR) has a positive and significant effect on Financial Distress in the consumer services sub-sector listed on the IDX in 2018-2022. This means that an increasing Current Ratio (CR) will trigger the possibility of financial distress, and vice versa. (3) Debt to Asset Ratio (DAR) does not affect Financial Distress in the consumer services sub-sector listed on the IDX in 2018-2022. This means that a high or low Debt to Asset Ratio (DAR) does not affect the high or low risk of financial distress. (4) Total Asset Turn Over (TATO) has no effect on Financial Distress in the consumer services sub-sector listed on the IDX in 2018-2022. This means that high or low Total Asset Turn Over (TATO) does not affect the high or low risk of financial distress. (5) Cash Flow to Sales has no effect on Financial Distress in the consumer services sub-sector listed on the IDX in 2018-2022. This means that high or low Cash Flow to Sales does not affect the high or low risk of financial distress.

This research has been carried out in accordance with scientific procedures, but there are still limitations to the research considering that the research data does not have a normal distribution because the data used is secondary data, where there is a tendency for abnormal data in normality testing. So that the data processing which was originally planned to use the SPSS application, was diverted using the Smart PLS 4 application.

Based on the research that has been conducted on Profitability, Liquidity, Leverage, Activities and Operating Cash Flow Against Financial Distress in the consumer services sub-sector listed on the IDX in 2018-2022. and from the conclusions that have been outlined, several suggestions will be put forward that are expected to be useful in further research, including: (1) For Companies, Companies that have good financial performance must be maintained and improved, in order to avoid financial distress. Likewise, companies that have poor financial performance must continue to improve their performance, so that investors can invest their capital in the company concerned and can avoid financial distress. (2) For Investors, Investors are expected to be able to research by analyzing the company's financial performance to avoid companies that are experiencing financial distress. In addition, investors are expected to be able to use more significant ratios to assess a company's performance before making an investment. (3) For Academics, For future research that wants to study the same object, it is expected to add variables and use different financial ratios that have not been included in this research model such as DER, RTO, ITO, LTDER, Sales Growth, Quick Ratio, NPM, ROI, ROE, Working Capital Turnover and other variables.

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It is also expected to expand the population and sample to be studied because it can affect the results of each research model.

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