

The Influence of Return on Assets, Current Ratio and Debt to Asset Ratio on Financial Distress in Consumption Goods Industry Sector Companies Listed on The Indonesia Stock Exchange in 2017-2021

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Abstract:

The purpose of this study was to analyze the impact of Return On Assets (ROA), Current Ratio (CR), and Debt to Assets Ratio (DAR) on financial distress for companies in the consumer goods industry sector during the 2017-2021 period. The population in this study were companies in the consumer goods industry sector which were listed on the Indonesia Stock Exchange from 2017 to 2021. Sampling was carried out by purposive sampling based on the criteria, a sample of 20 companies was obtained. The data source used is secondary data with the documentation method. The analytical method used is descriptive analysis and logistic regression with a significance level of 0.05 using the IBM SPSS 25 program. The results of this study indicate that return on assets (ROA) and debt to asset ratio (DAR) have a positive and significant effect on financial distress. Current ratio (CR) has no effect on financial distress. Through the results of this study it is hoped that it can help company managers in consumer goods industry sector companies to continue to improve effective and efficient financial ratios in order to avoid financial distress.

Keywords: Return On Assets, Current Ratio, Debt to Asset Ratio, Financial distress

INTRODUCTION

In general, the main purpose of the company in carrying out operational activities is to get sustainable profits or profits so that its survival can be maintained or to ensure the company's going concern. Companies that show good performance, as seen from the level of annual net profit obtained by the company, can invite or attract investors to help finance operations and further business capacity development. Investors will study its annual profit potential and growth before placing their funds in the company.

Investors often analyze the financial statements of companies to be invested. This is done so that investors know the performance of the company. In carrying out its business continuity, the company will do various ways to avoid bankruptcy. One way to do this is by conducting financial analysis, where this activity is very useful on an ongoing basis. Unexpected changes in economic conditions often affect a company's financial performance. If the company does not manage properly, there will be a decrease in financial performance, resulting in bankruptcy that will be faced by the company.

Changes in world economic conditions today often affect the finances of large, medium to small companies. If management cannot handle possible financial threats, it will end in bankruptcy. At the end of 2019, the world was hit by the Covid-19 pandemic, causing many companies to experience loss-making conditions. Luciana (2003) indicates that there will be financial distress in a company if the company experiences negative net operating income for several years. Negative

operating net income experienced by the company for more than one year can be an indicator of the threat of entering a financial distress condition in the company. These conditions can lead the company into the bankruptcy stage.

Based on data from the Central Statistics Agency (BPS) Statistics, (2020) in August 2020 showed that at the beginning of the pandemic economic growth decreased to reach 2.97% where in 2019 economic growth in Indonesia reached 5.09% in the same period after the implementation of PSBB (Large-Scale Social Restrictions) during the Covid 19 pandemic, especially for entrepreneurs.

The consumer goods industry sector is one of the sectors affected by the Covid-19 pandemic but is able to survive compared to other sectors. Reporting from Industri.kontan, (2020) the company PT Garudafood Putra Putri Jaya Tbk (GOOD) reported that until the first quarter of 2020 the company's net revenue fell 1.75% on an annual basis to IDR 2.24 trillion. In addition, consumer goods industry companies in 2019 experienced growth of 5.02 percent, while for 2020 quarter 1 only reached 2.83 percent.

However, after the PSBB was enforced in the second quarter of 2020, several consumer goods industry companies experienced an increase compared to before the pandemic, such as PT Indofood CBP Sukses Makmur Tbk (ICBP), which in the first semester of 2020 posted a net profit of IDR 3.37 trillion. This realization increased 31.12% from last year's achievement which was only Rp 2.57 trillion.

According to Ramdani (2021), manufacturing companies experienced an increase in the financial crisis by 19 companies during the Covid-19 pandemic. This is due to the huge impact due to the decline in income due to Covid-19.

Until 2021, reported based on the Central Statistics Agency concluded that the Indonesian economy in the second quarter of 2021 against the second quarter of 2020 experienced growth of 7.07% In addition, in the consumer goods industry sector, the cosmetic industry subsector experienced an annual decline of 3.5 percent and the chemical, pharmaceutical and traditional medicine industries by 11.46 percent. One of the factors of this economic decline is caused by the reduced ability of people's purchasing power resulting in a decrease in sales. Reporting from Kompas Fija Nurul Ulya (2020), the company's President Director admitted that there was a decline in sales of several Unilever products during the Covid-19 pandemic. Meanwhile, in MSMEs (micro, small, and medium enterprises) the results of a survey conducted by the Indonesian Institute of Sciences (LIPI) explained that 70% of MSMEs experienced a decline in sales.

This can cause the company to be unable to maintain its sustainability (going concern). The impact of the current Covid-19 pandemic is that all sectors around the world are experiencing adverse effects from the Covid-19 pandemic. The financial, health and education sectors have experienced a major impact due to the Covid-19 pandemic. The pandemic has also had a huge impact on the company's survival. This is because the spread of Covid-19 has affected the company's operations. This is because the company was forced to lay off workers to avoid the spread of the Covid-19 virus. The suspension of company operations also applies to all companies including manufacturing sector companies. Companies in the manufacturing sector are classified as having a lot of workers, and the COVID-19 pandemic forced companies to stop their activities.

This is done to follow the applicable rules and stop the chain of spread of Covid-19. As a result, the company experienced a decrease in production until someone had to stop production. As a result, revenue decreases with the same liability demands. The uncertainty regarding the cessation of the Covid-19 pandemic to financial inflation which caused the price of basic goods to increase, on the other hand, had an impact on the damage to the financial ecosystem caused by the Covid-19 pandemic. Conditions regarding the possibility of financial distress during the Covid-19 pandemic must be anticipated as soon as possible. Companies can conduct financial analysis related to the threat of financial distress before unexpected events such as the Covid-19 pandemic.

Financial ratio analysis is a way to identify and even improve the situation from before to the possibility of financial distress conditions in a company. There are three possible causes of financial distress, namely insufficient capital, too large liabilities and income that is not on target. Therefore, companies need to maintain their balance to avoid financial distress. Financial statement analysis is often used to determine the company's financial condition, so that management can know and estimate the possibilities that will occur to the company.

In this study, researchers chose a liquidity ratio. The company can estimate its ability to pay its obligations both short-term and long-term. Companies can also use liquidity ratios to estimate operating funds. This means that the company can meet the estimated payment of obligations and operations well, so that the company will avoid financial distress.

In this study, researchers chose the current ratio as a proxy for the liquidity ratio used to measure the company's ability to fulfill its obligations. This is because the current ratio has the ability to meet its obligations by using the capabilities of the company's assets. The company can be said to fulfill its obligations if, current assets are greater than its obligations. Companies that are able to fulfill their obligations have a small possibility of financial distress.

Researchers also use leverage ratios to predict the likelihood of financial distress. Leverage ratio can be used to estimate and measure the company's ability to meet the demands of a company's expenses or debts. Leverage Ratio is a type of financial ratio to assess how much financial risk a company has taken. In this study, the Leverage ratio will be proxied by the Debt to asset ratio in comparing the amount of debt to company equity.

Another financial ratio used to estimate the occurrence of financial distress is the profitability ratio. The company can review its performance capabilities in generating profits. In measurement, you can use Return On Assets (ROA) as a measurement tool for effectiveness in utilizing its benefits.

Research related to the company's financial distress condition generally uses financial ratio analysis. Research on financial distress conditions conducted by several researchers including Viani (2018) indicated that manufacturing companies listed on the Indonesia Stock Exchange in 2015-2017 found an influence of liquidity, profitability and activity ratios as well as leverage on financial distress.

Meanwhile, research from Syafitri (2021) in her research entitled the effect of profitability, liquidity and leverage on financial distress. The results of the analysis show that profitability does not affect financial distress, liquidity negatively affects financial distress, and leverage has a positive effect on financial distress.

Problem Statement

Based on the background described above, the formulation of the problem in this study is as follows:

1. Does return on assets affect financial distress in companies in the consumer goods industry sector?
2. Does the current ratio affect financial distress in companies in the consumer goods industry sector?
3. Does the debt to asset ratio affect financial distress in companies in the consumer goods industry sector?

Purpose and usefulness of the study

Based on the formulation of the problem described above, the objectives of this research are as follows:

1. To test and analyze the effect of profitability on financial distress in companies in the consumer goods industry sector.
2. To test and analyze the effect of liquidity on financial distress in companies in the consumer goods industry sector.
3. To examine and analyze the effect of leverage on financial distress in companies in the consumer goods industry sector.

Research Benefits

Through the implementation of research, researchers expect this research to provide the following benefits:

1. Increase knowledge for writers and readers about the company's financial condition in the face of financial distress.
2. Become the basis for consideration and input for companies listed on the Indonesia Stock Exchange in conducting financial analysis before taking considerations and policies for the sustainability of the company.
3. Become a reference basis for researchers in the future, with the hope of becoming a study so that their research becomes more perfect, especially regarding the discussion of financial analysis in estimating the occurrence of financial distress conditions in a company.

RESEARCH METHODS

Object of Research

According to Supriati (2015) The object of research explains what and or who is the object of research. Also where and when the research was conducted. It can also be added other things are also considered necessary. The object of research is a variable studied in research. This study uses a basic type of research with a quantitative approach, the author conducted a study to explain the effect of profitability, liquidity and leverage ratios on financial distress.

The object of this study is Financial distress (Y). which is influenced by independent variables consisting of profitability ratio (Return on assets) (X1), liquidity ratio (Current ratio) (X2) and Leverage ratio (Debt To Asset) (X3). The subjects of this study used companies in the consumer goods industry sector listed on the Indonesia Stock Exchange (IDX) for the 2017-2021 period.

Research Data

1. Data sources and data types

a. Data Source

The data source used in this study is secondary data. Secondary data sources include:

1. Official documents issued by companies in the consumer goods industry sector are the object of research obtained from www.idx.co.id.
2. Scientific paper reports, both in the form of annual financial statements, scientific journals and appropriate literature.

b. Data Type

The data used in this study consists of secondary data, namely data in the form of numbers derived from annual financial statement data on companies that are the research sample. The accounting period ends from 2017 to 2021 and is routinely published annually on the Indonesia Stock Exchange (IDX).

2. Population and sample

a. Population

According to Sugiyono (2016: 80) Population is a generalization consisting of objects or subjects that have certain qualities and characteristics set by researchers to be studied and then conclusions are drawn. The population used in this study is 53 companies listed on the Indonesia Stock Exchange in 2017-2021.

b. Sample

According to Sugiyono (2018; 118) The sample constitutes half of the overall population that shares the same characteristics. The sampling technique in this study is the purposive sampling method. According to Arikunto (2013), purposive sampling is a technique of taking samples non-randomly but based on certain considerations to achieve this goal. So, sample selection is based on certain criteria in this study. The criteria for selection of this sample are based on:

1. Companies listed on the Indonesia Stock Exchange.
2. Which is included in the Consumer Goods Industry sector in 2017-2021.
3. Audited financial statements.
4. The Company provides annual financial statements 2017 to financial statements in 2021.
5. The company's financial statement data is expressed in rupiah (Rp).
6. Each Subsector samples 5 types of companies.

The sample in this study is 20 companies in the consumer goods sector listed on the Indonesian stock exchange where the results of the analysis of company performance from 20 companies

Data Collection Methods and Tools

The method of data collection in this study is through the use of documentation methods. The documentation method is a technique in collecting data sourced from journals, books and retrieving company document data as needed.

This research uses data from financial statements in companies listed on the Indonesia Stock Exchange through the www.idx.com website where the results of the company's financial statement data that have been collected are then combined and then analyzed based on research samples.

The analysis method in this study is using quantitative techniques. Quantitative analysis is one way to analyze a problem which is then manifested in the form of numbers.

RESULTS AND DISCUSSION

This chapter describes the general description of research objects and variables used based on economic theory and previous research on the influence of independent variables on dependent variables.

1. Description of Research Data

Data description is to provide an overview of the data so that the data can be presented properly and interpreted easily. Based on the data taken, this research is quantitative because the data taken is data in the form of numbers and comes from financial statements. The data presented in this study consists of three independent variables, namely Return On Asset (ROA), Current Ratio (CR) and Debt to Asset Ratio (DAR) and one dependent variable, namely Financial distress. The research conducted is a consumer goods industry sector company listed on the Indonesia Stock Exchange (IDX) for the 2017-2021 period, in this study using secondary data in the form of panel data collected in the company's annual financial statements published on the Indonesia Stock Exchange. Sampling was carried out by purposive sampling method where there were several criteria in choosing the number of samples used in this study, the samples obtained were 20 companies. Data is obtained on the Indonesia Stock Exchange (IDX) website through www.idx.co.id and journals as a comparison of research results.

The captured data was processed using IBM SPSS 25 application with descriptive analysis and logistic analysis

2. Complete Results of Research Estimates

a. Analysis Method

1) Descriptive Analysis Method

Descriptive analysis is used with the aim of providing an overview of each research variable including the value of Mean, Minimum, Maximum, and standard deviation. The following will be displayed descriptive variables in terms of the average value, standard deviation. If the standard deviation is greater than the average value, it means that the existing data has a large variation, and vice versa if the standard deviation is smaller than the average value, it means that the existing data has low variation. The maximum value represents the largest value in the data, while the minimum value indicates the smallest value in the data. The following are presented the results of descriptive statistical analysis of each research variable.

**Table 1. 1 Descriptive Statistical Test
Descriptive Statistics**

	N	Minimu m	Maximu m	Mean	Std. Deviation
Return On Asset	100	-.214	1.547	.11637	.221685
Current Ratio	100	.204	189.237	7.0498 3	24.511964
Debt To Asset Ratio	100	.000	12.534	.51484	1.229858
<i>Financial distress</i>	100	-26.54	46.58	1.7583	6.46898
Valid N (listwise)	100				

Source: SPSS 25 Data Processing Results

The first dependent variable is Financial distress with a minimum value of -26.54 Maximum value 46.58 The average value of variable return on assets is 1.7583 and standard deviation is 6.46898 with the number of observations as many as 100 financial statements.

The first independent variable is return on assets with a minimum value of -0.214, a maximum value of 1.547, the average value of variable return on assets of .11637 and a standard deviation of .2216854 with a total of 100 observations of financial statements.

The second independent variable is the current ratio with a minimum value of 0.204. The maximum value of 189.237 was obtained by the company and the average value was 7.04983, and the standard deviation was 24.511964 with the number of observations as much as 100 data.

The third independent variable is the Debt to asset ratio with a minimum value of .0001, a maximum value of 12,534 obtained by Asia Pacific Fibers Tbk and an average value of .51484 and a standard deviation of 1.229858 with a total of 100 observations of financial statements.

2) Inferential Analysis

a) Logistic Regression Analysis Test

To find out how much influence the independent variable has with the dependent, here are the results of the logistic regression analysis test that has been tested using SPSS software version 25:

Table 1.2 Logistic Regression Analysis Test of Variables in the Equation

		B	S.E.	Wald	Df	Sig.	Exp(B)
Step	<i>Return on assets</i>	22.03	4.636	22.59	1	.000	.000
1a		7		8			
	<i>Current ratio</i>	-.003	.014	.057	1	.812	.997
	<i>Debt to asset ratio</i>	2.519	.609	17.12	1	.000	12.41
	Constant	.416	.304	1.874	1	.171	1.517

a. Variable(s) entered on step 1: *Return on asset, Current ratio, Debt to asset ratio.*

Source: SPSS 25 Data Processing Results

In character building involves parents, the school environment and the community. Unity, harmony and continuity of the parties participate directly in the formation of one's character. Thus, without the involvement of the parties, character education will run limp, slow and even threatened with failure (Aisyah & Ali. 2018: 28). For Islamic education, there is no doubt that *character building* is the ultimate goal of Islamic education (Kilâni, Al, Mâjid Arsân. 1998). The thoughts of experts that lead to the conclusion of the inevitability of the spiritual values of character education, are both justification and criticism. Criticism because of the richness of spiritual values in Islam represented by Islam has not colored many applications of Islamic education (Abrasyi, Al, Muhamad Athiyah).

Based on the results of the output above, it can be formulated with the logistic regression model equation as follows:

$$Y = .416 + -22.037 (X1) + -.003 (X2) + 2.519 (X3) + \epsilon$$

Based on the equation of the logistic regression model above, it can be concluded:

1. Constant, the value of the constant above is known to be positive at .416, this proves that without the variables return on assets, current ratio and debt to asset ratio, the value of the financial distress variable is .416. It can be concluded that if the variables return on assets, current ratio and debt to asset ratio are considered to have a value of 0, it will experience an increase in financial distress performance of .416.
2. The variable return on assets has a value of -22,037 which shows that the variable return on assets has a negative influence on the variable financial distress. This proves that if the variables of current ratio and debt to asset ratio are considered fixed, then every increase in value 1 related to return on assets will decrease by -22,037.
3. The current ratio variable has a value of -.003 which indicates that the current ratio variable has a negative influence on the financial distress variable. This proves that when the variable return on

assets and debt to asset ratio are considered fixed, every increase in value 1 related to the current ratio will decrease by -.003.

4. The variable debt to asset ratio has a value of 2.519 which shows that the variable debt to asset ratio has a positive influence on financial distress variability. This proves that if the variables return on assets and current ratio are considered fixed, then every increase in value 1 related to debt to asset ratio will increase by 2,519.

1) Test the Whole Model

This test aims to prove that the empirical data match the model. Here is to prove that the hypothesis fits with the model:

H0: There is no difference between the model and the data H1: There is a difference between the model and the data

The test results of the entire model can be seen from the table below:

Test the Entire Model Block 0 =

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Table 1. 3 Model 0 Overall Test Results

Iteration History ^{a,b,c}			
Iteration	-2	Log	Coefficie
			Nts

		likelihood	Constant
Step	1	137.989	-.160
0	2	137.989	-.160

- a. Constant is included in the model.
 - b. Initial -2 Log Likelihood: 137,989
 - c. Estimation terminated at iteration number 2 because parameter estimates changed by less than .001.
- Source : SPSS 25 Data Processing Results

The test results of the overall model 0 show that the value of 02 Log Likelihood (LL) in step 0 of the first column of the first row of the first row is 137,989. If there is a decrease in the Log Likelihood (LL) value in step 1, the hypothesized model can be said to be fit with the following data The following are the test results of the entire block 1 model:

Table 1. 4 Overall Test Results of Block 1 Model
Iteration History

Iteration	-2	Log likelihood	Coefficients			
			Constant	Return on assets	Current ratio	Debt to asset ratio
Step 1	1	109.793	.212	-5.530	-.004	.585
	2	93.290	.368	-13.350	-.004	1.493
	3	89.124	.413	-19.448	-.003	2.211
	4	88.783	.417	-21.793	-.003	2.489
	5	88.780	.416	-22.035	-.003	2.518
	6	88.780	.416	-22.037	-.003	2.519
	7	88.780	.416	-22.037	-.003	2.519

- a. Method: Enter
- b. Constant is included in the model.
- c. Initial -2 Log Likelihood: 137,989
- d. Estimation terminated at iteration number 7 because parameter estimates changed by less than .001.

Source : SPSS Data Processing Results

The test results of the entire block 1 model can be concluded that the value of -2 Log Likelihood (LL) in step 1 has decreased by 49,209. This value is obtained from the difference between the value of -2 Log Likelihood (LL) in step 0 of 137,989 with the value of -2 Log Likelihood (LL) of 88,780. The decrease proves that the hypothesized regression model can be said to match the data so that H0 is accepted.

2) Test Coefficient of Determination (Naglkerke R Square)

This Coefficient of Determination Test aims to prove how large the value of the determinant coefficient is in the logistic regression model and to find out how much the independent variable can affect the dependent variable. Here are the results of the coefficient of determination test:

Table 1.5 Model Summary Coefficient of Determination Test

Step	-2 Log likelihood	Log Cox & Snell Square	Nagelkerke R Square
1	88.780a	.389	.519

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

Source : SPSS 25 Data Processing Results

Based on the test of the coefficient of determination, it can be seen that the value of Nagelkerke R square is .519 which means the model is considered goodness of fit because the value of Nagelkerke R Square is getting closer to 1 and the dependent variable that can be influenced by the independent variable is 51.9% and the remaining 48.1% is influenced by other variables outside this study.

3) Goodness of Fit Test

The feasibility test of this regression model was conducted using the Hosmer and Lemeshow Good of fit test. In this test H0 is rejected if the statistical value of the Hosmer and Lemeshow Good of Fit Test is equal to or less than 0.05 and H0 is accepted if the statistical value of the Hosmer and Lemeshow good of fit test is greater than 0.05.

Table 1. 6 Goodness of Fit Test Results

Hosmer and Lemeshow Test

Step	Chi-square	Df	Sig.
1	31.060	8	.074

Source : SPSS 25 Data Processing Results

Based on the results of the feasibility test of the regression model, it can be concluded that the statistical value of the Hosmer and Lemeshow Good of Fit Test is 31,060 with a probability of significance of 0.074 whose value is above 0.05. With these results it can be stated that H0 is accepted or the model is able to predict the value of the observation and is declared to match the observation data.

4) Clarification Matrix Test

Ghozali (2016) revealed that the classification table is used to show the predictive power of regression models in predicting the receipt of financial distress by companies. In the column are two predicted values of the dependent variable, namely Financial distress and non-Financial distress, while in the row shows the actual observation value of the dependent variable Financial distress and non-Financial distress.

It was concluded that the company's forecast to receive financial distress was 51.9% consisting of 46 financial statements that were predicted to experience financial distress and 54 financial statements that were predicted to receive no financial distress.

b. Hypothesis Testing

1) Partial Test (Wald Test)

This test is carried out to determine how much influence each independent variable partially has on the dependent variable. This test is performed by:

- 1) If the probability value (sig) ≥ 0.05 , H₀ is accepted and H₁ is rejected.
- 2) If the probability value (sig) < 0.05 , H₀ is rejected and H₁ is accepted.

The hypothesis concludes as follows:

1. The effect of return on assets on financial distress, showing the significance value of the variable return on assets of .000 where the value is less than 0.05 so that it can be concluded that the variable return on assets has a significant partial effect on financial distress. Thus H₁ is accepted.
2. The effect of the current ratio on financial distress, showing the significance value of the variable Current ratio of .812 where the value is greater than 0.05 so that it can be concluded that the variable current ratio does not have a partial effect on financial distress. Thus H₂ is rejected.
3. The effect of debt to asset ratio on financial distress, showing the significance value of the variable debt to asset ratio of .000 where the value is smaller than 0.05 so that it can be concluded that the variable debt to asset ratio has a significant partial effect on financial distress. Thus H₃ is accepted.

2) Simultaneous Test (Omnibus)

The F simultaneous test is basically used to show whether all the independent variables entered into the model can affect the dependent variable together. Here are the results of simultaneous tests in this study:

It is known that the significance value of 0.000 which can be inferred above value is smaller than the significant level of 0.05 ($0.000 < 0.05$). Thus it can be concluded that H₀ is rejected and H₁ is accepted, so that the variables Return on asset (X₁), Current ratio (X₂) and Debt to asset ratio (X₃) simultaneously affect the variable Financial distress.

The Effect of Return On Assets on Financial Distress

Based on the results of research that return on assets has a positive and significant influence on financial distress. This means that return on assets shows the significance value of the variable Return on assets of .000 where the value is smaller than 0.05 so that it can be concluded that the variable Return on assets has a significant effect on Financial distress. This means that the company is in a healthy financial condition and avoids the threat of financial distress. Companies that have a high return on assets mean that the company is able to generate profits that can be used to finance its operations or obligations. The company's ability to pay for its needs and obligations means that the company can avoid financial distress.

The results of this study are in line with the results of Andre's research (2013) which shows that profitability ratios are influential in predicting financial distress. The results of this study are not in line with Ramadhani's research (2019) which shows that the profitability ratio has no effect on financial distress. Profitability shows the efficiency and effectiveness of using assets in generating company profits. Positive company profitability shows the effectiveness of using company assets to generate net profit, so that if the profitability of a company continues to increase and even amounts to positive, it is likely that the company will avoid the threat of financial distress conditions.

The Effect of Current Ratio on Financial Distress

Based on the results of research that the current ratio has no effect on financial distress. The results of the SPSS test show the significance value of the current ratio variable of .812 where

the value is greater than 0.05 so that it can be interpreted that the current ratio variable has no effect on financial distress. This means having a mindset that the company will be in a good financial position if the company shows a high current ratio value. This is because the company is considered capable of financing its current obligations.

The results of this study are in line with the results of research by Ni Luh Made Ayu et al, (2015) which shows that the Current Ratio has no effect on financial distress. The results of this study are not in accordance with Viani's (2018) research which shows that the Current Ratio has an effect and is significant on financial distress. The high value of the liquidity ratio will indicate that the company is in a good position. However, a low liquidity ratio indicates that working capital does not rotate productively and results in costs that reduce the value of the company's profits. Because the liquidity ratio is the company's ability to fulfill its obligations, where if the liquidity ratio is low, the company will automatically have a lot of debt that can cause financial distress.

The Effect of Debt to Asset Ratio on Financial Distress

Based on the results of this study, it is stated that the debt to asset ratio has a significant positive influence on financial distress. The results of the SPSS test show the significance value of the variable debt to asset ratio of .000 is smaller than 0.05 so that it can be interpreted that the variable debt to asset ratio has a significant effect on financial distress. According to Hasanah & Enggariyanto (2018), the debt to asset ratio aims to determine the level of comparison between the amount of debt to company equity. If the company has debts or obligations both short and long term but cannot be balanced with company revenues that should be higher than the value of liabilities, the company will go to a condition of financial distress.

The results of this study are in line with the results of Utami's research (2015) which shows that the Leverage ratio has a positive effect in predicting financial distress. The results of this study are not in accordance with Viani's (2018) research which shows that debt to asset ratio negatively affects financial distress. This study found the value of debt to asset ratio is at a positive value, this is based on the assumption that companies that are experiencing financial distress usually have the same debt and assets. Companies that have more debt than their assets often have negative equity. Therefore, the company does not rule out the possibility of violating debt agreements due to the inability of assets to finance existing debts. With high debt, it also causes an increase in interest expense resulting from debt also has an impact on the company's equity value to be negative.

CONCLUSION

This study was conducted to determine the effect of return on assets, current ratio, debt to asset ratio on financial distress. The companies studied are consumer goods sector companies listed on the Indonesia Stock Exchange in the 2017-2021 period. The hypothesis is tested using logistic regression analysis. Based on the results of the analysis and discussion described in the previous chapter, the author can draw several conclusions from this study, which are as follows: The results of this study prove that Return On Asset has a positive and significant effect on financial distress in consumer goods sector companies listed on the Indonesia Stock Exchange for the 2017-2021 period. This means that the company is in a healthy financial condition and avoids the threat of financial distress, because the higher the value of return on assets in the company, the less chance the company will experience financial distress. The results of this study prove that the Current Ratio has no effect on financial distress in consumer goods sector companies listed on the Indonesia Stock Exchange for the 2017-2021 period. This shows that having a company mindset will be in a good financial position if the company shows a high current ratio value. This is because the company is considered capable of financing its current obligations. The results of this study prove that the Debt to Asset Ratio has a positive and significant effect on financial distress in consumer goods sector companies listed on the Indonesia Stock Exchange for the 2017-2021 period. This shows that if the company has debts or obligations both short and long term but cannot

be balanced with company revenues that should be higher than the value of liabilities, the company will go to a condition of financial distress.

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