THE EFFECT OF PROFITABILITY, LEVERAGE, LIQUIDITY AND SALES GROWTH ON FINANCIAL DISTRESS (Empirical Study on Retail Companies listed on the Indonesia Stock Exchange in 2017-2020)

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ABSTRACT

The aim of this study was to find the effect of profitability, leverage, liquidity, and sales growth on the financial distress of retail companies listed on the Indonesia Stock Exchange from 2017 to 2020. The method of this study was quantitative by performing multiple linear regressions between profitability variables, leverage, liquidity and sales growth on financial distress. Purposive sampling was used to determine the samples of this study. The results showed that profitability variables, leverage and liquidity affect the financial distress, while sales growth has not effect. The significance value (Sig.) of profitability, leverage, liquidity indicates 0.00 so that it affected the dependent value (financial distress).

Key words : Profitability, Leverage, Liquidity, Sales Growth and Financial Distress

INTRODUCTION

In general, the industry has a goal, namely to profit from the results of the creation developed by the industry. From these results can be used as a benchmark to see how the performance of an industry. One of the fastest growing industries is the retail industry. Retail or retail in English is an important link in the distribution process of goods and is the last link in a distribution process. Through retail, a product can meet directly with its users.

Also known as retail business, retail acts as a marketing intermediary that connects major producers or large wholesalers with consumers who buy in small quantities or in units. Thus, the retail industry is an industry that sells products and services that have been added value to meet the needs of individuals, families, groups or end users, not for resale. Most of the products sold are the fulfillment of household needs including nine basic commodities.

At the beginning of the year there was a corona virus originating from Wuhan, China. The spread of this virus is so fast that it has spread to various countries including Indonesia. Initially the virus entered Indonesia in January 2020, but the Indonesian government only announced it in March 2020. In research conducted the COVID-19 pandemic could result in a global economic crisis. The spread of the virus led to the implementation of large-scale social restrictions by the government, which resulted in the closure or delay of the economy. One of them has an impact on the retail company PT Hero Supermarket Tbk (HERO).

Bankruptcy of a company can be seen and measured from its financial statements. Financial statements are the basis for interpreting the financial condition and results of operations of a company. Using the compared financial statements, including data on changes in rupiah numbers, percentages and trends, the analyst realizes that several individual ratios will assist in analyzing and interpreting a company's financial position. (Saputri & Pradnyawati, 2020)

According to Platt and Platt in Triswidiyanti (2017) financial distress is defined as the stage of declining conditions that occurred before bankruptcy or liquidation. Financial distress can be seen when the company is experiencing financial

difficulties in fulfilling its debt obligations. This shows that the company's financial condition is not healthy, but has not yet experienced bankruptcy. Financial distress can be influenced by various factors, namely cash flow difficulties, the amount of company debt, and losses experienced by the company in its operational activities. Another factor that can affect financial distress is the macro economy, such as an increase in loan interest rates or even natural disasters.

This study uses profitability ratios, liability ratios, leverage ratios, and sales growth ratios to measure financial distress in retail companies listed on the Indonesia Stock Exchange. The profitability ratio is a measure of the ability to generate profits or profits as much as possible with the assets and capital owned. Profitability ratio is calculated using return on assets and return on equity. The liquidity ratio or often referred to as the working capital ratio is a ratio used to measure how liquid a company is. The liquidity ratio used in this study is the current ratio. Leverage ratio is a ratio used to measure how much debt is used in spending. The leverage ratio used in this study is the debt ratio.

The company that is the object of this research is a retail company listed on the Indonesia Stock Exchange. Researchers choose retail companies because they are related to people's daily needs. Financial distress in this study was measured using the Zmijewski model. Zmijewski's model uses financial ratios that measure company performance, leverage and liquidity to develop the model. The cut-off value that applies in this model is 0. This means that companies whose X value is greater than or equal to 0 are predicted to experience Financial Distress in the future. On the other hand, companies that have an X value less than 0 are predicted not to experience financial distress.

Based on the explanation of the background above, the research on the effect of profitability, liability, leverage, and sales growth is not consistent and still needs to be done further research. Therefore, the question in this study is whether profitability, leverage, liability, and sales growth partially affect financial distress in retail companies listed on the Indonesia Stock Exchange (IDX) for the 2017-2020 period. The purpose of this study is to analyze the effect of profitability, leverage, liability, and sales growth partially on financial distress in retail companies listed on the Indonesia Stock Exchange (IDX) for the 2017-2020 period. In this study, the limitations of the problem are given, namely the factors studied are only about profitability, liability,

THEORETICAL REVIEW

Theoretical review

Signaling Theory

Signaling Theory is a theory that describes an action taken by the company's management to provide information for investors or creditors about the conditions being experienced by a company. The company provides signals in the form of information to investors that can be used as analysis for decision making. The information provided in this study can be in the form of company financial statements (Pertiwi, 2018)

Signaling Theory in the topic of financial distress explained that the company's financial condition and prospects were good, the manager gave a signal by holding liberal accounting. Conversely, if the company is in financial distress and has poor prospects, the manager gives a signal by holding conservative accounting. According to (Anjasmara Urdu Anza, 2020) signaling or signal theory is an action taken by the company to provide instructions for investors about how management views the company's prospects. The information issued by the company is very important for investors and business people because the information essentially presents information, notes or descriptions, both for current, current and future conditions for

the survival of the company and how it will affect the company.

Leland and Pyle (1977) predict a positive correlation between firm quality and leverage, explaining that ownership can also reflect firm quality signals, certain conditions, high-quality corporate management signals by maintaining ownership, by financing through higher debt levels than management. For low-quality companies, debt financing allows management to retain more ownership, but large equity is for management to avoid risk. High quality equities drive signal incentive compatibility.

Agency Theory

Agency theory aims to explain the separation of interests between company owners and company management. This separation of interests can lead to a conflict because there is a contact that is applied between the principal who uses the agent to perform the service.

According to (Setiawan et al., 2019) agency theory is used because it considers first, from the source of funding, the external company comes from debt, second from organizational theory, third parties related to the company. Problems that arise related to agents are problems between agents and owners, the management of the company manages the company as an agent that plays a role in determining the company's performance.

The state of financial distress can be seen from the company's inability to pay off its maturing obligations. The condition of financial distress is related to the rate of cash flow and the amount of profit. In agency theory, it is hoped that it can be useful as a tool to foster trust in investors to provide capital and receive returns on the funds they have invested. Financial statements that describe poor conditions for reporting earnings and cash flows will indicate financial distress. Bad conditions can cause doubts on the part of investors and creditors to provide funds because there is no certainty of return of funds that have been given.

With this theory will discuss the existence of an agency relationship where a certain party delegates work to another party or agent. Where the agent and principal seek to maximize their respective utility so that it can be said that management does not always act in accordance with the wishes of the principal (Nilasari, 2021).

Financial Distress

Financial distress or financial difficulties is a condition where the company is unable to meet its obligations, both short-term and long-term. If this condition is allowed to drag on, the company may experience bankruptcy or liquidation.

This study uses the Zmijewski model. The prediction model produced by Zmijewski in 1983 is 20 years of repeated research. Zmijewski (1984) uses the analysis of liquidity ratios, leverage, and measures the performance of a company. Zmijewski predicts with a sample of 75 bankrupt companies and 73 healthy companies from 1972 to 1978, the F-Test indicator on the ratio of the group rate of return, liquidity, leverage turnover, fixed payment coverage, trend, firm size, and stock return volatility, shows significant difference between healthy and unhealthy companies. Then this model produces the following formula:

$$\mathbf{X = -4.3 – 4.5X1 + 5.7X2 - 0.004X3}$$

Information:

X1 = ROA (Return on Assets)

X2 = Leverage (Debt Ratio)

X3 = Liquidity (Current Ratio)

If the score obtained is more than 0 (zero) then the company is predicted to go bankrupt, but if the score is less than 0 (zero) then the company is predicted not to have the potential to go bankrupt.

Profitability

Profitability is the ratio used to measure the company's performance in order to generate profits from company assets, sales, and certain shareholdings. When the company earns a large profit in accordance with what has been targeted by

the company, it shows that the company's management has good performance and will provide benefits for shareholders. Return on assets (ROA) is used to calculate profitability. (Sari & Hartono, 2020)

Profitability is the company's ability to earn profits in relation to sales, total assets or capital. This ratio is very important for management because it can be used to evaluate the effectiveness and efficiency of management in managing company assets. The higher the ROA, the more efficient the use of company assets and can generate greater profits and vice versa. The formula used to calculate profitability is:

$$\textbf{ROA} = \frac{Laba\ Bersih}{Total\ Aset}$$

Liquidity

Liquidity is a ratio that shows the company's ability to pay off its current debt (Kasmir, 2016). In addition, liquidity is also used to weigh the current assets of the company against its current liabilities. The proxy used to calculate the liquidity ratio is the current ratio (CR). (Sari & Hartono, 2020). The overall liquidity of the company means that current assets and current liabilities are viewed as one group, respectively.

The larger the ratio of current assets and current liabilities, the higher the company's ability to pay off its short-term debt. So that the lower the current ratio, the possibility of the company experiencing financial distress will be high. The formula used to calculate liquidity is:

$$\textbf{CR} = \frac{Aset\ Lancar}{Hutang\ Lancar}$$

Leverage

Leverage is a calculation tool to measure the portion of debt used by the company to fund assets. Leverage shows a comparison of the assets owned by the company with the amount of debt used to fund the company's operations. Leverage uses the debt to asset ratio (DAR) as a measure (Sari & Hartono, 2020)

According to (Rohmadini et al., 2018) leverage is an indication of the efficiency of the company's business activities, as well as the sharing of business risk between company owners and lenders or creditors. Some short, medium, and long term debt items bear interest costs. Examples of debt with interest charges are bank loans and other financial institutions. The smaller the number of interest-bearing loans, the smaller the credit interest expense borne by the company. The higher the percentage of debt, the greater the risk of the company not being able to fulfill its obligations, while the lower the calculation result, the better because it is safe for creditors during liquidation. The formula used for leverage is:

$$\textbf{DAR} = \frac{Total\ Hutang}{Total\ Aset}$$

Sales Growth

Sales growth According to Saputra & Salim, 2020 the definition of sales growth is as a reflection of the ability of a company in a period. The high level of sales of a company, it can be said that the company is successful in carrying out its strategy. Growth in sales is an indicator of market acceptance of products and services within the company, namely the income generated from sales can be used to measure growth rates. Sales growth describes the company's ability to increase its sales over time. If the sales growth in a company is getting higher than the company is considered successful in marketing and selling its products as expected by the company and in accordance with the strategy.

Sales growth can be seen from changes in sales from the previous year and the following period. A company can be said to experience good growth if there is a steady increase in the company's operational activities. The formula used for sales growth is as follows:

$$SG = \frac{Penjualan\ t - Penjualan\ (t-1)}{Penjualan\ (t-1)}$$

Previous research

Research on Financial Distress has been conducted by several researchers. The following is a summary of previous research, including:

Dila Ayu Pertiwi's research (Journal of Management Science Volume 6 Number

3 - Department of Management, Faculty of Economics, State University of Surabaya 2018) with the title "The Effect of Financial Ratios, Growth, Company Size and Inflation on Financial Distress in the Mining Sector Listed on the Indonesia Stock Exchange (IDX) Period 2012 – 2016". The variables used are Dependent Variable = Financial Distress, Independent Variable = Financial Ratio, Growth, Firm Size and Inflation. The theories used are Trade off Theory, Du Pont Theory, Signaling Theory, Keynesian Theory. The result of this research is that profitability (ROA) and inflation have a negative effect on financial distress, while liquidity, leverage, growth, and firm size have no effect on financial distress.

Research by Mohamad Zulman Hakim, Dirvi Surya Abbas, Anggi Wahyuni Nasution (Competitive Journal of Accounting and Finance, Vol. 4 (No.1), E-ISSN 2549-79IX) with the title "The Effect of Profitability, Liquidity, Leverage, Managerial Ownership, and Ownership Institutional against Financial Distress (Empirical Study on Property & Real Estate Sector Companies Listed on the Stock Exchange for the 2016-2018 Period)". The variables used are Dependent Variable = Financial Distress Independent Variable = Profitability, Liquidity, Leverage, Managerial Ownership and Institutional Ownership. The theory used is Agency Theory. The results of the research are Profitability and Liquidity variables partially affect Financial Distress. While the Leverage variable,

Ni Made Nita Saputri's research (1), Kadek Dewi Pradnyawati (2) (Hita of Accounting and Finance, Universitas Hindu Indonesia April 2021 Edition) with the title "The Effect of Profitability, Liquidity, and Leverage on Financial Distress (Case Study in Property and Real Estate Sector Companies) Listed on the Indonesia Stock Exchange for the Period 2017 - 2019)". The variables used are the Dependent Variable = Financial Distress Independent Variable = Profitability, Liquidity, and Leverage. The theory used is Signal Theory. The result of the research is that profitability has no significant positive effect on financial distress. Liquidity and leverage variables have no significant negative effect on financial distress.

Research by Siti Badriyah Islamiyatun, Sri Hermuningsih, Agus Dwi Cahya) with the title "The Effect of Profitability, Liquidity and Solvency on Financial Distress Conditions". The variables used are Dependent Variable = Financial Distress Independent Variable = Profitability, Liquidity and Solvency. The result of this research is that the ratio of profitability and liquidity has a strong positive and significant effect in predicting financial distress conditions, the solvency ratio has a negative and significant effect on predicting financial distress conditions.

Research by Alfinda Rohmadini, Muhammad Saifi, Ari Darmawan (Journal of Business Administration (JAB)|Vol. 61 No. 2 August 2018| administrasi bisnis. studentjournal.ub.ac.id) with the title "The Effect of Profitability, Liquidity and Leverage on Financial Distress (Study) In Food & Beverage Companies Listed On The Indonesia Stock Exchange Period 2013-2016)". The variables used are the Dependent Variable = Financial Distress Independent Variable = Profitability, Liquidity, and Leverage. The results of the research are Return on Assets (X1), Return on Equity (X2), Current Ratio (X3), Debt Ratio (X4) which have a significant effect on financial distress (Y), namely 2. Debt Ratio (DR). Significant simultaneously (together) Return on Assets (ROA), Return on equity (ROE),

Research by Andrew Jaya Saputra & Susanto Salim (Journal of Multiparadigm Accounting Tarumanagara / Vol.2, No.1, January 2020: 262 - 269) with the title "The Effect of Profitability, Leverage, Firm Size, and Sales Growth on Financial Distress". The variables used are Dependent Variable = Financial Distress Independent Variable = Profitability, Leverage, Firm Size, and Sales Growth. The theory used is agency

theory, signaling theory. The results of the research are Profitability Variables have an effect on financial distress. Other variables such as leverage, firm size, and sales growth have no effect because the company only focuses on earning profits in dealing with financial distress that occurs in the company.

Intan Nilasari's research (Competitive Journal of Accounting and Finance, 5(2), 2021) with the title "The Influence of Corporate Governance, Financial Indicators, and Company Size on Financial Distress". The variables used are the Dependent Variable = Financial Distress Independent Variable = Corporate Governance, Financial Indicators, and Company Size. The theory used is Agency Theory. The results of the research are the results of hypothesis testing the X1 variable (managerial ownership) has a negative effect on financial distress. Institutional ownership has a significant and significant effect on financial distress. Liquidity has no significant effect on financial distress. Leverage has a positive and significant effect on financial distress conditions. Profitability has no significant effect on financial distress.

Hypothesis Development

1. The Effect of Profitability on Financial Distress

The company has a goal to make a profit or profit, the profitability ratio measures the company's ability to generate profits (profit) at a certain level of sales, assets, and share capital or is used to measure how effective the company's management is to generate profits. The profitability ratio is proxied by Return on Assets (ROA) which shows how much the company's assets are used in determining profit. The greater the ROA ratio, the less likely the occurrence of financial distress in the company. On the other hand, the smaller the ROA ratio indicates poor financial performance where the company is not able to optimize its assets to generate profits so that profitability decreases and the possibility of financial distress is greater. According to research (Hakim et al., 2020) partially profitability has an influence on financial distress. In research (Saputri & Pradnyawati, 2020) the profitability variable has a positive and insignificant effect on financial distress.

Based on the results of the research above and the theory put forward, the hypothesis is as follows:

H1: Profitability has an effect on financial distress.

2. Effect of Liquidity on Financial Distress

Liquidity shows the company's ability to pay short-term financial obligations on time. The liquidity ratio is measured by the current ratio. The higher the liquidity ratio, the less likely the company is to experience financial distress. The company's inability to pay its obligations is caused by several factors. One of them can be because the company does not have sufficient funds to meet its obligations. According to research (Saputri & Pradnyawati, 2020) liquidity has an insignificant negative effect on financial distress.

Based on the results of the research above and the theory put forward, the hypothesis is as follows:

H2: Liquidity affects financial distress.

3. The Effect of Leverage on Financial Distress

The debt ratio or leverage is used to see how far the company is financed by debt or external parties with the company's ability to be financed through assets. If the company's assets are mostly financed by debt, then it will be risky in terms of payment of obligations in the future. So, the higher the leverage value, the higher the probability that the company will experience financial distress. In this study leverage is measured using the Debt to Asset Ratio (DAR). In research (Saputri & Pradnyawati, 2020) the variable has a negative and insignificant effect on financial distress.

Based on the results of the research above and the theory put forward, the hypothesis is as follows:

H3: Leverage has an effect on financial distress.

4. *Sales Growth* effect on Financial Distress

Sales Growth shows the company's ability to increase sales from time to time. The higher the sales growth of a company, the company can be said to be successful. This means the greater the profit the company will get from sales. However, if sales growth declines, it will have an impact on revenue. If income continues to decline, it will trigger financial distress.

Based on the results of the research above and the theory put forward, the hypothesis is as follows:

H4: Sales Growth has an effect on financial distress

METHOD

This study uses a basic type of research with a quantitative approach. The design used in this study is a causal design/comparative causal design.

The population in this study are retail companies listed on the Indonesia Stock Exchange in 2017-2020. Sampling in this study using purposive sampling technique. The use of purposive sampling method in this study is a retail sector company that has the following criteria:

1. Retail companies listed on the IDX in 2017-2020
2. The company submits consecutive financial reports from 2017-2020.
3. Companies that have complete data related to variable research, namely profitability, liquidity, leverage, sales growth, and financial distress
4. Company which reports financial statements in rupiah currency.

Based on the purposive sampling criteria that have been described in the previous chapter, it can be obtained research data from the population as follows:

Table 3.1 Population Selection Result Data

No	Information	Amount
1	Retail companies listed on the Indonesia Stock Exchange	24
2	Retail companies that are not complete in financial reporting during the 2017-2020 period	3
	Number of companies	21
	Number of samples during the period 2017-2020 (21x4)	84
	The number of data outliers	24
	Number of samples	60

Source: Secondary data, processed 2022

The type of data used in this research is secondary data. The data used is information on the financial statements of retail companies in the retail trade sector listed on the Indonesia Stock Exchange in 2017-2020, data obtained from the websitewww.idx.co.id. The data collection technique used in this study is documentation in the form of data on the financial statements of retail companies listed on the Indonesia Stock Exchange in 2017-2020 obtained on the website.www.idx.co.id. The data was processed using SPSS version 25 software for statistics.

Data analysis technique

The data analysis technique in this study used quantitative analysis and used descriptive statistical methods. This study applies several classical assumption tests, namely: Normality Test, Multicollinearity Test, Heteroscedasticity Test, and Autocorrelation Test. To test the hypothesis, this study uses the F Statistical Test, the Test Significance Partial (t test), Coefficient of Determination (R2) and Multiple Linear Regression Analysis. The regression model will test the significance of the simultaneous effect through the t test. linear regression formula declared as follows:

$$FD = a + b1ROA + b2DAR + b3CR + b4SG + e$$

Information:
a: Constant
FD: Financial Distress
ROA: Profitability

DAR : Leverage
CR: Liquidity
SG: Sales Growth
e: Error term, which is the error rate in research

RESULTS AND DISCUSSION

Data analysis

Descriptive statistics

The results of the calculation of descriptive statistics are as follows:

Table 4.2 Descriptive Statistical Analysis

	N	Min.	Max.	mean	Std. Deviation
Financial Distress	60	-3.60	1.51	-1.4758	1.43137
Profitability	60	-0.18	0.22	0.0312	0.07486
Leverage	60	0.22	0.96	0.5213	0.22257
Liquidity	60	0.07	4.29	1.7282	0.89550
Sales Growth	60	-0.92	23.37	0.6330	3.24999
Valid N (listwise)	60				

Source: SPSS 25 . output

Based on table 4.2, it can be seen that the financial distress variable has a minimum of -3.60, a maximum value of 1.51, an average value of -1.4758 and a standard deviation of 1.43137. The profitability variable has a minimum value of -0.18, a maximum value of 0.22, an average value of 0.0312 and a standard deviation of 0.07486. The liquidity variable has a minimum value of 0.22, a maximum value of 0.96, an average value of 0.5213 and a standard deviation of 0.22257. The leverage variable has a minimum value of 0.07, a maximum value of 4.29, an average value of 1.7282 and a standard deviation of 0.89550. The sales growth variable has a minimum value of -0.92, a maximum value of 23.37, an average value of 0.6330 and a standard deviation of 3.24999.

Classic assumption test

a. Normality test

The results of the normality test using the Kolmogorov Smirnov test are as follows:

Table 4.3 Normality Test

		Unstandardized Residual
N		60
Normal Parameters, b	mean	0.00000407
	Std. Deviation	0.00273164
Most Extreme Differences	*Absolute*	0.085
	Positive	0.080
	negative	-0.085
Test Statistics		0.085
asymp. Sig. (2-tailed)		0.200c,d

Source: SPSS 25 . output

The regression model can be said to be normal in the Kolmogorov Smirnov test if the value of sig.≥0.05. The results from the table show that the Asymp value. Sig. (2-tailed) of 0.200. Thus the value of sig. 0.200 > 0.05 then the residuals are normally distributed.

b. TestMulticollinearity

The following are the results of the multicollinearity test:

Table 4.4 Multicollinearity Test

	Collinearity Statistics	
	Tolerance	***VIF***
Profitability	0.819	1,221
Leverage	0.532	1,881
Liquidity	0.530	1,886
Sales Growth	0.901	1,110

Source: SPSS 25 . output

Table 4.4 shows the results of multicollinearity that all independent variables have a tolerance value (more than equal to)≥0.10 and VIF value (less than equal to)≤10, it can be concluded that this study does not occur multicollinearity.

c. Heteroscedasticity Test

The following are the results of the heteroscedasticity test with a scatterplot graph:

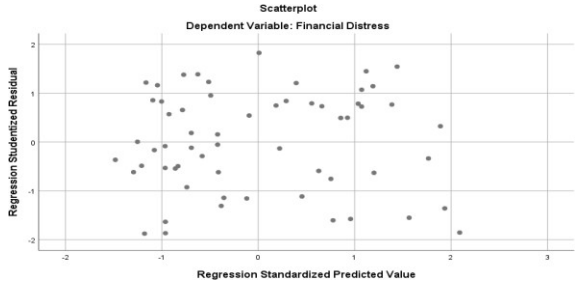

Figure 4.1 Heteroscedasticity Test

Figure 4.1 shows that there is no clear pattern, the points spread above and below the Y axis. Then the heteroscedasticity test shows that there is no heteroscedasticity.

d. Autocorrelation Test

Following are the results of the autocorrelation test with the Durbin-Watson test (DW-Test):

Table 4.5 Autocorrelation Test

Model	Durbin-Watson
1	2,382

Source: SPSS 25 . output

Based on table 4.5 at 5% significance with a sample size of 60 and the number of independent and dependent variables 5 (k=5), the Durbin-Watson table will give a du value of 1.7671. Because dw (2,382) and value (4-dw), (4 – 2,382 = 1,618), then the value of dw is greater than du so it cannot be concluded. To prove whether or not autocorrelation occurs, it is proven by using the Run Test. The following are the results of the autocorrelation test using the run test:

Table 4.6 Test Run Test

			Unstandardized Residual
Test Value			-0.0007
Cases < Test Value			30
Cases >= Test Value			30
Total Cases			60
Number of Runs			39
Z			2,083
asymp. Sig. (2-tailed)			0.037
Monte Carlo Sig. (2-tailed)	*Sig*		0.052b
	99% Confidence Interval	*Lower Bound*	0.046
		Upper Bound	0.058

Source: SPSS 25 . output

Based on the table, it shows that Monte Carlo Sig. (2-tailed) of 0.052, which means it is greater than 0.05. This shows that this study does not occur autocorrelation symptoms.

Hypothesis testing

a. F Statistic Test

Here are the results of testing the F statistic:

Table 4.7 F Statistical Test

Model		*Sum of Squares*	DF	*Mean Square*	F	*Sig*
1	*Regression*	120,880	4	30,220	3867426672	0.000b
	Residual	0.000	55	0.000		
	Total	120,880	59			

Source: SPSS 25 . output

It appears that the F value of the research model is 3867426.672 with a significance level of 0.000. The significance value is below 0.55 which indicates that the independent variables simultaneously have a significant effect on financial distress.

b. TestSignificance Partial(t test)

Here are the results of the t test:

Table 4.7 T . Partial Significance Test

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	*Constant)*	-4.298	0.002		-2218.854	0.000
	rofitability	-4.503	0.005	-0.235	-838,098	0.000
	everage	5.697	0.002	0.886	2540,859	0.000
	iquidity	-0.005	0.001	-0.003	-8,476	0.000
	ales Growth	4.341	0.000	0.000	0.368	0.714

Source: SPSS 25 . output

The results of the t-test of the independent variable on the dependent variable are as follows:

1) First Hypothesis Testing

Based on table 4.7, it can be seen that the profitability variable has a t count of -838,098 and a value of significance of 0.000. Based on t count of -838,098 smaller than t table 2,00488 and the value of significance smaller than 0.05 then the first hypothesis is proven and accepted, then this shows that there is an influence between the profitability variables on financial distress.

2) Second Hypothesis Testing

Based on table 4.7, it can be seen that the leverage variable has a t count of 2540,859 and a value of significance of 0.000. Based on t count as big as2540, 859 and value significance smaller than 0.05 then the second hypothesis is proven and accepted, then this shows that there is an influence of the leverage variable on financial distress.

3) Third Hypothesis Testing

Based on table 4.7, it can be seen that the liquidity variable has a t count of -8.476 and a value of significance of 0.00. Based on the t count of -0.8476 and the value of significance smaller than 0.05 then the third hypothesis is proven and accepted, then this shows that there is an effect of the liquidity variable on financial distress.

4) Fourth Hypothesis Testing

Based on table 4.7, it can be seen that the sales growth variable has a t count of 0.368 and a value of significance of 0.714. Based on the t count of 0.368 and the value of significance greater than 0.05 then the fourth hypothesis is not proven and rejected, then this shows that there is no effect of the sales growth variable on financial distress.

c. Multiple Linear Regression Analysis

Multiple linear regression test was conducted to test the first hypothesis, second hypothesis, third hypothesis and hypothesisfourth Based onresultsSPSS 25 multiple linear regression test results in the following regression equation:

FD = -4.298 + -4.503ROA + 5.697DAR + -0.005CR + 4.341SG + e

From the multiple linear regression equation above, the regression model can be interpreted as follows:

1) The constant value is -4.298 which means that if profitability (ROA), leverage (DAR), liquidity (CR), sales growth (SG) are assumed to be .
2) The regression coefficient of the profitability variable (ROA) is -4.503, this shows that profitability has decreased by 4.503 with the assumption that other independent variables remain.
3) The regression coefficient of the leverage variable (DAR) is 5.697, this shows that leverage has increased by 5.697 with the assumption that other independent variables remain.
4) The regression coefficient of the liquidity variable (CR) is -0.005, this indicates that liquidity has decreased by 0.005 with the assumption that other independent variables remain.
5) The regression coefficient of the sales growth (SG) variable is 4.341, this shows that sales growth has increased by 4.341 with the assumption that other independent variables remain.

d. Coefficient of Determination

The following are the results of the Coefficient of Determination (R2) testing as presented:

Table 4.9 Coefficient of Determination

Model	*R*	*R Square*	*Adjusted R Square*	*Std. Error of the Estimate*
1	1,000a	1,000	1,000	0.00280

Source: SPSS 25. output

Based on the results of the R2 test, the coefficient of determination shows the effect of the independent variables, namely profitability, liquidity, leverage and sales growth on the dependent variable of financial distress. Based on the R2 test, the R2 value is 1. Thus, profitability, liquidity, leverage and sales growth affect financial distress by 100%.

Discussion

1. The Effect of Profitability on Financial Distress

Testing hypothesis 1 is used to prove the effect of profitability on financial distress. The results of testing hypothesis 1 show that profitability has an effect negative on financial distress, this is indicated by the significant profitability value (Sig.) of the profitability variable of 0.000 which is smaller than 0.05. Influence negative This is because a low ROA shows that income company low due to the company's inability to optimize asset company owned, so that the return obtained is low. The results of this study are in line with the results of research conducted by (Pertiwi, 2018) which states that profitability has an effect on negative to financial distress. This is also supported by research conducted (Hakim et al., 2020) that profitability has an effect on financial distress. The greater the ratio, the better the company

in managing its assets. However, this study is not in line with research conducted by (Nilasari, 2021) which states that profitability has no effect on financial distress.

2. The Effect of Leverage on Financial Distress

   Testing hypothesis 2 is used to prove the effect of leverage on financial distress. The results of hypothesis 2 show that leverage has a positive effect on financial distress, this is indicated by the value of significance (Sig.) leverage variable of 0.00 is smaller than 0.05. This research is supported by research conducted by (Nilasari, 2021) that leverage has a significant positive effect on financial distress. The higher the DAR, the greater the amount of loan capital used in generating profits for the company. Bankruptcy is caused by the greater the amount of debt, the higher the probability of financial distress. However, this study is not in line with research conducted by (Pertiwi, 2018) that leverage has no effect on financial distress. A high DAR does not necessarily indicate that the company has low profits, due to high expenses.

3. Effect of Liquidity on Financial Distress

   Testing hypothesis 3 is used to prove the effect of liquidity on financial distress. The results of testing hypothesis 3 show that liquidity has a significant negative effect on financial distress, this is indicated by the value of significance (Sig.) liquidity variable 0.000 is smaller than 0.05. The greater the value of the current ratio, the less likely the company is to experience financial distress. This research is supported by research conducted (Nilasari, 2021) that liquidity has an effect on negative in financial distress. The study revealed that the higher the value of the liquidity ratio, the more secure the company will be in its processing. However, this study is not in line with research conducted by (Rohmadini et al., 2018) which states that liquidity has no significant effect on financial distress. Liquidity does not have a significant effect on financial distress because there is no significant difference between the liquidity of companies experiencing financial distress and companies that are not experiencing financial distress. *Financial distress*.

4. Effect of Sales Growth on Financial Distress

   Testing hypothesis 4 is used to prove the effect of sales growth on financial distress. The results of testing hypothesis 4 show that sales growth has no effect on financial distress, this is indicated by the value of significance (Sig.) the sales growth variable is 0.714, which is greater than 0.05. Sales are not the main reference for measuring financial distress because a decrease in sales does not directly cause the company to go bankrupt, it will only reduce the company's profit. This research is in line with research conducted by (Pertiwi, 2018) which states that sales growth has no effect on financial distress. In fact, not all small sales cause financial distress.

CONCLUSIONS AND RECOMMENDATIONS

Conclusion

Based on the results of these studies can concluded that Profitability and Liquidity have an effect negative significant effect on financial distress in retail companies listed on the Indonesia Stock Exchange in 2017-2020, Leverage has a significant positive effect on financial distress in retail companies listed on the Indonesia Stock Exchange in 2017-2020, and Sales growth has no effect on financial distress in retail companies listed on the Indonesia Stock Exchange in 2017-2020.

Suggestion

Based on the results of this study, the authors can convey some suggestions for further research, namely further research is

recommended to extend the observation period and also increase the number of samples so that it can be possible to draw good conclusions; it is advisable to consider the relevant variables to test financial distress such as solvency ratio, managerial ownership, audit committee, company size and others; and use other measurement methods to measure financial distress.

Research Limitations

Limitations This research is this study only uses the company's internal factors in researching financial distress. This study only uses 4 ratios, namely profitability, leverage, liquidity and sales growth. The sample used in this study is still small only in retail companies with a period of 4 years.

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