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THE EFFECTS OF SALES GROWTH, PROFITABILITY, LIQUIDITY, LEVERAGE AGAINST FINANCIAL DISTRESS

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ABSTRACT---*The study was conducted based on the financial difficulties of retail companies listed on the Indonesia Stock Exchange. The research is intended to prove the allegation that Financial Distress that occurs in companies is influenced by Sales Grow, Profitability, Liquidity, Leverarge. This type of research is explanatory and the population of the study is 25, the number of samples of 6 companies was taken using purposive sampling technique with criteria for retail companies to experience a decline in operating profit for two consecutive years in the 2014-2018 period. The data is processed using eviews 10.0 data processing program and the results of the research prove that Sales Grow and Liquidity cannot be analyzed because it does not meet the significance test and is not meaningful, Profitability has a negative effect on Fiancial Distress and Leverage has a positive effect on Financial Distress*

Keywords---*Sales Grow, Profitability, Liquidity, Leverarge, Fiancial Distess*

I. Background

Economic growth in the trade and services investment sector (Intan Pratiwi, 2019) is a combination of several sub-sectors consisting of: the large trade sub-sector; retail trade sub sector; the restaurant, hotel and tourism sub-sector; advertising, printing and media sub-sectors; health sub sector; computer services and equipment sub-sector; and investment company sub-sectors. The retail trade sub-sector is the sector closest to the end consumer having an important position in daily life. (Tri Joko, 2009).

The retail business markets goods, services to end consumers for personal and household needs (Berman and Evans, 2007: 4), as well as the final activity of the distribution of goods and services between producers and final consumers (Christina Whidya Utami, 2017: 6). Retailers often experience financial difficulties and decide to disperse due to experiencing FD conditions. (FD) (Devy, 2018).

FD is a stage of decline in financial conditions before bankruptcy or liquidation. The cause is the condition of the company that is always experiencing changes in business patterns that affect the activities and performance of the company (Saudi, 2018). Indicators of FD if there is a continual decline in profits even loss, closed or sold one or more business units, massive employee layoffs, decreased sales volume, decreased ability to generate profits, and dependence on debt (Kamal, 2012: 20). Companies are categorized as experiencing FD if operating profit is negative for two years in a row and measured by the formula of earnings growth based on the opinion of Platt and Platt (2002) that the company is categorized experiencing FD if the company's operating profit is negative for two years consecutive. The profit growth formula is by subtracting the current year's Earning before Interest and Tax (EBIT) (Ayu Aprilianti, 2014).

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The facts show that companies that experienced FD, in the retail shopping Lotus and Dabenhams owned by PT. Mitra Adiperkasa (MAPI), 7 Eleven, and PT. Matahari Department Store is included in the FD category. The Lotus company closed its total operations in 2017. Under the auspices of MAPI, Debenhams which is a British retail store in 2017 also closed its outlets in various places such as Supermall Karawaci, Kemang Village and Senayan City (Aulia, 2017).

In 2017, 7 Eleven retail (SEVEL) from PT Modern Sevel Indonesia closed all of its stores on 30 June 2017 due to a loss of Rp 447.9 billion in the first quarter of 2017 (Agustina, 2017). In 2017, PT. Matahari Department Store closed two of its outlets in Pasaraya Blok M and Pasaraya Manggarai, Matahari's management said the closure of the outlets was due to the lack of shopping centers so that visitors were unable to reach the target (Damianus, 2017; Hussain et al., 2019).

There are twenty-five retail companies listed on the Indonesia Stock Exchange in the 2014-2018 period, six of which experienced a decline in operating profit for two consecutive years.

Table 1: Declining Operational Profit for Two Consecutive Years

Name Enteprise	**Profit Margin**				
	2014	**2015**	**2016**	**2017**	**2018**
PT Electronic City Indonesia Tbk.	15596	40032	-33741	-11806	19583
Hero Supermarket Tbk	41961	-91184	18444	-25164	-12529
Matahari Department Store Tbk	18505	22448	25326	23963	15753
Midi Utama Indonesia Tbk	17511	18789	25437	12923	99091
Matahari Putra Prima Tbk	73083	23304	10111	-16696	-10706
PT Northcliff Citranusa Indonesia Tbk.	-50562	-10453	39117	-2257	-2712

Source: www.idx.co.id, 2019

The decline in operating profit was experienced by PT Electronic City Indonesia Tbk in 2014-2016, Hero Supermarket Tbk in 2016-2018, Matahari Department Store Tbk in 2016-2018, Midi Utama Indonesia Tbk in 2016-2018, Matahari Putra Prima Tbk in in 2014-2017, and PT Northcliff Citranusa Indonesia Tbk. in 2016-2018, profit decline occurred two years in a row.

FD prediction is very important for companies to anticipate the risk of bankruptcy that will occur in the future. Company performance and financial information is needed. The usefulness of information if a company experiences FD accelerates management to prevent problems before bankruptcy (Platt and Platt, 2002). Prediction can use financial ratio analysis (Susi, 2018), including the ratio of sales growth, profitability, liquidity, leverage (Irma Kristiani, 2016).

Sales growth is sales used to measure the increase in company sales during one period will affect FD. Marisa Lutfia Firdiana's research results (2016) stated that CAR, ROA, Company Size and Sales Growth (SG) influence FD. The profitability ratio is proxied by ROA which is used to measure the ability of the company with the overall assets used in the company's operations to generate profits (Munawir, 2014: 89). Jenny and Zaky's research (2017) states that ROA has a significant influence on the likelihood of FD. Marisa's research (2016) states ROA affects FD. Research Simanjuntak, et al (2017) states ROA has no effect on FD.

The liquidity ratio proxied by Current Asset Ratio (CAR) is used to measure the company's ability to pay short-term liabilities or debt that are due immediately when collected as a whole (Kasmir, 2017: 134). The greater the CAR to DAR, the higher the company's ability to cover its short-term obligations so that the company can avoid FD conditions (Susi, 2018).

Research by Atika et al (2013) states that CAR negatively influences FD. Mitha Research (2017) states CAR affects the FD. Agustini and Wirawati's research (2019) states that the liquidity ratio does not influence FD.

The leverage ratio proxied by DAR is used to measure the company's assets financed with debt (Kasmir, 2017: 156). Creditors can find out how high the risk, if high, means that it is increasingly difficult for companies to obtain additional loans because it is feared that the company will not be able to settle its obligations with assets owned (Kasmir, 2017: 156). Kusuma and Sumani's research (2017) states that DAR has a significant effect on FD prediction. Lamria's research (2015) states that DAR has a significant effect on FD prediction. Nugraha and Fajar's research (2018) states that DER has no significant effect on FD.

II. Research Statement

The research statement which will be proven as follows:

1. What is the effect of sales growth, profitability, liquidity, leverage on FD
2. What is the effect of sales growth, profitability, liquidity, partial leverage on FD
3. How does the effect of sales growth, profitability, liquidity, leverage simultaneously FD

III. Literature review

Sales Grow

Sales Grow has a strategic influence on the company because sales growth is characterized by an increase in market share that will have an impact on increasing sales. is a picture of a company maintaining an income position in the midst of economic growth and the business sector.

Profitability

The ability to generate profits for a certain period using total assets or Return On Assets (ROA)

Liquidity

The ability to meet short-term obligations when billed is measured using Current Asset Ratio (CAR)

Leverage

The use of debt for corporate financing is measured using Debt to Asset Ratio (DAR). The more debt funding is, the more difficult it is to obtain additional loans because they may not be able to cover liabilities with assets.

Financial Distress (FD)

The condition of companies that experience illiquid, but are still in a state of solvency, is a stage of decline before bankruptcy begins with the inability to fulfill its short-term obligations.

Framework

Effect Sales Grow on Financial Distress

Sales Grow has a strategic influence on the company because sales growth is marked by an increase in market share that will have an impact on increasing sales and inflows to the company, so the company will not experience financial difficulties and illustrates the company's ability to maintain revenue position amid economic growth and the business sector (Kasmir, 2010: 116),

Hypothesis 1: Sales Grow influences Financial Distress.

Effect of Return on Assets on Financial Distress

The greater the ROA, the less likely the company is experiencing financial difficulties and vice versa, if low can be in a state of financial difficulties (Bimbi, 2015). If profitability increases the likelihood that the desired target is achieved so that the likelihood of FD will also decrease (Erma, 2018).

Hypothesis 2: Return on Assets affects Financial Distress

Effect of Current Asset Ratio on Financial Distress

If the company experiences financial difficulties, it will start to slow paying its business debt then borrowing more from the bank will increase its current liabilities faster than the increase in current assets is a sign of problems (Bimbi, 2015). CAR can be used to measure the ability to settle short-term obligations, the smaller the CAR the smaller the company experiences FD. (Widyawati, Yuhelmi, and Desiyanti, 2014).

Hypothesis 3: Current Asset Ratio affects Financial Distress

Effect of Debt to Asset Ratio on Financial Distress

Companies that are not solvable are companies that have more total debt than their total assets (Hanafi and Halim, 2018: 79). High leverage can cause FD to the company because of the inability to pay debts and a decrease in the company's cash flow that will cause FD (Erma, 2018). The greater debt in financing investments in assets, which also means that the company's financial risk increases (Sudana, 2011: 20).

Hypothesis 4: Debt to Asset Ratio to Financial Distress

Effect of SG, ROA, CAR, and DAR on FD

Financial ratio indicators are used to predict the condition of a company's financial difficulties predicting the possibility of surviving financial difficulties. Ratios include profitability, liquidity, leverage and Sales Grow. FD occurs before bankruptcy in a company. The FD model needs to be developed to be able to detect conditions of financial difficulties early on, companies are expected to take actions to anticipate conditions that lead to bankruptcy, according to previous research conducted by Alfinda, et al (2017) which states that the Sales Grow, Profitability, Liquidity, and leverage simultaneously affect FD.

Hypothesis 4: SG, ROA,CAR, and DAR affect FD

Based on the framework of thought, the conceptual paradigm of research as in Figure 1 follows:

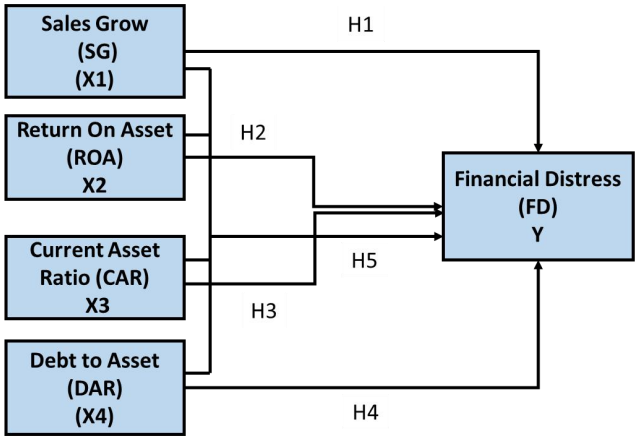

Image 1. Conceptual paradigm of research

IV. Research methods

SG, ROA, CAR, DAR research objects. This type of research is explanatory aimed at getting answers about "how" and "why" a phenomenon occurs (Sekaran, 2009). The research population is the retail sector companies on the Stock Exchange amounting to 25. Samples of 6 companies using purposive sampling techniques based on the criteria of retail companies that experienced a decline in operating profit for two consecutive years observed during the period 2014 - 2018. Data processing using Eviews 10.0

V. Research result

Data processing using the Eviews program on a panel data that is CARossectional requires testing the selection of the test model is done by:

Chow Test

Chow tests are used to choose between the Common Effect Model (CEM) and the Fixed Effect Model (FEM). To do a test using the test criteria if (p-value> 0.05), then the common effect model is selected, but if (p-value <0.05), then the fixed effect model and the continuation test will continue. Results as follows:

Table 2: Chow Test

Effects Test	Statistic	d.f.	Prob.
Cross-section F	1.505452	(5,21)	0.2306
Cross-section Chi-square	9.190130	5	0.1017

Source: Results of Output Eviews 10.0

The results of the Chow test, the sig value obtained was 0.1017. Because the value of prob. it (0.1017)> 0.05 then Ho is accepted, meaning that the appropriate model is CEM.

Hausman Test Results

Hausman Test is a test to compare random effect models with fixed effects. The test results are as follows:

Table 3: Hausman Test

Correlated Random Effects - Hausman Test

Equation: Untitled

Test Cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	1.075249	3	0.8832

Source: Results of Output Eviews 10.0

The test results the probability value is 0.8832> 0.05. The suitable model is the REM.

Lagrange Multiplier Test

Chow test and Hausman test, showed inconsistent results, then performed Lagrange Multiplier test to determine the type of model used. The test results are as follows:

Table 4

Lagrange Multiplier Test

Lagrange multiplier (LM) test for panel data

Probability in ()

Null (no rand. effect) Alternative	Cross-section One-sided	Period One-sided	Both
Breusch-Pagan	0.075804 (0.9122)	0.013099 (0.8126)	0.075894 (0.9914)

Source: Results of Output Eviews 10.0

Classical Assumption Testing

Normality test

Testing conditions Jarque-Bera Test value <2 and probability value> 0.05. The result of the Jarque-Bera test was 1,80140 <2 and the probability value was 0.23123> 0.05. Shows the residual value in the normally distributed regression model, thus the regression model meets one of the requirements of regression testing.

Multicollinearity Test

Tests that in multiple regression analysis independent variables do not occur correlation. Measured by the Variance Inflating Factor (VIF) value, if the VIF value> 10, multicollinearity symptoms occur Testing using the Stepwise, Forward and Backward regression models. The results of the Centeren VIF test results on the four variables are at a value between 2 <10, fulfilling the regression analysis requirements (Imam Gozali, 2013).

Autocorrelation Test

The test is intended to test whether there is a correlation of the dependent variable on itself

, measurement using the Durbin-Waston (DW) value, namely by comparing the Durbin-Waston (DW) number with the calculated value (dL and dU) (Imam Gozali, 2016: 82). Sample Testing Results n = 31, α = 0.05 and the number of independent variables k = 4, obtained critical values dL = 1.1602 and dU = 1.7352. Durbin-Watson value is 1,929212. The value of dL <DW <4 - dU ie 1.1602 <1.8429212 <2.2648 thus there is no autocorrelation.

Heteroscedasticity Test

Tests using Breusch-Pagan-Godfrey, by regressing the square of the value of the residual (error) of all independent variables. Heteroscedasticity test was performed using the White method. The probability result is said to be significant if the significance value is above the 5% confidence level (Ghozali, 2016). Prob value Chi-square obtained 0.2193> 0.05 concluded there was no heteroscedasticity in the regression model.

Goodness Of Fit Model

Testing the amount of change in the independent variable (X) to changes in the dependent variable (Y) is measured by the Coefficient Coefficient (KD) ie the value of R Square the greater the value of KD the greater the contribution of variable X to changes in the variable Y.

Table 5: Coefficient of Determination

R-squared	0.853257	Mean dependent var	0.774122
Adjusted R-squared	0.834828	S.D. dependent var	0.653870
S.E. of regression	0.691566	Sum squared resid	21.50574
F-statistic	24.49407	Durbin-Watson stat	1,929212

Prob(F-statistic)	0.000000

Source: Results of Output Eviews 10.0

Adjusted R-Squared value of 0.834828 or 84.48%, it was concluded that changes in the variables SG, ROA, CAR, CAR contributed to changes in FD by 84.48%, matched the strong model and the remaining 13.52% contributed by the variables other

Results of Multiple Regression Analysis

The following multiple regression testing uses data from the random effect regression equation.

Table 6: Multiple Regression Results, t Test, F Test

Dependent Variable: Y_FINANCIALDISTRESS

Method: Panel Least Squares

CARoss-sections included: 6

Total panel (balanced) observations: 30

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.986674	0.996187	1.487409	0.1989
SG	-11.52686	0.369442	2.147633	0.3374
ROA	-1.958686	0.669542	2.042294	0.0273
CAR	0.595728	0.774296	1.254437	0.2209
DAR	3.275223	0.423373	2.645545	0.0392
R-squared	0.853257	Mean dependent var		0.954667
Adjusted R-squared	0.834828	S.D. dependent var		0.862250
S.E. of regression	0.691566	Akaike info criterion		2.021729
Sum squared resid	11.05816	Schwarz criterion		2.118556
Log likelihood	26.17594	Hannan-Quinn citer.		2.081497
F-statistic	6.852025	Durbin-Watson stat		1.929212
Prob(F-statistic)	0.004413			

Source: Data processed using Eviews 10.0

The equation as follows:

FD = 0.986674 - 11.52686 SG - 1.958686 ROA + 0.595728 CAR + 3.275223 DAR + 0.996187.

The constant value of 0.986674, if the value of the variable SG, ROA, CAR, and DAR is zero, then the value of FD is 1.982861, thus without any prediction, there has been a FD of 19.8% in the company's activities.

Value of Sales Grow - 11.52686, if the value of the variable ROA, CAR, and DAR is zero, then the value of FD is worth - 9.543999 if SG has decreased, then the prediction of FD has occurred 9.54% in the company's activities. (predictions cannot be made because they are not significant).

ROA value - 1.958686, if the value of the variable SG, CAR, and DAR is zero, then the value of FD is 0.024175, if ROA has decreased, the prediction of FD has increased by 2.41% in the company's activities.

Current Asset Ratio value + 0.595728, if the value of the variable SG, ROA, and DAR is zero, then the value of FD is worth - 1.387133, if CAR has decreased, the FD prediction will occur by 13.8% in the company's activities. (predictions cannot be made because they are not significant).

Debt to Asset Ratio Value 3.275223, if the value of the variable SG, CAR, and cAR is zero, then the value of FD is 1.2922362, if the DAR has increased, the prediction of FD has increased by 12.92% in the company's activities.

Hypothesis Test Results (t Test)

Testing is done by testing the significant next to compare t arithmetic with t table. Testing continues if it meets the significance or probability is met> 0.05

Hypothesis:

1. Sales Grow probability probability 0.3374> 0.05 significance test is not met the probability value exceeds the predetermined error limit, hypothesis testing can not be done or not meaningful.
2. Probability Return On Asset 0.0273 <0.05 significance test fulfilled the probability value below the predetermined error limit. t count value 2.042294 <t table 2.05553 ROA test results have a negative effect on FD, meaning that if there is an increase in ROA, the FD will decrease.
3. Current Asset Ratio probability value 0.2209> 0.05 significance test does not meet the probability value exceeds the predetermined error limit, hypothesis testing can not be done or not meaningful.
4. Debt to Asset Ratio probability value 0.0392 <0.05 significance test fulfilled the probability value below the predetermined error limit. value of t arithmetic 2.645545> t table 2.05553 DAR test results have a positive effect on FD, meaning that if there is an increase in DAR, then the FD will increase.

Hypothesis Test Results (Test F)

Testing is done by testing the significant next compare the F count with F table. Testing is continued if it meets the significance or probability fulfilled <0.05. Test F (Prob (F-Statistic) value of 0.004413 <0.05) Then the variables SG, ROA, CAR, DAR have a significant effect on FD in Retail.

VI. Research Discussion

Effect of Sales Grow on Finacial Distress

The test results indicate the specified level of probability is not met, so hypothesis testing cannot be done. The regression results show that the predictive value of SG is negative with respect to FD, meaning that if SG is negative then the FD has decreased. The test results are contrary to the theory that if there is a decrease in sales growth, financial difficulties will decrease, while the test results show sales growth has decreased and FD has decreased, sales growth should have decreased, then FD has increased. Marisa Lutfia Firdiana's research results, (2016). States that CAR, ROA, Company Size and SG have an effect on FD. Marisa Lutfia Firdiana's research results (2016) stated that CAR, ROA, Company Size and SG influence on FD.

The Effect of ROA on FD

Tests indicate the specified level of probability is met, so that hypothesis testing can be done that ROA has a negative effect on FD. Regression results show that the predicted value of ROA is negative on FD, meaning that if ROA has decreased the financial difficulties will increase, conversely if ROA has increased the financial difficulties will decrease. Tests in accordance with the theory that high ROA shows the use and management of assets effectively and efficiently to

generate profits so that they do not experience financial difficulties, conversely, low ROA values indicate that the company's performance is less effective in processing assets in generating profits that can cause losses resulting in cash flow negative and experience FD will increase (Agustini & Wirawati, 2019). Marisa (2016) ROA research has an influence on FD but differs from the research of Simanjuntak et al. (2017) ROA does not affect the FD conditions of a company.

The Effect of CAR on FD

Hypothesis testing results show that the current asset ratio is not significant, so there can be no effect or no effect analysis. The regression results show that the predicted CAR value is positive for FD, meaning that if the CAR has increased. then the FD has increased. The test results are not in accordance with the concept and contradicts that if there is an increase in the ratio of current assets, there will be no increase in financial difficulties. The level of liquidity affecting financial difficulties cannot be tested, because the results of hypothesis testing cannot be done and are not meaningful. Agustini and Wirawati's research (2019) states that CAR has no effect on FD, in contrast to the results of Susi's study (2018) which states that CAR affects FD.

Effect of DAR on FD

Hypothesis testing shows that DAR has a positive effect on FD, if DAR has increased then financial difficulties will increase, conversely if DAR has decreased then financial difficulties will decrease. The greater the ratio of debt to assets is predicted to increase the company's financial difficulties, because DAR is used to measure the extent to which company assets are financed with debt or how much the company's debt affects the management of assets. (Cashmere, 2017: 156). The high ratio of corporate leverage will also cause a lack of trust of interested parties to companies such as creditors because companies with high leverage ratios tend to avoid investing because of the low level of protection against loan returns (Brigham and Houston, 2015: 143). The results are in accordance with the research of Kusuma and Sumani (2017) which revealed that DAR has a significant effect on FD prediction but has different results with Nugraha and Fajar (2018) which states that the leverage ratio has no significant effect on FD.

Effect of SG, ROA,CAR,DAR on FD

The results of the regression analysis showed that simultaneously Sales Grow, ROA, CAR, DAR variables influence FD, it can be concluded Sales Grow, ROA, CAR, DAR variables affect changes in financial difficulties faced by Retail companies according to the concept that predictions of financial difficulties can using financial ratio analysis (Susi, 2018), including the ratio of sales growth, profitability, liquidity, leverage (Irma Kristiani, 2016). The results of research Alfinda, et al (2017) which states that the variable profitability, liquidity, leverage simultaneously affect the Financial Distress.

VII. Conclusion

The conclusions of the study are as follows

1. ROA has a significant negative effect on FD
2. CAR is not eligible for testing because of the insignificance of FD
3. DAR has a significant negative effect on FD
4. ROA, CAR, and DAR simultaneously have a significant influence on FD

VIII. Suggestion

Based on the discussion and conclusions obtained, the authors provide the following suggestions:

1. For investors, the results of the research can be used as an illustration of the company to be invested and taken into consideration in investment decisions.

2. For companies, should be careful in making decisions for the amount of additional capital (debt) from outside the company because of the risk that will arise from the high debt that triggers FD which will lead to bankruptcy.
3. For further researchers, it is recommended to use more other independent variables beyond the ROA, CAR, and DAR variables. Further research is also recommended to conduct research on companies with more diverse characteristics, thus the results obtained can represent conclusions by comparing each company with Retail.

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