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THE EFFECT OF CASH FLOW, PROFITABILITY, AND LEVERAGE ON FINANCIAL DISTRESS IN LISTED CONSUMPTION GOODS COMPANIES

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***Keywords*:** *cash flows; profitability; leverage; financial distress*

Abstract

Introduction*: Financial distress is a condition where a company experiences problems with its finances so that the company is threatened with bankruptcy.* ***Purpose****: This study aims to determine and analyze the effect of cash flow, profitability, and leverage variables partially on financial distress, as well as to determine which variable has the most dominant effect on financial distress in manufacturing companies in the consumer goods sector. The data processed is secondary data from the annual reports of 46 manufacturing companies in the consumer goods sector listed on the IDX for 2018-2021 taken through purposive sampling. The method used in this study is panel data regression analysis using Eviews version 10. The results of this study indicate that: cash flow has a significant positive effect on financial distress, profitability has a significant negative effect on financial distress, and leverage has a significant positive effect on financial distress.* ***Methods****: This study used a purposive sampling technique with a sample of 46 manufacturing companies in the consumer goods sector.* ***Results****: This study found that cash flow had a significant positive effect on financial distress, profitability had a significant negative effect on financial distress, and leverage had a significant positive effect on financial distress.* ***Conclusion****: It can be concluded that in this study cash flow and profitability have no significant effect on financial distress while leverage has a negative and significant effect on financial distress in manufacturing companies listed on the Indonesia Stock Exchange in 2018-2021.*

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INTRODUCTION

With over time, then the more there are many competing companies for the interesting attention of consumer. Various innovations and stuff new start popping up. As gallop in sophistication technology, food or drink contemporary, increasingly trendy fashion, and so forth. However with the more height number competition, then no few companies have experienced this condition decline financial and even experience bankruptcy because no capable to anticipate progress over time and interest more and more customers increase. Development economy in the world today raises competition very tight business, especially in an increasingly modern era like now this. The company was sued for being capable compete with the advantage alone. Trading free not only compete in the domestic market, but also compete with another company. Circumstances economy a country can influence circumstances environment company, because company established for reach biggest goal. According to (Syuhada et al., 2020) growth economy in many year last, the world has grown very rapidly. However, no one could determine is something the company will permanently safe and endure in market competition. Every company established to look for profit could endure or develop in a long time without liquidation .

Company aims to earn profit for support activity its operations. Condition stable finances needed to use smoothness operational and development company. However, companies are also faced with competition between increasingly competitors tight, so the new strategy is always needed for survive and gain profit as big size. Companies that don't capable endure will experience a loss that results in fatal condition finance. Failure to produce source of funds and not exists handling seriously possible happening bankruptcy or liquidation (Amanda & Tasman, 2019) . The amount of growing company from time to time resulted company being capable compete rigorous and innovative in the product so that his company could endure from other companies and earn profit.

Lots old companies look for ideas to get rivals such as other companies making products new, innovating in the product or expand the business. For expand a business , management company is very important in carrying out the expansion process in order to be able to walk with smoothly. If the management company is not smart in manage finance and expansion process the business does no walk smooth, then company is naturally faced with bankruptcy or the term "Financial Distress" accounting. because to expand business no one can depend on treasure, but must do loan. Definition of Financial Distress / decline condition finance is something circumstances where a company no could continue the activity the business because no could pay obligations at that time determined. Besides that Financial Distress can be interpreted as circumstances where something effort experience crisis finance. Financial Distress usually caused by the failed entity paying debt debtor because the entity run out the funds for forward operational entity (Sitorus et al, 2022).

Analysis Report Finance is one method for learning the circumstances finance business. When report finance company show reduction, management and observer outside could anticipating and anticipate possibility of difficulty finance. Analysis ratio finance is one of the most important tool for analyze report finance. With the use of analysis ratio finances, position finance and performance management company rated with compare numbers in report his finances. Besides that, the future potential company could predict with the use analysis ratio finance. Analysis ratio could utilize to anticipate difficulty finance something company. The condition is called Financial Distress is condition where something effort faces problem in finance until potentially experiencing bankruptcy. As shown in the table below this , a lot of companies listed on the Indonesia Stock Exchange (IDX). Face difficulty finance until the end year 2021.

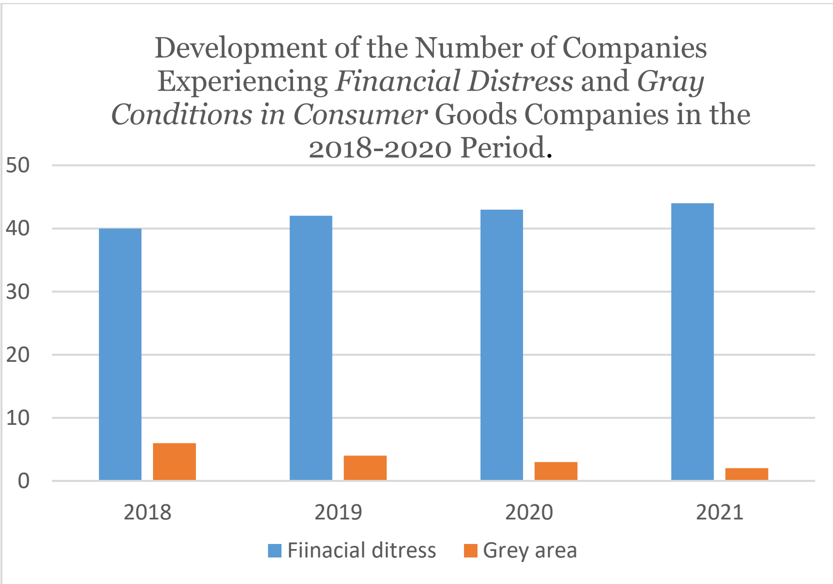


Image 1.
Development Number of Affected Companies Financial Distress and Gray Conditions in Goods Companies consumption Period 2018-2020

Based on the picture above, shows that every the year always companies are experiencing financial distress in consumption, each the year ie from From 2018 to 2021, companies will always experience financial distress increase every year his. And deep company the gray condition always decrease every the year. Condition this because competition growing company tight and moment it's also power buy inclined society decline. The growth of the goods industry existing consumption in Indonesia currently experience a slowdown in a number of the year last. Some factor to be the reason for the slowdown among them is competition between growing company tight and heated involving local brands as well import then, recovery power buy slowing society as well as shift choice consumer from FMGC products to non FMGC products are also increasing slow down the growth of the industry and not stable economy people in the era of covid 19 can also be one reason for lower consumption society.

Financial Distress is also influenced by several factors ie cash flow, a company said if cash flow and profit fail fulfill its obligation, then will experiencing financial distress. Cash flow can made as an indicator for investors and creditors for know condition finance company . The small cash flow causes investors and creditors to lose trust to the company so that could interesting the whole the funds . (Halim, 2016) through his research show that cash flow and profit influential significant in predict financial distress, and also influenced by profitability, Luh Desi Damayanti et al., (2017) said that, profitability is ability company for produce profit from assets and equity. According to performance company considered satisfying when own level high profitability because could produce a lot of money from its operational. According to Fajri and Dewi, (2018), profitability is total the profit that can be obtained company of share capital, rate sales, and assets (assets) owned company. Increased profitability something company show success company in produce profit. In other words, profitability is reflecting ratio profit company. This could used as size for determine generated profit During period certain.

Besides cash flow and profitability, situation debt companies can too be one _ reason problem financials that appear in known companies with term leverage. Leverage ratio that can be influence Financial Distress conditions. Leverage ratio is According to Prihadi, (2008), the leverage ratio is ratio showing that company capable fulfil whole obligation financially, fine period short nor period long .

Firm size, which is measured with equity and value asset company , is other contributing factors to difficulty finance (Nurmada et al., 2018). Total asset value company represented by its size. Company will more easy do diversification with more assets many, that will make it easy company for fulfil future debts and have score positive for creditors (Santoso, 2015).

Financial Distress can too influenced by growth sales (sales growth), sales growth describes how percentage sale company from year to year. Increased sales growth ratio shows that company capable Execute and achieve company targets because the percentage increased sales from year to year.

RESEARCH METHODS

(Sekaran & Bougie, 2017) put forward that design study is planned in collection, measurement, and analysis of data based on statement study study researcher uses method study quantitative research quantitative interpreted as method-based research to philosophy positivity, this used for researching populations or samples particular, deep retrieval technique samples in general conducted in a manner random, data collection using research instruments, data analysis is quantitative or statistics, with a purpose for test for test hypothesis that has set (Yani, nd).

Study this use approach deductive that is, test hypothesis Among variable independent and dependent. Current cash, profitability, and leverage constitute variable independent of research. Control variables consist from firm size and sales growth while variable dependent namely financial distress with the Almant Z Score model. this model is capable of predicting financial distress in companies goods manufacturing sub-sector registered consumption on the stock exchange Indonesian effect . Study this using the data obtained from report finance each company 's annual report for the 2018-2021 period.

Table 1
Withdrawal sample

No	Criteria sample	Total
1	Population : Industrial Company Goods Consumption listed on the IDX for the 2018-2021 period Taking samples based on criteria (*purposive sampling*):	74
2	Companies that don't registered on the IDX consecutive from 2018-2021 years	-24
3	Companies that don't report finance period 2018-2021 years	-4
4	Sample Study	46
5	Total Sample (nx periods research) (46x 4 years)	184

The corresponding outlined table, then obtained a sample for studying as many as 46 companies in the sub-sector sector goods consumption .

Table 2

Variable	**Definition**	**Measurement**	**Source**
Financial Distress	Something is the stage at which the business experience difficulty finance before submitting bankruptcy.	$Z = 6{,}56X1 + 3{,}26X2 + 6{,}72X3 + 1{,}05X4$	(Hotchikiss, 2019)
cash flow	Cash flow is what it contains about cash receipts, cash disbursements , and balances net cash generated _ from activity operations, activities investment, and activity funding on a period certain.	Total Cash Flow = Total Operating Cash Flow + Total Investment Cash Flow + Funding Cash Flow	(J. Weygant , Paul D. Kimmel, Donald E. Kieso 2013)
Profitability	Is the return on assets used _ for producing income clean company	$ROA = \frac{EAT}{TOTAL\ ASSET}$	(Hanafi & Halim, 2016)
leverage	*leverage* is a ratio used for _ measure to what extent assets the company financed by debt.	$ER = \frac{TOTAL\ LIABILITIES}{TOTAL\ EQUITY}$	(Brigham and Houston 2012)
growth sales	Growth sale are counted with the formula: sales period now - the period before: sales period before.	$\frac{net\ sales\ t - net\ sales\ t-1}{net\ sales\ t-1}$	(Rahmy , 2015), (Widhiari & Merkusiwati, 2015) , and (Amanda & Tasman, 2019)
firm size	Size company be measured with the natural log of total assets company	Size = Ln total assets	Nasser et al., 2006

Analysis this panel data regression used for test influence Partial variable independent to variable dependent. If value > value, and or probability significance smaller than 0.05 then rejected and hypothesized stated alternative _ that variable independent individually affect _ variable dependent be accepted or rejected . The panel data equation is as follows:

FDit = a + Q 1 $Arus.Kas$ i t + Q 2 $Prof$ i tab i l i tas i t + Q 3 $Leverage$ i + _

Description :

FDit = FDit = Financial Distress of the company I at time t, α = Constant, β = Coefficient Regression, Cash Flow = Cash flow of company i at time t, Profitability = Profitability company I at time t, Leverageit = Leverage of the company i at time t, e = Standard error.

Hypothesis study could be stated be accepted if score PValues < 0.05. hypothesis study this is as following :

H1: Cash flow matters positive and significant to Difficulty Finance.

H2 : Profitability influential negative and significant against Financial Distress

H3: Leverage matters positively and significant against Financial Distress.

RESULTS AND DISCUSSION

A. Research Results Characteristics of Respondents

1. Chow Test or Likelihood Test

Table 3
Chow-Test Test Results

Redundant Fixed Effects Tests Test cross-section fixed effects			
Effect Test	Statistics	d,f,	Prob,
Cross-section F	30,688	-43,127	0.000
Chi-square cross-sections	428,168	43,000	0.000

Source : Results of Processed Data Using Eviews 10

Based on Chow Test test results with the use Eviews 10, got a probability of 0.000. Because of value probability smaller of the significant level (α = 0.05), so could concluded that hypothesis accepted , so more estimate _ good used in this model is a fixed effect model. So testing next with the Hausmann test .

2. Hausman test

Testing this comparing the fixed effect model with the random effect in determine the best model for used as a panel data regression model . The Hausman test uses a similar program with the Chow test , namely the Eviews program . The results of the Hausman Test can be obtained seen from the processed hausman test output results with use Eviews 10 on the table following this :

Table 4
Hausman-Test Test Results

Correlated Random Effects - Hausman Test Test cross-section random effects			
Test Summary	**Chi-Sq. Statistics**	**Chi-Sq. df**	**Prob**
Random cross-sections	55.32134	5,000	0.000

Source : Results of Processed Data Using Eviews 10

Based on hausman test results with use Eviews , obtained a probability of 0.000. More probability value small from the significant level (α = 0.05), then hypothesis for this model received good model worn is a fixed effect. So testing next with panel data regression test .

3. Analysis Panel Regression

Table 5
Estimation Results Fixed Effect Panel Regression

Dependent Variable: FD

Variables	coefficient	std. Error	t-Statistics	Prob
C	14,841	1,985	7,478	0.000
AK	0.023	0.028	0.817	0.415
homework	-0.001	0.001	-0.819	0.415
LV	-0.049	0.015	-3,238	0.002
SIZE	-0.484	0.070	-6,940	0.000
GROWTH	0.401	0.046	8,779	0.000
R-squared				0.923
Adjusted R-squared				0.893
F-statistics				31,577
Prob(F-statistic)				0.000

Source : Processed panel data regression results Eviews 10

from processing use Eviews 10 above , then obtained equality the regression as following :

$$Y = 14.841 + 0.023 (X1) - 0.001 (X2) - 0.049 (X3) - 0.484 (Z1) + 0.401 (Z2) + e$$

From the equation panel regression can concluded that :

a. From the analysis test results panel regression is visible that score constant of - 14.841, that is Cash Flow (X1), Profitability (X2), Leverage (X3) and Size company (Z1) as well Growth sales (Z2) of worth zero or permanent then the value of financial distress is of 14,841.
b. Variable Cash flow (X1) has coefficient regression of 0.023. It means if variable Cash flow (X1) increases as big one unit with assumption Profitability (X2), Leverage (X3) and Size company (Z1) as well Growth sales (Z2) value zero or permanent then financial distress will experience enhancement of 0.023. Coefficient worth positive, meaning there is connection positive Among cash flow against financial distress. increasing cash flow then will increasing financial distress in the company.
c. Variable Profitability (X2) has coefficient regression of -0.001. It means if Leverage variable increases as big one unit weight with assumption Cash Flow (X1), Leverage (X3) and Size company (Z1) as well Growth sales (Z2) value zero or permanent then financial distress will experience decline of 0.001. Coefficient worth negative, meaning there is connection negative Among Profitability against financial distress. increasing Profitability so will reduce financial distress in the company.
d. Leverage variable (X3) has coefficient regression of -0.049. It means if Leverage variable increases as big one unit weight with assumption Cash Flow (X1), Profitability (X2) and Size company (Z1) as well Growth sales (Z2) value zero or permanent then financial distress will experience decline of 0.049. Coefficient worth negative, meaning there is connection negative between Leverage and financial distress. Increased Leverage then will reduce financial distress in the company.
e. Variable Size company (Z1) has coefficient regression of -0.484. It means if variable Size company increase as big one unit weight with assumption Cash Flow (X1), Profitability (X2) and Leverage (X3) as well Growth sales (Z2) value zero or permanent then financial distress will experience decline of 0.484. Coefficient worth negative, meaning there is connection negative Among Size company against financial distress. increasing Size company so will reduce financial distress in the company.
f. Variable Growth sales (Z2) have coefficient regression of 0.401. It means if variable Size company increase as big one unit weight with assumption Cash Flow (X1), Profitability (X2) and Leverage (X3) as well Size company (Z1) is worth zero or

permanent then financial distress will experience enhancement of 0.401. Coefficient worth positive it means there is connection positive Among Growth sale against financial distress. increasing Growth sale so will increasing financial distress in the company.

B. NORMALITY TEST

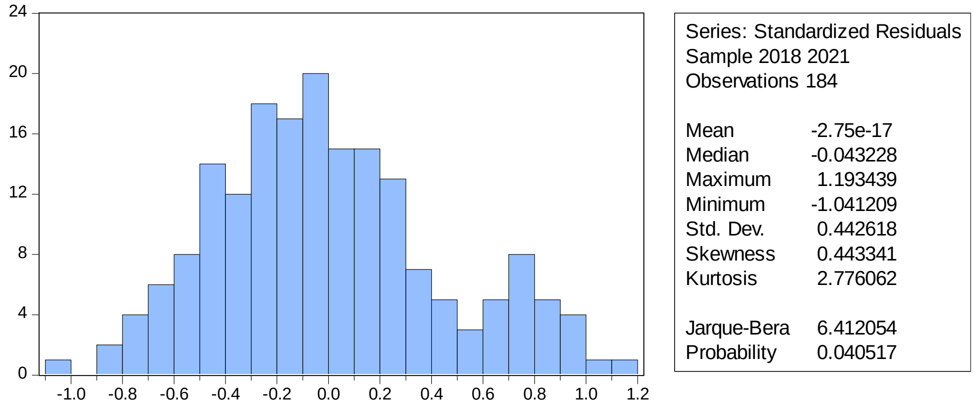


Figure 2
Jarque¬- Bera Test Results Before Outliers
Source : Results of Processed Data Using Eviews 10

From picture 2 above could seen that the residual data already which is normally distributed score jarque falla 6.412054 and probability 0.040517 or small from level probability ie 0.05 so not yet considered worthy for perform a panel regression test.

After got results that the data is distributed not normal then outlier test is performed, the outlier test is performed with use microsoft excel with method look absolute standardized value. If the absolute standardize value < 3 then the data is not oulier , if absolute standardize > 3 then data said outlier. Based on oulier test results, author eliminating 2 samples namely Pharmaceutical Chemistry Tbk (KAEF) and Multi Bintang Indonesia Tbk (MLBI) because own absolute standardized value > 3.

- **Normality test results after removal of outliers**

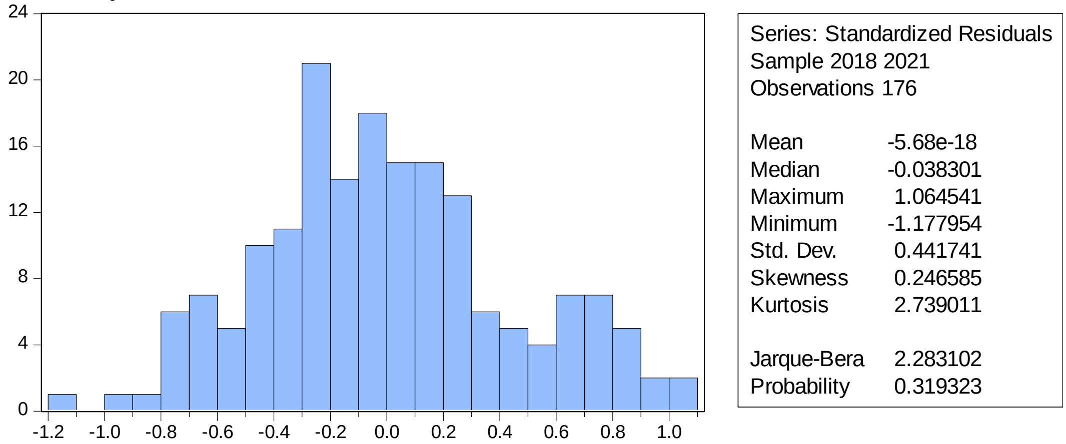


Figure 3
Source : Results of Processed Data Using Eviews 10

From figure 3 above could seen that the residual data already which is normally distributed score jarque falla 2.283102 and probability 0.319323 or big from level probability ie 0.05 so sudaj considered worthy for perform a panel regression test .

- **Hypothesis Test**

Table 6
Test Results hypothesis Study

hypothesis	Statement	Prob	Comparison	Decision
H1	Cash flow matters positive and significant against Financial Distress	0.415	0.05	Rejected
H2	Negative and significant profitability to *Financial distress*	0.415	0.05	Rejected
H3	Leverage matters positive and significant against *financial* distress	0.002	0.05	Be accepted

- **Results of Structural Model Analysis**

Before variable research in analysis with do testing formula statistics Eviews 10, data from each variable study described especially first, this meant to be give description about each variable studied. Research data that becomes variable Dependent (Y) Financial distress , while being variable independent is Cash flow (X1), Profitability (X2), Leverage (X3) with variable control that is Size company (Z1) as well Growth sales (Z2). kindly concise statistics descriptive served in table as following:

Table 7
Statistics Descriptive

	FD	AK (In Millions of Rupiah)	homework	LV	SIZE	GROWTH
Means	1.025	235587	7,953	0.990	28,603	0.074
Maximum	2,293	12055390	92,100	13,550	32,820	2,473
Minimum	0.035	-5239728	-21,400	-2,130	25,361	-0.855
Std,Dev ,	0.466	1584859	14,953	1.255	1,619	0.294
Observations	184	184	184	184	184	184

Source : Results of Processed Data Using Eviews 10

Based on table 7 above, obtained information that total sample consists of the 46 samples and the amount of data entered in testing this of 184 observational data. Financial distress variable (Y) as variable proximate dependent _ with almant z-score has score Lowest of 0.035 that is owned by Earth Technoculture Superior Tbk (BTEK) in 2021. Meaning During 2018-2021 Earth year Technoculture Superior Tbk own trend for experience bankruptcy, this because score almant z-core owned by Earth Technoculture Superior Tbk is score Lowest if compared with other samples studied. Top rated financial distress variable namely of 2,293 owned by Hanjaya Mandala Sampoerna Tbk (HMSP) in 2018. Meaning that in the 2018-2021 period , Hanjaya Mandala Sampoerna Tbk (HMSP) has level tendency to be more distressed low from sample other because have score More Almant Z-Score tall if compared with company other. The mean value of financial distress is 1.025 During period observations started from in 2018-2021 the level of distress from company sample is of 1.025. Value of standard deviation of 0.466 which is where data distribution can categorized as small because score standard deviation more small if compared with the average value (mean).

Variable independent in study this that is Cash flow (X1) has score Lowest of -5,239,728 owned by Indofood Sukses Makmur Tbk (INDF) in 2018. This indicate that level rotation cash flow from Indofood Sukses Makmur Tbk (INDF) during period study more low compared company another sample because own negative cash flow. Top rated cash flow of 38,252,000 at a variable average The cash flows are 2,567,464 as well with standard deviation of 5,642,628 owned by Indofood Sukses Makmur Tbk (INDF) in 2021. This means During period study namely 2018-2021 Indofood Sukses Makmur Tbk (INDF) to be highest company rotation current the cash because own high cash flow compared with sample other. The average cash flow value of 1.025 means During period observations started _ from in 2018-2021 the level of distress from company sample is of 235,587. It means that rotation cash flow from company sample tend stable because worth positive of 235,587. Value of standard deviation of 1,584,859 which data distribution for variable cash flow can categorized as big because score standard deviation more big compared with the average value (mean).

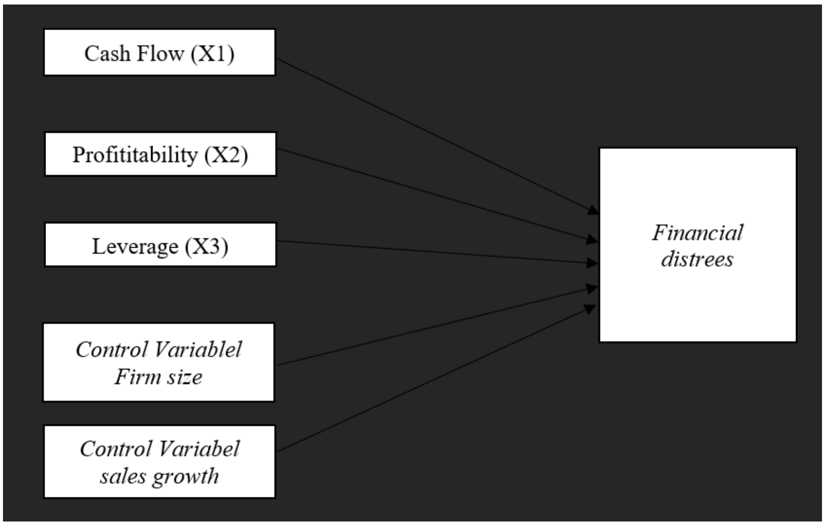
Variable Profitability (X3) proxied with ROA have score Lowest of -21,400 owned by Bentoel International invest Tbk (RMBA) in 2020. Meaning During period study Bentoel International invest Tbk produce more losses big compared with other samples are inclined produce profit. Top rated of 92,100 owned by Merck Indonesia Tbk (MERK). It means that During period 2018-2021 Merck Indonesia Tbk Becomes the biggest company produce profit clean if compared with sample other. The average value of profitability of 7.953 means During period observations started from 2018-2021 company year sample tend experience profit compared loss because has a positive average profit. Value of standard deviation of 14,953 which data distribution for variable profitability could categorized as big because score standard deviation more big compared with the average value (mean).

proxied Leverage Variable (X3). with DER have score Lowest of -2,130 owned by Tiga Pilar Sejahtera Food Tbk (AISA) in 2020. This means During period observation namely 2018-2021 Tiga Pilar Sejahtera Food Tbk Becomes hardest company pay off his obligations compared another sample because own the lowest and negative DER value. The highest leverage value of 13,550 is owned by Prasidha Aneka Niaga Tbk (PSDN) in 2020. Meaning that During period 2018-2021 Prasidha Aneka Niaga Tbk is most capable company ensure level debt through owned capital though company. The average leverage value is 0.990 During period observation from 2018-2021 by 99% of the company sample capable ensure obligations owned by the company through existing capital in company. Value of standard deviation of 1.255 which where data distribution for leverage variable can categorized as big because score standard deviation more big compared with the average value (mean).

Variable Size company (Z1) proxied with LN Total Assets own score Lowest of 25,361 owned by Prima Cakrawala Abadi Tbk (PCAR) in 2020. This means During period 2018-2020 Prima Cakrawala Abadi Tbk is company with lowest asset compared with sample other. Top rated of 32,820 owned by Indofood Sukses Makmur Tbk (INDF) in 2021. This means that Indofood Sukses Makmur Tbk have more total assets big compared with company others in 2018-2021. Size average value company of 28.603 means During period observation from 2018-2021 company year sample own relative asset _ big . Value of standard deviation of 1.619 which data distribution for leverage variable can categorized as small because score standard deviation more small compared with the average value (mean).

Variable Growth proxied sales (Z2). with sales growth have score Lowest of 0.885 which belongs to the Earth Technoculture Superior Tbk (BTEk) in 2021. Meaning During 2018-2020 Earth period Technoculture Superior Tbk (BTEK) is company with level decline highest sales compared another sample in 2018-2021. Top rated of 32,820 owned by Prima Cakrawala Abadi Tbk (PCAR) in 2021. This means that Prima Cakrawala Abadi Tbk Becomes company with enhancement highest sales from previously if compared with sample other. Growth average value sale of 0.074 means During period observation from 2018-2021 company year sample tend experience enhancement sales. Value of standard deviation of 0.294 which is where data distribution for leverage variable can categorized as big because score standard deviation more big compared with the average value (mean).

Framework conceptual



C. Discussion

- Influence Cash Flow Against Financial Distress

If value high cash flow so the Financial Distress value is also high so much tall value of Financial Distress then indicate condition company the good or healthy. (Halim, 2016) find that company manufacturers listed on the IDX in 2013 and 2014 had difficulties finance could predicted use cash flow, which has impact significant. Analysis of Financial Distress in the company subsector property and real estate on the Indonesia Stock Exchange from 2011 to with in 2015 seen by (Komala & Laksmita, 2017) . Based on findings research, cash flows are measured with using the total cash flow is as following : influenced by operating cash flow, investment cash flow, and funding cash flow.According study (Gaol & Indriani, 2019) ratio cash flow from activity operation, ratio cash flow from activity investment, and ratio cash flow from activity funding everything impact on predictions Financial Distress conditions in the company service sector finance finance. subsector institution. Research (Zhafirah & Majidah, 2019) prove that the current ratio has an effect positive on Financial Distress in the company textiles and garments. If obligation period short company could resolved and correct time, company will spared from Financial Distress. In line with Research conducted by (Christine et al., 2019) about influence profitability, leverage, total cash flow and size company against Financial Distress stated that the total cash flow matters against Financial Distress.

Research conducted by (Setiawan et al., 2013) , (Hariyanto, 2019) and (Ayuningtiyas & Suryono, 2019) that no cash flow own influence against Financial Distress because of this possibility because company that owns low cash flow still capable for manage owned cash flow for operational company so that company still capable for pay his obligations.

H1: Cash flow matters positive and significant against Financial Distress

- Influence Profitability Against Financial Distress

Ratio this used as size ability company for obtain profit from every dollar of sales generated . Profitability is results clean from various policies and decisions . Profitability company be measured from how much succeed or nope company the from time to time. profitability is size level effectiveness organization and refers to its capacity for chase profit. Conversely, profitability, as defined by (Susanto et al., 2022) , is capacity company for produce profit in a manner whole with change sale Becomes profit and cash flow . Notice level consistent profitability that is, yield adequate profit (return). Compared with possible risk arise is standard where business could endure in the operation. Return On Assets (ROA) is used in study this for measure profitability. Companies tend no experience difficulty finance if the ROA more high. Rather, likely business experience difficulty finance will the more big if ROA decreases.

According to study (Wijayanti et al., 2021) , ROA has an impact negative on Financial Distress, when business retail must continously maintain and improve profit because importance profitability. Based on study previously about profitability carried out by (Albulescu, 2015) and (Wibowo & Susetyo, 2020) found that profitability influential negative and significant against Financial Distress. this in line with findings research conducted by Research (Princess, 2019) show that ROA has an effect negative to Financial Distress in which the company retail must always maintain and improve profit because profitability is very significant. However different with study (Christine et al., 2019) which shows that profitability in a manner significant reduce the company 's Financial Distress.

According to (Permatasari, 2016) , profitability is most common ratio for predict Financial Distress and have influential significant to Financial Distress conditions. Besides that is, research (Simanjuntak et al., 2017) as well as Nurhayati et al., (2021) stated that Financial Distress is not influenced by profitability.Meanwhile that, Mahmud's research (2021) reveals that ROA is not own influence against Financial Distress. The relationship with difficulty finance is the more high ROA, will the more profitable company, too performance company, and increasingly spared from Financial Distress.

H2: Negative and significant profitability against Financial Distress.

- Effect of Leverage on Financial Distress

Leverage ratio shows ability company for pay off obligations (good period short nor period length). Leverage ratio emphasized how much big proportion debt used in fund asset company. Besides it, deep theory agency, continuity life company is in hand agent. is agent decide for do funding from party third or no. However if proportion owed company too big, then need questioned is there is error in taking decision by agent in manage company or agent on purpose do something just attach importance himself alone, because it's a decision agent about funding asset company be very important, because if agent too many using party funds third as funding then will arise more obligations big on then day, and p this will resulted company Becomes susceptible to finance, difficulty or difficulty finance (Oktaviani & Yanthi, 2022) . The more the greater the leverage, the more big possibility company experience financial distress.

In study Hastuti , (2014) shows that influential leverage ratio significant against Financial Distress. Besides that there is study from (Permatasari, 2016) which also uses leverage ratio and own influential results significant on Financial Distress. Research previously has studied by Faldiansyah et al., (2020) and Marfungatun, (2015) proved that leverage has an effect positive significant against Financial Distress. However research conducted by Tran, (2020) who found that leverage has a significant negative effect on Financial Distress. Dalam study Hastuti, (2014) shows that influential leverage ratio significant against Financial Distress. Besides that there is study from (Permatasari, 2016) which also uses leverage ratio and own influential results significant against Financial Distress. And research done by Younas et al., (2021) that leverage ratio has a negative effect on the company 's Financial Distress manufacturing and also variable leverage is not influential significant against Financial Distress Ayu et al. (2017). The hypothesis used in study this is as follows:

H3: Leverage matters positive and significant against Financial Distress

CONCLUSION

Study this produce expected implications Becomes instruction for study next. Based on results analysis found that Leverage has an effect negative to financial distress can interpreted if leverage increases so level Almant Z-Score as increasingly proxies for financial distress decreased, so company could the more away from financial distress. Inside company obtain source of funds will choose risky source of funds small so that will increase management finance. With little risk company will get high profits so that company capable pay debts and expenses flowers and more small possibility company experiencing financial distress. So from that company must increase leverage ratio with method obtain source of company funds from loan with small risk and level low interest for lower level of deep financial distress company.

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