

THE INFLUENCE OF RETURN ON ASSETS, DEBT TO ASSETS RATIO AND CURRENT RATIO ON FINANCIAL DISTRESS

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ABSTRACT

This study aimed to find out the influence of Return On Assets, Debt to Assets Ratio and Current Ratio partially and simultaneously on Financial Distress. The data collection was conducted from annual report from five cosmetic and household companies listed in Indonesia Stock Exchange in 2013 – 2018. The data were analyzed through hypotheses test and classical assumption test using multiple linear regression. The result of partially test in this research, it indicated that Return On Assets and Debt to Assets Ratio has influence on financial distress while the Current Ratio do not have influence on Financial Distress. The simultaneously result, Return On Assets, Debt to Assets Ratio and Current Ratio have influence on Financial Distress.

Keywords: Financial Distress; Return on Assets; Debt to Assets Ratio; Current Ratio.

ABSTRAK

Penelitian ini untuk mengetahui pengaruh Return on Assets, Debt to Assets Ratio dan Current Ratio secara parsial dan simultan terhadap Financial Distress. Pengumpulan data diambil dari laporan tahunan lima perusahaan kosmetik dan peralatan rumah tangga yang terdaftar di Bursa Efek Indonesia pada tahun 2013- 2018. Analisis data di dapat melalui uji hipotesis dan uji asumsi klasik yang menggunakan regresi linear berganda. Hasil uji parsial di penelitian ini, bahwa Return On Assets dan Debt To Assets Ratio berpengaruh terhadap Financial Distress sementara Current Ratio tidak berpengaruh terhadap Financial Distress. Hasil uji simultan menunjukkan bahwa Return on Assets, Debt to Assets Ratio dan Current Ratio berpengaruh terhadap Financial Distress.

Kata kunci: *Financial Distress; Return on Assets; Debt to Assets Ratio; Current Ratio.*

INTRODUCTION

The number of companies that are growing faster in Indonesia is now making significant changes (Kemenperin, 2018). Companies are required to with other companies to get stable profits and continue to increase every year. Every company is expected to stay positive profit and don't want to expect a bankruptcy or liquidation. Financial conditions in Indonesia are unpredictable cause net profit years to years is not stable according to their financial statement. As a leader in a company who runs a job to control the company's, they must know the state of the company's financial statements whether it is okay or not.

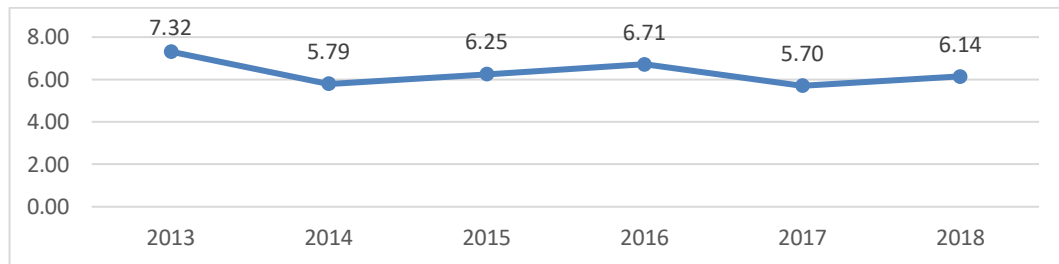
The cosmetics and household goods company sub-sector is one of the listed company in Indonesia Stock Exchange which is engaged in the production of cosmetics, fragrances, hair care, food and beverage products, home care products, and body care products. According to Kemenperin (2018) that had statement cosmetic industry as the best sector that has been written in Rencana Pembangunan Industri Nasional (RIPIN) 2015-2035.

At each company, it's ensured that every company has internal and external problems that can cause the distress of financial condition that causes the bankruptcy if not analyzed early by the company itself. Both internal and external problems in financial distress if there is no early prevention by the company it will cause financial distress events of financial distress or even bankruptcy.

At present there are several methods developed to predict a company's financial distress, there are several methods to calculate financial distress is

Altman Z-Score, Springate, Grover and Zmijewski. Each method has a different level of accuracy in each study (Fitriyanti & Yunita, 2015).

Figure 1.
Average of Financial Distress With Altman Z-Score



Source: data processed by researcher, 2020.

From Figure 1 shows average of Financial Distress period 2013-2018 knows that value of financial distress is unpredictable and can get more higher or lowest sometimes and it makes company must be aware everytime. Based on information reported through the (Theresa, 2018) a social media site, a well-known skincare and cosmetics company in South Korea, precisely in Seoul, Skin Food is reportedly experiencing bankruptcy. It is known that since 2014, the Skin Food brand has submitted a curator to court because of financial problems.

Return On Assets provides the final answer about the effectiveness of company management. With the effectiveness from using company assets will reduce costs incurred by the company, the company will get savings and will have enough funds to run the activities. In other words, the high value of Return On Assets of but company but low chance in and encounter the distress of financial and reversely. Based on previous research is Baimwera & Muriuki (2014) that have result Return On Assets has positive effect on Financial Distress. According

to Finishtya (2019), Return On Assets has negative effect on Financial Distress. Its different from research of Atika *et al.*, (2013) that shows Return on Asset do not affect the financial distress.

H₁ : Return On Assets has the influence on the financial distress.

High level of corporate debt will influence the interest expense that must be paid by the company and of course it will directly affect the company's financial to Debt to Assets Ratio is have positive effect on financial distress. Research by Suprihatin & Mansur (2016), shows that Debt To Assets Ratio have negative effect on financial distress. It's different from researchers Carolina, et al., (2017) that Debt to Total Assets Ratio does not affect the Financial Distress.

H₂ : Debt to Assets Ratio partially has influence on the financial distress.

Current Ratio can be fulfilled by the expected assets can be converted to cash within a period of time which is roughly the same as maturity bill. Current that is too high shows excess cash or assets other smoothly compared to that needed now. This ratio is an indicator of liquidity that is currently used. The financial distress of a company will be lower if company pays the debt. Study carried out by Ginting (2017) indicates that there is positive relationship between current ration and financial distress. Study conducted by Curry & Banjarnahor (2018) reveals that there is negative effect of current ratio on Financial Distress. Study conducted by Srikalimah (2017) shows that there is no effect between current ratio on financial distress.

H₃ : Current Ratio partially has influence on the Financial Distress.

Based on the previous framework, Return on Assets, Debt to Total Assets Ratio and Current Ratio have significant effect on Financial Distress. It means that the condition of company is good and there's no problem. Based on research Suprihatin & Mansur (2016) the return on assets, debt to assets ratio and current ratio simultaneously influence on financial distress. Other research by Yusbardini & Rashid (2019) also prove that return on assets, debt to assets ratio and current ratio simultaneously influence on financial distress. But different with Agustini & Wirawati (2019) which is stated on their conclusion that the return on assets, debt to assets ratio and current ratio simultaneously do not influence on financial distress. The research variables consist of independent variables, Return on Assets, Debt to Total Assets Ratio, and Current Ratio as well as the dependent variable Financial Distress.

H₄ : Return on Assets, Debt to Assets Ratio and Current Ratio simultaneously affect financial distress.

According to those hypotheses, it can be concluded that framework of this research is

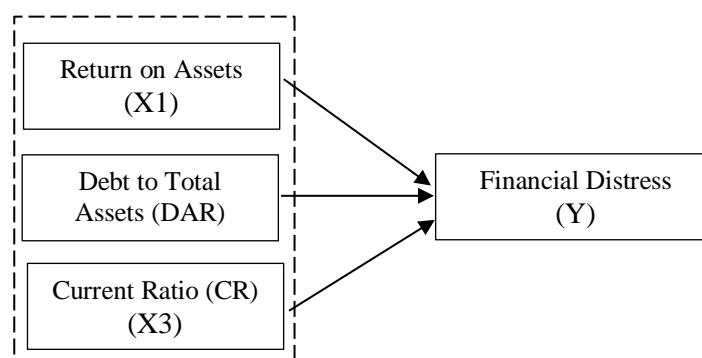


Figure 2.
Research Framework

RESEARCH METHOD

Quantitative research is a type of research that produces findings that can be achieved (obtained) by using statistical procedures or other ways of quantification. In this research the researcher tried to obtain information about the influence of the variable Return on Assets, Debt to Total Assets Ratio and Current Ratio on Financial Distress In Cosmetic and Household Needs Sub Sector Manufacturing Companies Listed In Indonesia Stock Exchange Period 2013-2018.

Table 1.
Criteria For The Selection Companies

No.	Descriptions	Total Company
1	Cosmetic and household needs sub sectors manufacturing company listed on IDX	7
2	Cosmetic and household needs sub sectors manufacturing company listed on IDX that do not provide financial reports during the study period (2013-2018)	(2)
3	Cosmetic and household needs sub sectors manufacturing company that use other rupiah currencies for reporting financial statements.	0
Total Sample		6x5
Total Review (5x6)		30

Source: Review by researcher, 2020.

While the data used in this research is secondary the data in the form of annual financial statements of cosmetic and household needs subsector manufacturing company listed in indonesia stock exchange with the end of the accounting year on December 31 in 2013, 2014, 2015, 2016 2017, 2018. The sources of the data were get from the financial statement of the which can be access with www.idx.com.

The model developed by Edward I. Altman in 1968 was modified in 1995. Altman modified the model to minimize industrial effects due to the existence of variable asset turnover (X5). With the modified model, the Altman model can be applied to all companies both manufacturing companies and non-manufacturing companies. In the Modified Altman Z-Score Model, Altman eliminates variables X5, which is the ratio of sales to total assets, the model is known as the revised Altman's Z-Score that can be use for both manufactured and non-manufactured companies and changes X4 from market value of equity to be book value of equity with functions discriminant as follows (Hery, 2016);

$$Z = 6,56 X_1 + 3,26 X_2 + 6,72 X_3 + 1,05 X_4 \dots \dots \dots (1)$$

Details :

X1: Working Capital to Total Assets

X2: Retained Earnings to Total Assets

X3: Earnings Before Interest and Taxes to Total Assets

X4: Book Value of Equity to Book Value of Debt

With the following criteria: 1). Z-score > 2,60 is classified as a very healthy company that is not experiencing financial difficulties. 2). $1,10 < Z\text{-Score} < 2,60$ are in the grey area that is categorized as a company having financial difficulties or calles zone of ignorance. 3). Z-Score < 1,10 are categorized as companies that have huge financial difficulties and are at high risk so that the possibility of the collapse of very large.

This study is accompanied by calculating the percentage accuracy of each prediction model. The level of accuracy and type of error for each model is

calculated as follows:

$$\text{Accuracy} = \frac{\text{Total of true prediction}}{\text{Total Sample}} \dots\dots\dots(2)$$

In addition to the accuracy of each model, another consideration is the error level. Type II errors are errors that occur if the model predicts the sample is distressed when in fact it is not distressed. Error rate calculated as follows:

$$\text{Type error II} = \frac{\text{Total failed type II}}{\text{Total sample}} \times 100\% \dots\dots\dots(3)$$

According to (Harahap, 2013) return on assets is a ratio that shows how much net income gained when measure by value of assets by dividing net income that is get by average of total assets in the company.

$$\text{Return on Assets} = \frac{\text{Net Profit}}{\text{Total Assets}} \dots\dots\dots(4)$$

According to (Sutrisno, 2012) debt to total assets ratio is to measure percentage the amount of funds from debt. Definition of debt is all debt that owned by company, its all current liabilities and total liabilities. Creditors more like debt ratio more lower because security of cash level is more higher.

$$\text{Debt to Total Assets Ratio} = \frac{\text{Total Debt}}{\text{Total Assets}} \dots\dots\dots(5)$$

According to (Kasmir, 2017) current ratio is a ratio to measure the company's ability to pay short-term obligations or debt that is due soon at the time of the overall collection.

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}} \dots\dots\dots(6)$$

Multiple linear regression analysis is used to identify the relationship

between dependent and independent variable, where financial distress as dependent variable and the influence return on assets, debt to assets ratio and current ratio as independent variable. Before its begin, then it must to use classical assumption test to know result of normality, multicollinearity, heteroscedasticity and autocorrelation. If its fulfill, then the model is proper to use. The following are the multiple linear regression equation in general:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + e \dots \dots \dots (7)$$

Descriptions:

- Y = Dependent Variable
a = Constanta
 $b_1b_2b_3$ = Coefficient Regression
 $X_1X_2X_3$ = Independent Variable
e = Error

RESULT AND DISCUSSIONS

Table 2.
The Results of Descriptive Analysis Data

	N	Minimum	Maximum	Mean	Standar Deviation
Return on Assets	30	-0,17	0,46	0,1090	0,16397
Debt to Assets Ratio	30	0,14	0,72	0,3940	0,18271
Current Ratio	30	0,60	6,05	2,7130	1,68108
Financial Distress	30	0,18	12,20	6,2567	3,36698
Valid N (listwise)	30				

Source: data processed by SPSS, 2020

Table 2 shows the research on 30 samples data from the cosmetic and household needs sub sector manufacturing companies listed on Indonesia Stock

Exchange from 2013 to 2018, while the results from descriptive statistics are: Return on Assets have value of mean is 0,1090 which the value is smaller than the standard deviation of 0,16397 (mean 0,1090 < standard deviation 0,16397) so that indicates poor results and also has a big fluctuations. Because the standard deviation is a reflection of a high deviation, so spread of the data shows abnormal results and causes bias. The minimum value as much as -0,17 is on MBTO for year 2018. Then the maximum value 0,46 is UNVR for period 2018.

Debt to Assets Ratio has a mean value is 0,3940 which the value is bigger than standard deviation is 0,18271 (mean 0,3940 > standard deviation 0,18271) so that indicates a fairly good result and has small fluctuation. This is because the standard deviation is a reflection of a very high deviation, which causes normal data and does not cause bias. In addition, the minimum value of DAR is 0,14 which is on MRAT for period 2013 and the maximum value is 0,72 on UNVR 2017.

The Current Ratio has a mean value 2,7130 which is bigger than standard deviation is 1,68108 (mean 2,7130 > standard deviation 1,68108). Which is means that the results are quite good and also has small fluctuation. This is causes the standard deviation is a reflection of very high deviations, so that the spread produces normal and unbiased data. In addition minimum value is 0,60 on UNVR for period 2016 and maximum value is 6,05 on MRAT for period 2013.

Financial distres has a mean value is 6,2567 which is bigger than standard deviation is 3,36698 (mean 6,2567 > standard deviation 3,36698). Which means the data are good and also have small fluctuation. This causes the standard

deviation reflection of very high deviations, so that spread produces normal and unbiased data. In addition minimum value is 0,18 on ADES Tbk for period 2013. And maximum value is 12,20 on MRAT for period 2013.

Table 3.
Result of Multiple Linear Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	7,974	3,026		2,635	,014
ROA	10,931	2,340	,532	4,672	,000
DAR	-13,170	4,847	-,715	-2,717	,012
CR	,840	,471	,419	1,785	,086

Source: data is processed by SPSS 25, 2020.

Based on the results of processing with SPSS 25, the results of the multiple linear regression analysis equation are as follows: The regression coefficient for variable X1 has a positive value, meaning that there is unidirectional relationship between ROA (X1) and Financial Distress (Y). ROA (X1) coefficient regression of 10,931. It means when the ROA increase as much as 1, so the value of FD (Y) will increase as much as 10,931 and vice versa if ROA decrease as much as 1 then value of FD (Y) will decrease 10,931.

The regression coefficient for variable X2 has a negative value, which means that there is not unidirectional relationship between DAR (X2) and Financial Distress (Y) where the coefficient regression value of DAR (X2) is -13,170. It means when the DAR increasing as much as 1, the Financial Distress will decrease as much as -13,170 and if DAR is decreasing as much as 1 then Financial Distress (Y) will be increase as much as -13,170.

The regression coefficient for variable X3 has a positive value, which

means that there is a unidirectional relationship between Current Ratio (X3) and Financial Distress (Y) where the coefficient regression value of Current Ratio (X3) is 0,840. It means when the Current Ratio increasing as much as 1, the Financial Distress will increase as much as 0,840 and vice versa if Current Ratio decrease as much as 1, Financial Distress will decrease as much as 0,840.

Table 4.
One- Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		30
Normal Parameters ^{a,b}	Mean	,0000000
	Std. Deviation	1,44063348
	Absolute	,155
	Positive	,134
	Negative	-,155
Test Statistic		,155
Asymp. Sig. (2-tailed)		,064 ^c

Source: data processed by SPSS 25, 2020.

Based on Kolmogorov Smirnov Test above, the value of Asymp. Sig is 0,064 which means its Asymp. Sig > 0,05. So, it can be concluded that the data used in this study has a normal distribution.

Table 5.
Multicollinearity Test

Model	Unstandardized Coefficients		Standardized Coefficients		Collinearity Statistics		
	B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1 (Constant)	7,974	3,026		2,635	,014		
ROA	10,931	2,340	,532	4,672	,000	,542	1,844
DAR	-	4,847	-,715	2,717	,012	,102	9,827
CR	,840	,471	,419	1,785	,086	,128	7,842

Source: data processed by SPSS 25, 2020.

Based on Table 5 above, it is known that each VIF value is as follows : VIF value for variable (X1) ROA of 1,844 is less than 10 ($1,844 < 10$) then the ROA variable can be expressed as not having symptoms of multicollinearity. VIF value for variable (X2) DAR of 9,827 is less than 10 ($9,827 < 10$) then the DAR variable can be expressed as not having symptoms of multicollinearity. VIF value for variable (X3) CR of 7,842 is less than 10 ($7,842 < 10$) then the CR variable can be expressed as not having symptoms of multicollinearity.

Table 6.
Heteroscedasticity Test (Glejser Test)

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
1 (Constant)	4,396	2,082			2,635	,014
ROA	1,223	1,610	,192		,760	,454
DAR	-5,451	3,335	-,956		-1,634	,114
CR	-,517	,324	-,834		-1,598	,122

a. Dependent Variable: Abs_RES

Source: Data processed by SPSS 25, 2020.

Based on the glejser test output in Table 6 above, it is known that the value of sig of independent variable (X) is :Return on Assets has value of sig 0,454 > 0,05 it means there are no heteroscedasticity. Debt to Assets Ratio has value of sig 0,114 > 0,05 it means there are no heteroscedasticity. Current Ratio has value of sig 0,122 > 0,05 it means there are no heteroscedasticity. Therefore, it can be concluded that there is no heteroscedasticity in this study.

Table 7.
Result of Autocorrelation Test

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,904 ^a	,817	,796	1,52148	1,690

Source: data processed by SPSS 25, 2020.

Based on the results of Table 7 above shows that the autocorrelation test obtained Durbin-Watson value of 1,690 so that the DW value is between -2 and +2, it means that there is no autocorrelation in the variables in this study.

Table 8
Result of t Test

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
1 (Constant)	7,974	3,026			2,635	,014
ROA	10,931	2,340	,532		4,672	,000
DAR	-13,170	4,847	-,715		-2,717	,012
CR	,840	,471	,419		1,785	,086

Source: Data processed by researcher, 2020.

Based on these calculations, it can be seen that the significant value of t_{count} in each variant will be compared with the results of t Table at $n = 30$ with a significance level of 5%. At the level of error ($\alpha = 0,05$) using the 2-sided test, the free degree ($n-k$) or $30-3 = 27$ is obtained with a value of $t_{Table} (27; 0,025)$ is 2,052.

Return on Assets (X1) Partially Influence on Financial Distress (Y). $H_1 =$
 $H_0: \mu_1 = 0$ Return on Assets partially does not have an influence on Financial Distress. $H_a: \mu_1 \neq 0$. Return on Assets partially has an influence on Financial Distress. Based on the results of the t test contained in Table 8, obtained a significance value of $0,000 < 0,05$ then partially there is a significant of Return on Assets. While the value of $t_{count} 4,672 > 2,052 t_{Table}$.

The effect is positive of 4,672 means that if there is an increase in ROA, there will be a increase in Financial Distress. So it can be concluded that H_0 rejected and H_a do not rejected or with the other words the ROA does influences

on Financial Distress. This is contra with the theory that stated by Kristanti (2019) that the higher the value of ROA means that the value of net profit of a company is also higher. The higher value of ROA in companies make a company have opportunity to make financial position company will more higher.

The results shows with the means, if the company has high value of return on assets then value of financial distress will higher. This can shows by phenomenon in net profit of cosmetic and household needs manufacturing listed in Indonesia Stock Exchange 2013-2018 had fluctuation every year and also in phenomenon of the data while in 2014 and 2017 both of ROA and financial distress are decrease and in 2015 both of them had increase value. So if the company had higher value of ROA that it will takes efficiency on company, but it can be seen cash flow from all company is having fluctuations and make the value of ROA is lower and also in MRAT and MBTO is having negative value.

This results in line with the research conducted by Baimwera & Muriuki (2014) which shows that Return on Assets has positive influence on Financial Distress. Debt to Assets Ratio (X2) Partially Influence on Financial Distress (Y) $H_1 = H_0: \mu_2 = 0$. Debt to Assets Ratio partially does not have an influence on Financial Distress. $H_a: \mu_2 \neq 0$ Debt to Assets Ratio partially has an influence on Financial Distress. Based on the results of the t test contained in Table 8, obtained a significance value of $0,012 < 0,05$ then partially there is a significant of Debt to Assets Ratio. While the value of $t_{count} -2,717 > 2,052 t_{Table}$.

This value has a negative effect -2,717 meaning that if there is an increase in DAR, Financial Distress will decrease or in other words if the DAR increases,

it will be followed by an decrease in Financial Distress. So it can be concluded that H_0 rejected and H_a do not rejected. Then DAR has a negative effect on Financial Distress.

Its contra with Yusbardini & Rashid (2019) that said more higher of DAR then value of Financial Distress will higher too. This is contra caused by phenomenon of average DAR in cosmetic and household needs manufacturing company listed in Indonesia Stock Exchange 2013-2018 that in 2014, 2015 and 2017 both of them is increase and decrease so it can be seen as a caused of this data is contra with theory. With this contrary, it can be seen that management in company can warrant the value of debt with the assets properly, so it seems not to be caused financial distress is higher. The results of the study are consistent with the research conducted by Marota *et al.*, (2018), that the debt to assets ratio has a negative influence on financial distress.

Current Ratio (X3) Partially Influence on Financial Distress (Y). $H_1 = H_0$: $\mu_3 = 0$. Current Ratio partially does not have an influence on Financial Distress. H_a : $\mu_3 \neq 0$. Current Ratio partially has an influence on Financial Distress. Based on the results of the t test, a significance value of $0,086 > 0,05$ was obtained. While the $t_{count} 1,785 < t_{Table} 2,048$. The effect is positive of 1,785 means that if there is an increase in Current Ratio, there will be also increase in Financial Distress. So it can be concluded that H_0 do not rejected and H_a rejected or with the other words the Current Ratio does not influences on Financial Distress.

The results shows its contra with Curry & Banjarnahor (2018) that said company's ability to pay current debt using current assets it has. Current Ratio can

sometimes satisfy a company, but the amount of working capital and the magnitude of the ratio depends on several factor, where a standard or ratio is general can't be used for the whole company. Also in this research shows that company that having high value of current ratio but they were experience financial distress. And company with low value of current ratio doesn't experience financial distress. Thus, this contrary shows that by financial distress is not based on the higher or lower of current ratio in company. It can be seen from value of CR every year has fluctuations and phenomenon 2014 until 2018 having same cycle where CR is increase, financial distress will increase too. According to those analyze, its knows that current ratio partially doesn't influence on financial distress. This results in line with the research conducted by Srikalimah (2017).

Table 9.
Result of F test

ANOVA ^a					
Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	268,574	3	89,525	38,673	,000 ^b
Residual	60,187	26	2,315		
Total	328,761	29			

Source: data processed by researcher, 2020.

F test in this study tests together (simultaneously) the independent variables namely Return on Assets (X1), Debt to Assets Ratio (X2) and Current Ratio (X3) on Financial Distress (Y) which is the dependent variable that is tested at the 5% significance level and also with the provision if the $F_{count} > F_{Table}$ then H_0 is rejected and H_a is not rejected, meaning that the independent variable (X) simultaneously affects the dependent variable (Y). The study used SPSS 25 as

shown in Table 9..

Return on Assets (X1), Debt to Assets Ratio (DAR) (X2) and Current Ratio (X3) Simultaneously Influence on Financial Distress (Y). $H_4 = H_0: \mu_1, \mu_2, \mu_3, \mu_4 = 0$ Return on Assets, Debt to Assets Ratio and Current Ratio simultaneously do not have an influence on Financial Distress. $H_a: \mu_1, \mu_2, \mu_3, \mu_4 \neq 0$. Return on Assets, Debt to Assets Ratio and Current Ratio simultaneously have an influence on Financial Distress.

Based on the Table 9, the variable Return on Assets, Debt to Assets Ratio and Current Ratio simultaneously influence on Financial Distress which is the F_{Table} with the freedom degree in significance value 5% is $df_1=3$ and $df_2=26$, so F_{Table} is $F(3;26) = 2,98$.

Then F_{count} and F_{Table} are compared so that the value $38,673 > 2,98$ is obtained that F_{count} is higher than F_{Table} . The significance value in SPSS is 0,000 which is smaller than 0,05, which means that H_0 is rejected and H_a is not rejected. Thus, it can be concluded that Return on Assets, Debt to Assets Ratio and Current Ratio simultaneously have an influence on Financial Distress.

The company's ability to generate profits, fulfill their short-term obligations and minimize debt to finance the company's assets is very affecting on minimize the possibility of the company experiencing financial distress. This is in line on research conducted by (Gustini, 2018) that said return on assets, debt to asset ratio and current ratio of the company simultaneously influence on financial distress.

Table 10.
Result of Coefficient Determination Test (R^2)

Model Summary^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,904 ^a	,817	,796	1,52148	1,690

Source: data processed by researcher, 2020.

Based on the test results of the coefficient of determination in Table 10, it can be seen that the R Square value is 0,817. Which is show that the Financial Distress is affected by 3 independent variable that is Return on Assets, Debt to Assets Ratio and Current Ratio as much as 81,7% while the remaining as much as 18,3% is affected by other variables that the authors did not involve in this studies. The influence as much as 81,7% means that the variable Return on Assets, Debt to Assets Ratio and Current Ratio which is used in this research is really good.

Table 11.
Average of Financial Distress Declaration

No	Company	Declaration
1	ADES	Financial Distress
2	MBTO	Grey Area
3	MRAT	Health
4	TCID	Health
5	UNVR	Health

Source: data processed by researcher, 2020

From those average declaration of financial distress in cosmetics and household needs company, it shows that ADES has Financial Distress and MBTO has grey area for period 2013-2018.

And for the error type II, it shows that:

$$\text{Accuracy} = \frac{29}{30} \times 100\% = 96,7\%$$

$$\text{Type error II} = \frac{1}{30} \times 100\% = 3,33 \%$$

CONCLUSION AND SUGGESTION

Based on the research that have been conducted about The Influence of Return on Assets, Debt to Assets Ratio and Current Ratio on Financial Distress in cosmetics and household needs subsector manufacturing companies listed in Indonesia Stock Exchange Period 2013-2018, it can be concluded as follow as; The company had higher value of ROA that it will takes efficiency on company, but it can be seen cash flow from all company is having fluctuations and make the value of ROA is lower and also in MRAT and MBTO is having negative value. So it means the efficiency of that use for operation company can't giving profit to company. In this research, ROA has directional relation to financial distress. This research shows that ROA partially influence on financial distress; The more higher value of DAR can be resist in make higher financial distress. It can be seen that management in company can warrant the value of debt with the assets properly, so it seems not to be caused financial distress is higher. It means there are a directional relation from debt to assets ratio to financial distress. This research shows that DAR partially influence on financial distress; Financial distress which is done in a company is not based on the higher or the lower current ratio in a company, but it depends on the management of its company, management of a company have to make a planning to fulfill the curent liabilities

with current assets to carry out minimum chances of experiencing financial distress without looking at the level of current ratio. So current ratio has unidirectional relation on financial distress. This research shows that the current ratio partially has not an influence on financial distress; The company's ability to generate profits, fulfill their short-term obligations and minimize debt to finance the company's assets is very affecting on minimize the possibility of the company experiencing financial distress. Last conclusion is the return on assets, debt to assets ratio and current ratio simultaneously have an influence on financial distress.

This research has limitation that only test of Return on Assets, Debt to Assets Ratio and Current Ratio. Then research can be done by adding other independent variables such as Return on Equity, Earning Per Share, Interest Coverage Ratio, Corporate Governance and Sales Growth. In addition, research can be done by adding a period of research and by conducting research on other sub-sector manufacturing companies. For companies, its expected to perform asset management properly, keep the stability of the total assets that are payed by debt and keep the ability of company to pay their shot-term liabilities in or better before due date. So when company do it all, the possibility of company experience financial distress will be lower and chances to getting bankrupt also getting lower. For investors, it is better in making investment decisions must calculate the financial distress method, the numbers of which can be seen in financial statements. The calculation of financial distress can increase the level of awareness for the internal company and investors.

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