THE INFLUENCE LIQUIDITY RATIO AND LEVERAGE RATIO TO FINANCIAL DISTRESS
(Survey of Manufacturing Company Sub Sector Textile and Garments Listed In Bursa Efek Indonesia period 2012-2015)

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ABSTRACT

In 2014-2015 two of the textile and garment sub sector companies listed on the Indonesia Stock Exchange have a good Liquidity Ratios and a small Leverage Ratios but that does not cause the company to avoid the financial distress. The purpose of this research is to determine the effect of Liquidity Ratios and Leverage Ratios to Company's Financial Distress.

The analytical method used is descriptive and verificative analysis with quantitative approach. The population in this study are 8 manufacturing companies listed on Indonesia Stock Exchange of textile and garment sector for 4 years (2012-2015). The sample uses purposive sampling method with certain criteria. The analysis method used is multiple linear regression analysis.

Results of hypothesis testing in this study indicate that (1) changes in liquidity ratios have a significant positive effect on financial distress (2), and changes in leverage ratios have a significant negative effect on financial distress in textile and garment manufacturing enterprises listed in the Stock Exchange Indonesia.

Keywords: Liquidity Ratios, Leverage Ratios and Financial Distress.

I. INTRODUCTION

1.1 Background Research

The Company is a business entity doing business with the aim of obtaining profit *(profit-oriented).* In the era of globalization and rapid economic development, every company is required to compete with other companies. It encourages every company to create innovations to attract the attention of consumers, which will ultimately increase the company's profit. Earnings are an important benchmark for effectiveness and efficiency, but profitability does not guarantee a company's ability to operate in the long run (Anthony and Govindarajan: 2008).

Head of the Capital Investment Coordinating Board (BKPM) Frangky Sibrani revealed, there are 13 textile and textile products (TPT) on the verge of bankruptcy, due to the large number of illegally used illegal textile products. In addition to the rampant illegal textile products, continued Frangky, the threatened 13 textile companies are due to imported raw materials. Meanwhile, people's purchasing power declined so that Financial Distress. (Lily Rusna Fajriah: 2015).

In this case the Financial Distress *(financial distress)* is a stage of decline in the financial condition experienced by a company, which occurred prior to the bankruptcy or liquidation. If the conditions of Financial Distress *(financial distress)* is known, is expected to be taken to rectify the situation so that the company will not go on stage more severe difficulties such as bankruptcy or liquidation (Plat Plat, 2002: 1).

In general, financial ratios divided into 5 ratio is the ratio of liquidity, activity ratios, profitability ratios (Financial Hardship), the solvency ratio *(leverage),* and the ratio of the market (Rusdin, 2008). Ratios used in this study include the liquidity ratio and solvency ratio *(leverage).*

Liquidity Ratio is the ratio used to measure the company's ability to meet its short-term obligations in a timely manner (Irham Fahmi: 2014: 69). In this study, the liquidity ratio was measured using the *current ratio.*

Leverage ratio is one of the important factors affecting the Financial Distress because of the *leverage* ratio can be used by companies to raise capital in order to increase profits (Arif Singapurwoko, 2011). L *leverage* ratio is the ratio intended to measure how far the company's assets financed with debt (I Gusti Ketut Purnaya, 2016: 153). According to Gitman in Lilis Puspitawati and Fitriya Afianty (2015), the debt ratio measures the proportion of total assets financed by corporate debt.

The phenomenon that occurs in PT Ever Shine Tex Tbk. (ESTI) in the 1/2014 quarter, the company suffered a loss of US $ 905,647, much higher than the same period last year of US $ 98,085 caused by the termination of the fabric division which normally contributes to revenue of US $ 50 million per year. Lower revenue realization resulted in a weakening of the company's financial performance that could result in the company experiencing Financial Distress (Vega Aulia: 2014).

Another phenomenon occurs in PT Sri Rejeki Isman Tbk (SRIL) issuing global bonds worth US $ 270 million in April 2014 potentially violating the terms of financial condition given by creditors (BCA).Welly Isman, Corporate Secretary SRIL said that the company withdraw from BCA bank loan of US $ 20 million, loans are used to meet working capital needs, given the ratio requirements include liabilities-to-equity ratio to be 1.5 times. Then the current ratio is maintained at the number one time. But the Indonesia Stock Exchange authorities have warned since issuance of the bonds makes *the leverage* exceeds the limit specified conditions (Amalia Putri: 2014).

II. LITERATURE REVIEW, FRAMEWOK, AND HYPOTHESIS

2.1 Literature Review

2.1.1 Liquidity Ratio

According to Werner R. Murhadi (2013: 57) the definition of liquidity ratio is as follows: "The Liquidity Ratio is a ratio that indicates a company's ability to meet its short-term liabilities."

According to Wiratna Sujarweni (2017: 60) the definition of liquidity ratio is as follows: "The liquidity ratio *(liquidity ratio)* is the ability of a company to meet short-term financial liabilities in the form of short-term debts."

$$Current\ Ratio = \frac{Current\ Assets}{Current\ Liabilities} \text{ X100}$$

2.1.2 Leverage Ratio

According to Sofyan Syafri Harahap (2015: 306):
"Leverage Ratio is the ratio that describes the relationship between the company's debt to equity and assets."

According to Kashmir (2013: 155):
"The *leverage* ratio is the ratio used to measure the extent of the company's activities are financed by debt."

$$\text{DER} = \frac{\text{Total Kewajiban}}{\text{Modal Sendiri}}$$

2.1.3 Financial Distress

According to Sjahrial Dermawan (2015: 584):

"Financial distress are a situation where the operating cash flow of a company does not adequately meet its obligations."

According to Irham Fahmi (2014: 93):

"Financial distress are a stage of decline in financial conditions that occurred before bankruptcy or liquidation."

$$\text{ICR} = \frac{\text{Earning Before Tax}}{\text{Interest Paid}}$$

2.2 Framework

2.2.1 Influence of Liquidity Ratio to Financial Distress

According to Lawrence J. Gitman et. al. (2015: 71):

"Liquidity ratios measure a firm's ability to satisfy its short-term obligations as they come due, Because a common precursor to financial distress or bankruptcy is low or decline liquidity." According to Werner R. Murhadi (2013: 57) states that the higher the ratio liquidity shows the company's ability to meet obligations that must be paid or matured soon. This is also reinforced by previous studies in accordance with the results of research and Marsono Melisa (2014), Atika, et al (2013), Nindita Kanya (2014) which states that the variable Liquidity Ratio *Current Ratio* or significant effect on the prediction of the occurrence of Financial Hardship.

2.2.2 Influence of Leverage Ratio to Financial Distress

According to Van Horne and John (2005) in Dewi Fitria and Deny Arnos (2007: 82), the use of the *leverage* ratio refers to the fixed costs to increase *(lever up)* Financial Hardship. According to research results Sunarto and Agus Prasetyo (2009) stated *leverage* significant positive effect on the Financial Distress. Furthermore, the results of research by Budiyanto Linda (2016) states berpengarh *leverage* to Financial Distress.

2.3 Hypothesis

According Sugiyono (2013: 96), the hypothesis is a temporary answer to the problems to be studied, hypothesized compiled and tested to show true or wrong by way of freedom from the value and opinion of researchers who compile and test it. The research hypothesis in this study are as follows:

H_1 = The Liquidity Ratio effect on Financial Distress.

H_2 = The Leverage Ratio effect on Financial Distress.

III. OBJECT AND RESEARCH METHODS

3.1 Object of Research

According Sugiyono (2014: 13), the object of research is the scientific goal to obtain data for the purpose and usefulness of the object thing, *valid,* and *reliable* about something (specific variables). The object of this research is the liquidity ratio as *independent* variable / free (X1) and a *leverage* ratio as an *independent* variable / free (X2) as well as financial distress as a variable *dependent* / related (Y).

3.2 Research Methods

According Sugiyono (2013: 2), research method is a scientific way to obtain valid data with the purpose of the discovery, verification and development of a knowledge so that the results can be used to understand, solve and anticipate problems. The method used in this research is

descriptive and verification method. This study aimed to test the hypothesis of each variable using statistical calculations on the effect of the liquidity ratio (X1) and *Leverage* ratio (X2) to financial distress (Y).

3.2.1 Research Design

According to Jonathan Sarwo (2006: 27), research design is like a guide tool for researchers in conducting the process of determining the instrument of data collection, sample determination, data collection and data analysis, research design such as a road map for researchers who guide and determine the direction of ongoing research process true and correct in accordance with the intended purpose.

3.3 Operationalization of Research Variables

According to Iwan Satibi (2011: 71), operationalization of variables is as a concept that connects between theories or variables that are still abstract to dalah reality. In this study the variables used consist of independent variables and dependent variables.

1) Independent Variable (X)

In this case the independent variables to be studied is the liquidity ratio (X1) and Leverage ratio (X2). In its operation all variables are measured by measurement instruments in ratio scale.

2) Dependent Variable (Y)

In this case the dependent variable to be studied is Financial Distress (Y). In operation, this variable is measured by measurement instruments in ratio scale.

3.4 Data Sources and Data Collection Techniques

3.4.1 Data Sources

The data used in this study is secondary data, where the data obtained by the author indirectly. According Sugiyono (2012: 193), secondary data is a source of data that does not directly provide data to data collectors, for example through others or through documents.

Sources of data in this research is quantitative concerning the annual financial statements have been published on the *website* of *Indonesia Stock Exchange.* The data used in this study consisted of the Financial Statement (income statement and balance sheet), the four-year observation period from 2012-2015. This research was conducted at Textile and Garment sub sector company which listed in Bursa Efek Indonesia.

3.4.2 Data Collection Technique

Data collection techniques used in this study are as follows::

1) Library Studies

Data obtained from the data relevant to the problems to be studied by doing other literature studies such as books, journals, articles, previous researchers.

2) Documentation

Data collection was conducted by examining the company's financial statements of each company, the authors obtained data from the official *website of* Indonesia Stock Exchange.

3.5 Population and Sample Research

According Sugiyono (2013: 115), the population is a generation region consisting of objects or subjects that have certain qualities and characteristics set by researchers to be studied and then drawn conclusions.

Based on a study author Representative Office Indonesia Stock Exchange and observational data on the Indonesia Stock Exchange *website* , data of textile and garment company population listed in Indonesia Stock Exchange there are 17 companies, so the total population during 4 year period 2012-2015 is counted 68 financial statements of company that is income statement and balance sheet.

According to Sugiono (2013: 118), the sample is part of the number and characteristics possessed by that population. Sampling in this research was done by using *a sampling design nonprobability* is taken by using *purposive sampling* technique.

Determination of the number of samples to be processed from the population, the samples obtained from the predetermined criteria obtained by 8 companies of the Textile and Garment sector are eligible to be sampled in research for 4 years from 2012 to 2015 so that the number of samples of 32 financial statements (profit and loss statement and balance sheet) of Textile and Garment company listed in Indonesia Stock Exchange (BEI).

3.5.1 Place and time of research

The location of the research was conducted at the Representative Office of Indonesia Stock Exchange Jl. PH. H. Mustofa No. 33, Bandung with obtaining secondary data.

The time of the research began in February 2017 to complete. In this study, researchers create a research plan that begins with the preparation stage to the final stage of reporting research results.

3.6 Data Testing Method

In this study, data analysis techniques using quantitative methods or statistical analysis. The steps of statistical analysis used in this study are as follows:

1. Regression analysis (*Multiple Regression*)

in this study, multiple linear analysis is used to prove the extent of the relationship influence the liquidity ratios and the *leverage* ratio to Financial Distress. This analysis is used to involve two or more independent variables, the dependent variable (Y) and the independent variable (X1 and X2).

2. Classic assumption test

To obtain more accurate results in multiple linear regression it is necessary to test the classical assumption. In this study, the classical assumption test consisted of normality test, multicolonierity test, heteroscedasticity test and auto correlation test.

3. Corelation Coeficient Analysis

Correlation analysis is used to measure the presence or absence of *a linear* relationship between the independent variable (X) and the associated variable (Y). The correlation analysis used also shows the direction between the dependent variable and the independent variable in addition to measuring the strength of the relationship.

4. Coefficient of Determination

Analysis of the coefficient of determination (KD) is used to see how much the independent variable (x1) and having an impact on the dependent variable (Y) which is expressed in a percentage. The magnitude of the coefficient of determination is calculated by using the following formula:

$$Kd = r \times 100\%$$

Keterangan:

Kd : Coefficient of Determination
r : Correlation coeficient

3.6.1 Hypothesis testing

Hypothesis Testing by Partial (t test)

According Singgih Santoso (2004: 168), t test comes at *the output of one-sample* test, t test was used to test the effect of partially independent variables on the dependent variable. Decision-making hypothesis test is also partially based on the value of probability obtained from the data processing through SPSS Parametric Statistics program. The purpose of

partial test is to know how far the influence of the independent variable (X) to the dependent variable (Y) partially.

$H_{0:} \beta_1 = 0$: Liquidity Ratio does not affect the Financial distress.

$H_{a:} \beta_1 \neq 0$: Liquidity Ratio effect on Financial distress.

$H_{0:} \beta_2 = 0$: *Leverage* Ratio does not affect the Financial distress.

Hi: $\beta_2 \neq 0$: *Leverage* Ratio effect on Financial distress.

IV. RESEARCH RESULT AND DISCUSSION

4.1 Research Result

4.1.1 Descriptive Analysis

4.1.1.1 Liquidity Ratio in Textile and Garment Sub Sector Companies Listed In Indonesia Stock Exchange Period 2012-2015.

The average liquidity ratio as measured by the *current ratio* (CR) on 8th company of textile and garment sub-sector showed an average value of over 100% from year to year for the period 2012-2015.This shows that the average company's liquidity ratio is safe enough, according to Harahap (2015: 301) the company is said to be healthy if the ratio of smoothness is above 1 or 100%. With the decreasing average CR of the company from 2012-2015 shows that there is a weakness of the company's management, especially in the management of current assets.

4.1.1.2 Leverage Ratio in Textile and Garment Sub Sector Companies Listed In Indonesia Stock Exchange Period 2012-2015.

The average ratio of *Leverage* as measured by *Debt to Equity Ratio* (DER) on the 8th company of textile and garment sub-sector shows the value of the average negative from year to year for the period 2012-2015. This shows the average condition of the *leverage* ratio below the tolerance limit, the average standard *leverage* ratio measured by *Debt to Equity Ratio* is between 0.3 and 0.6 (www.investopedia.com). *Debt to Equity Ratio* indicates negative negative equity book value decreased due to the company's performance, this happens because the total losses obtained greater than the capital deposited by the company.

4.1.1.3 Financial Distress in Textile and Garment Sub Sector Companies Listed In Indonesia Stock Exchange Period 2012-2015.

Financial Distress average as measured by the *Interest Coverage Ratio* (ICR) on the 8th company of textile and garment sub-sector showed an average value below 1.5 from year to year for the period 2012-2015. This shows that the average *Interest Coverage Ratio* in good condition, the average standard of Financial Distress measured by *Interest Coverage Ratio* is above 1.5 (www.investopedia.com). With declining ICR average from 2012-2015 shows almost all textile and garment enterprises are experiencing Financial Distress.

4.1.1 Result of Verificatif Analysis

4.1.2.1 Classic assumption test

Classic assumption test is intended to obtain more accurate results in the multiple regression analysis performed classical assumption test for the results obtained a regression equation that has the properties of *Best Linear Unbiased Estimator* (BLUE).

1. Normality Test

It can be seen that the data distribution is normal if the value *Asymp.Sig* worth above 0:05.

2. Multicolinearity Test

Multicollinearity test is a condition where the regression model found a perfect or near perfect correlation between independent variables. In a good regression model there should be no perfect or near perfect correlation between the independent variables (correlation 1 or near 1). To determine a regression model free from multicollinearity, namely by looking at the VIF *(Variance Inflation Factor)* must be <10 and figure *tolerance*> 0.1

3. Heteroscedasticity Test

In multiple regression equations need to be tested about the same or not variant of the residual from one observation with another observation. Heteroskedastisitas asmsi test analysis results SPSS *output* through *the scatterplot* graph between Z *prediction* (ZPRED) which is an independent variable (X = Y axis predicted results) and the residual value (SRESID) is the dependent variable (Y axis = $Y_{predictions}$ - $Y_{real)}$. Homoskedastisitas occur if the *scatterplot* dots between ZPRED the data processing and SRESID spread below or above the point of origin (number 0) in the Y axis and does not have a regular pattern. Heteroskidastity occur if the *scatterplot* dots have a good regular pattern narrows, widens, and in waves (Danang Sunyoto, 2013: 90).

4. Autocorrelation Test

The autocorrelation test aims to test whether in the linear regression model there is a correlation between the confounding error in period t with the intruder error in period t-1 (previous). If there is a correlation, then there is called an autocorrelation problem. In the autocorrelation test used Durbin-Watson test to determine the presence or absence of autocorrelation in the regression model and Durbin-Watson value obtained through the regression model estimation results.

4.1.2.2 Multiple Linear Regression Analysis

$$Y = -38,644 + 3,286\ X_1 + 8,759 X_2$$

The values listed in the above equations can be interpreted as follows:

a. Constants of -38.644 shows the average value of Financial Distress (ICR) in Textile and Garment company listed in Indonesia Stock Exchange in 2012-2015 if liquidity ratio (CR) and *Leverage* Ratio(DER) is equal to zero (0).

b. The regression coefficient variable Liquidity Ratio ($X_{1)}$ amounted to 3,286; meaning that if another independent variable value is fixed and the liquidity ratio rose 1%, the Financial Distress (ICR) (Y) will increase by 3,286. The coefficient is positive, meaning a positive relationship between liquidity ratio with Financial Hardship (ICR), the higher the liquidity ratio Financial Distress (ICR) will be higher.

c. The regression coefficient variable *leverage* ratio ($X_{2)}$ equal to 8.759; meaning that if another independent variable value is fixed and the *leverage* ratio increased 1%, the Financial Distress (ICR) (Y) will increase by 8.759. The coefficient is positive, meaning a positive relationship between the *leverage* ratio with Financial Hardship (ICR), the higher the *leverage* ratio of the Financial Distress (ICR) will be higher.

4.1.2.3 Influence of Liquidity Ratio to Financial Distress in Textile and Garment Sub Sector Companies Listed in Indonesia Stock Exchange Period 2012-2015

To determine the influence of variable Liquidity Ratio to Financial Distress, then tested correlation analysis, test of determination analysis, and partial hypothesis test (t test). So it can be seen the size of the effect of firm size against Financial Distress more specifically.

1. Correlation of Liquidity Ratio to Financial Distress

The correlation between Liquidity Ratio with Financial Distress is 0.399, the result is included in the interval score between 0.20 - 0.399 means that there is a weak and positive correlation between Liquidity Ratio with Financial Distress (ICR). Positive correlation means, every increase of Liquidity Ratio then it will increase ICR and vice versa.

2. Coefficient Determination of Liquidity Ratio to Financial Distress

To determine the effect of Liquidity Ratio to Financial Distress can be seen through the coefficient of determination.

Kd = $(0,399)^2$ x 100%

= 15,9%

Based on the above calculation, it can be seen that the influence of Liquidity Ratio variable to Financial Distress (ICR) is 15.9%, while the rest of 84.7% is the influence given by other factors not examined in this research such as profitability ratio, activity ratio and others.

3. Hypothesis test (t-test) Liquidity Ratio to Financial Distress

SPSS output obtained from $_{the\ t}$ value for Liquidity Ratio (X1) of 2.340. This value will be compared with the value t_{table} on the t distribution table. With the significant level α = 0.05 (5%), df = nk-1 = 32-2-1 = 29, the value of t_{table} of 2.045. It is known that $_t$ for X_1 equal to 2.340> 2.045 $t_{table,}$ then $H_{0\ is}$ rejected and H_1 accepted. These results also demonstrated by the significant value of a statistical test for the variable ratio Likuiditassebesar 0,026, meaning a mistake to say no influence on the Financial Hardship only 2% or it is smaller than the acceptable error rate of 5% so it can be decided to reject H_0. In conclusion, Liquidity Ratio significantly affects Financial Distress in textile and garment sub sector companies listed in Indonesia Stock Exchange year 2012-2015.

4.1.2.1 Influence of Liquidity Ratio to Financial Distress in Textile and Garment Sub Sector Companies Listed in Indonesia Stock Exchange Period 2012-2015

To determine the influence of variable *leverage* ratio to Financial Distress, then tested the correlation analysis, analysis test of determination and partial hypothesis test (t test). So that can know the amount of influence the *leverage* ratio to be more specific Financial Distress.

1. Correlation of Leverage Ratio to Financial Distress

The correlation between leverage ratio and Financial Distress is 0.464, the results are included in the interval scores between 0.40 - 0.599 meaning that there is a moderate and negative correlation between leverage ratio with Financial Distress (ICR). Negative correlation means that any increase in leverage ratio will decrease the ICR and vice versa.

2. Coefficient Determination of Leverage Ratio to Financial Distress

To determine the effect of the *leverage* ratio to the Financial Distress can be seen through the coefficient of determination.

Kd = $(0,464)^2$ x 100%

= 21,5%

Based on the calculations above, it appears that the impact of the *leverage* ratio to Financial Distress (ICR) that is equal to 21.5%, while the remaining 78.5% is the influence exerted by other factors not examined in this study such as profitability ratios, activity ratios, and others.

3. Hypothesis test (t-test) Liquidity Ratio (DER) to Financial Distress

SPSS output obtained from $_{the\ t}$ value for the *leverage* ratio of 2.821. This value will be compared with the value t_{table} on the t distribution table. With α = 0.05, df = nk-1 = 32-2-1 = 29, the value of t_{table} of ± 2.045. It is known that $_t$ for X_2 amounted to 2.821> 2.045 $t_{table,}$ then H0 is rejected it means variable *leverage* ratio significantly influence against Financial Distress (ICR).

4.2 Discussion

4.2.1 Analysis Of The Influence Of Liquidity Ratio To Financial Distress In Textile And Garment Sub Sector Companies Listed In Indonesia Stock Exchange Period 2012-2015

Based on the result of the research, the influence of Liquidity Ratio to Financial Distress (ICR) is 15.9%. The condition shows the Liquidity Ratio has a non dominant influence on Financial Distress, because the remaining 84.7% is influenced by other factors not examined in this research profitability ratios, activity ratios, and more. Further research results prove and answer the phenomenon that occurred in PT Polychem Indonesia Tbk and PT Tifico Fibers Indonesia Tbk 2014-2015 year where the Liquidity Ratio has increased but apparently experiencing Financial Distress, In this study Liquidity Ratios affect Financial Distress are not dominant only by 15, 09% cause the high liquidity ratio does not necessarily make the company no Financial Distress. Factors that cause this phenomenon can occur because the company experienced a decrease in sales each year and the use of company assets are not productive, so the increase in the Liquidity Ratio is not followed by increased profits received.

Further research results have obtained correlation value between Liquidity Ratio with Financial Distress amounted to 0.399 means Liquidity Ratio has a weak relationship with Financial Distress it is seen from the correlation value is between 0.20 to 0.399 belonging to the weak category.

4.2.2 Analysis Of The Influence Of Leverage Ratio To Financial Distress In Textile And Garment Sub Sector Companies Listed In Indonesia Stock Exchange Period 2012-2015

Based on the results the effect of the *leverage* ratio to Financial Distress (ICR) was 21.5% indicate that the *leverage* ratio has a dominant influence on the Financial Distress, because the remaining 78.5% is influenced by other factors not examined in this study as the ratio profitability, activity ratio, and more.

Furthermore, studies show and answered phenomenon that occurs in PT Polychem Indonesia Tbk years 2013-2015 and PT TIFICO Fiber Indonesia Tbk in 2012-2015 in which the company *Leverage* Ratio within reasonable limits, but apparently the company indicated experiencing Financial Distress. In this study *Leverage* Ratio dominant influence Financial Hardship not only lead to a high of 21.5% *leverage* ratio does not necessarily make the company's Financial Distress. Factors that cause this phenomenon may occur due to company sales decline every year and unproductive use of capital company, thereby decreasing *leverage* ratio *is* not followed by increased profits received. There is a phenomena that occurs due to the use of capital owned by the company is not productive, so the lack of *Leverage* Ratio is not followed by increased profits received.

Based on the results of the hypothesis that has been done the correlation between the values obtained with difficulty Financial *Leverage* Ratio is equal to 0.464 means the liquidity ratio has moderate relationship with Financial Hardship it can be seen from the correlation value is between 0.40 to 0.599 were classified in the category of being.

V. CONCLUSIONS AND SUGGESTION

5.1 Conclusion

Based on the results of research and discussion about the effect of liquidity ratio and the *leverage* ratio to Financial Distress, the authors take some conclusions as follows:

1. The Liquidity Ratio (CR) affects Financial Difficulty (ICR) and shows non-dominant influence. Liquidity Ratio has a weak relationship and are positive with Financial Hardship means, any increase in*current ratio* then it will increase the *Interest Coverage Ratio,* whereas the smaller *Current Ratio* then the *Interest Coverage Ratio* will be smaller, it is because the total assets that are not guarantees of activities asset management is used productively. Changes in the Liquidity Ratio (CR) are due to an increase or decrease in cash, accounts receivable, inventory,

and short-term debt. It affects the size of the Liquidity Ratio (CR), thus impacting the Financial Distress (ICR).

2. *Leverage* ratio (DER) effect to Financial Distress (ICR) with a non-dominant influence. *Leverage ratio* (DER) and the Financial Distress (ICR) has a moderate and negative correlation in terms of changes *Leverage Ratio* (DER) has the effect of which is inversely related to changes in Financial Distress (ICR). This means that any increase in *the Debt to Equity Ratio* then it would lower *Interest Coverage Ratio,* conversely the smaller the *Debt to Equity Ratio* then the *Interest Coverage Ratio* will increase, this is because the use of high debt and excessive will lead to the burden-reducing profit to be obtained company. Changes Ratios *Leverage* (DER) due to an increase or decrease in short-term liabilities Long-term liabilities, and the equity value of the company. It affect the size ratio Leverage (DER), which impacted on the Financial Distress (ICR).

5.2 Suggestion

5.2.1 Practical

1. For Companies
   So that the company is able to increase profit company is expected to utilize the assets maximum, effective and efficient. In addition, for operational funding through debt in this case *Debt to Equty* (DER) can run well then the company would have to be able to maximize their debt as well as possible to build and expand the company's business.
2. For Investor
   For investors who are or will be investing in Textile and Garment Company listed on the Stock Eefek Indonesia, is expected to be more careful and cautious in making investment decisions and also expected that the investor must predict which company can survive for some period in the future.

5.2.2 Academic Advice

1. Developer for Science
   The results of this study are expected to provide additional knowledge, as a source of information and as contributions to the developing discipline of financial accounting, as well as contribute to the development of research, especially regarding liquidity ratio and ratio of *Leverage* to Financial Distress (ICR).
2. For Further Research
   Expected to add or use another variable capable of predicting Financial Distress by the same method, the unit different analysts and samples in order to obtain conclusions that support the theories and concepts generally accepted in order to strengthen the research results more accurate.

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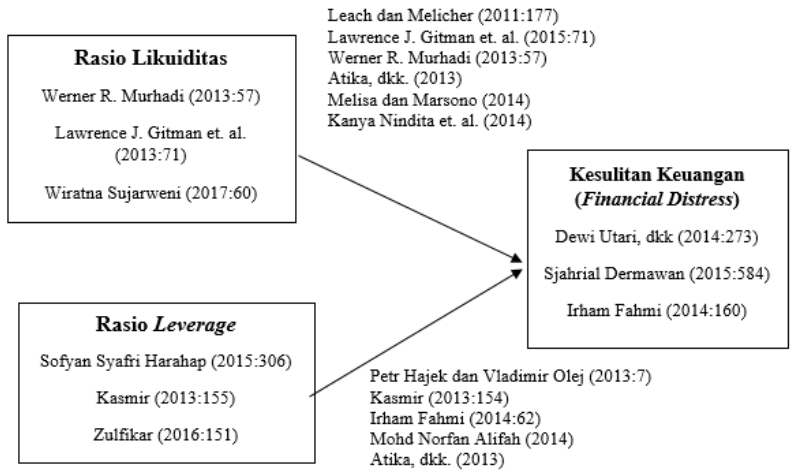
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LAMPIRAN



Gambar 2.1
Paradigma Penelitian

Tabel 3.1

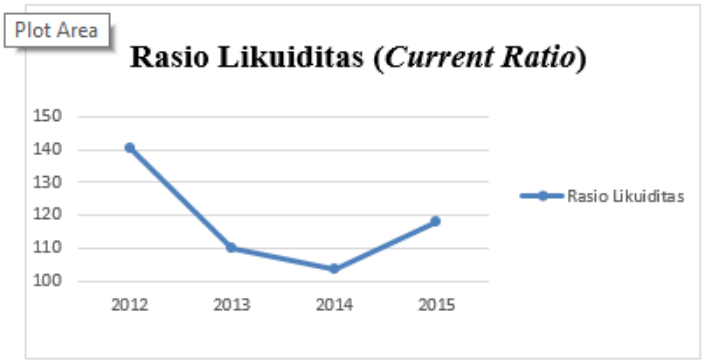
Operasionalisasi Variabel

Variabel	Konsep Variabel	Indikator	Skala
Rasio Likuiditas (*current ratio*) (Variabel X)	Rasio lancar (*current ratio*) adalah rasio untuk mengukur sampai seberapa	$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$	Rasio

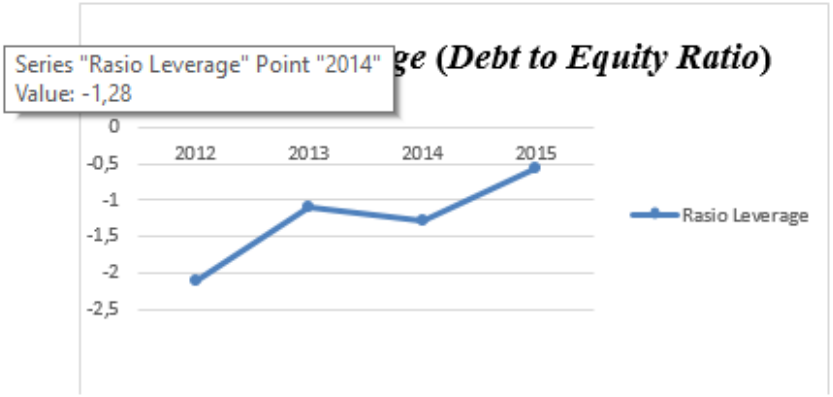
Tabel 3.2
Perusahaan Manufaktur Sektor Tekstil dan Garment yang Terdaftar di Bursa Effek Indonesia

No	Kode Emiten	Nama Perusahaan
1	ADMG	PT. Polychem Indonesia Tbk.
2	ARGO	PT. Argo Pantes Tbk.
3	ERTX	PT. Eratex Djaya Tbk.
4	ESTI	PT. Ever Shine Textile Industry Tbk.
5	MYTX	PT. Apac Citra Centertex Tbk.
6	POLY	PT. Asia Pasific Fibers Tbk.
7	SSTM	PT. Sunson Textile Manufacturer Tbk.
8	TFCO	PT. Tifico Fiber Indonesia Tbk.

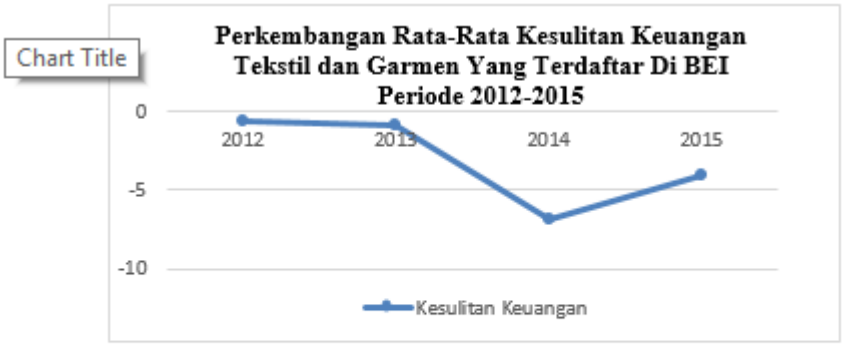
Sumber : Bursa Efek Indonesia



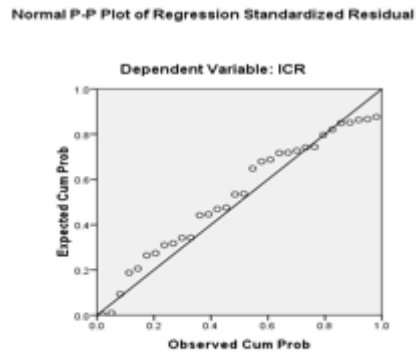
Gambar 4.1
Grafik Perkembangan Rata-Rata Rasio Likuiditas Pada Perusahaan Tekstil dan Garmen Yang Terdaftar Di BEI periode 2012-2015



Gambar 4.2
Grafik Perkembangan Rata-Rata Rasio *Leverage* Pada Perusahaan Tekstil dan Garmen yang terdaftar di BEI periode 2012-2015



Gambar 4.3
Grafik Perkembangan Rata-Rata Kesulitan Keuangan (ICR) Pada Perusahaan Tekstil dan Garmen yang terdaftar di BEI periode 2012-2015



Gambar 4.4
P-Plot Uji Normalitas

Tabel 4.8
Uji Multikolinearitas

Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	CR	.932	1.073
	DER	.932	1.073

a. Dependent Variable: ICR

Tabel 4.9
Hasil Pengujian Heteroskedastisitas

Correlations

		CR	DER	ICR
CR	Pearson Correlation	1	.261	.264
	Sig. (2-tailed)		.149	.145
	N	32	32	32
DER	Pearson Correlation	.261	1	-.363*
	Sig. (2-tailed)	.149		.041
	N	32	32	32
ICR	Pearson Correlation	.264	-.363*	1
	Sig. (2-tailed)	.145	.041	
	N	32	32	32

*. Correlation is significant at the 0.05 level (2-tailed).

Tabel 4.11
Hasil Analisis Regresi Linier Berganda

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-6.183	1.734		-3.566	.001
	CR	2.342	1.001	.385	2.340	.026
	DER	-.356	.126	-.464	-2.821	.009

a. Dependent Variable: ICR