

The Influence of Operating Cash, Liquidity, Leverage and Profitability on Financial Distress on Mining Sector Companies Listed on Idx Period 2015-2019

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Abstract

This study aims to examine and analyze the effect of Operating Cash Flow, Liquidity, Leverage and Profitability have an effect on Financial Distress in mining sector companies listed on the Indonesia Stock Exchange for the 2015-2019 period. The research method used in this study uses quantitative research methods with quantitative descriptive research that is explanatory research. The population of this research is all Mining sub-sector company. There are 43 companies listed on the Indonesia Stock Exchange. The sample of this research is 7 companies with purposive sampling technique. The data analysis method used is multiple linear regressions. The results of the f test where $f_{count} 416,363 > f_{table} 2.68$ with a significant level < 0.05 indicates Operating Cash Flow, Liquidity, Leverage and Profitability simultaneously has an effect on Financial Distress in mining sector companies listed on the Indonesia Stock Exchange for the 2015-2019 period. The results of the t-test research where Liquidity and Leverage variables do not have a significant effect on Financial Distress in mining sector companies listed on the Indonesia Stock Exchange for the 2015-2019 period and only Operating Cash Flow and Profitability have an effect on Financial Distress in mining sector companies listed on the Indonesia Stock Exchange for the 2015-2019 period. The results of the analysis of the coefficient of determination obtained the Adjusted R² value of 0.980, meaning that the variation of the variable Operating Cash Flow, Liquidity, Leverage and Profitability in explaining the Financial Distress variable is 98%, while the remaining 2% is explained by others

Keywords

operating cash flow;
liquidity; leverage;
profitability; financial
distress



I. Introduction

The procurement of goods/services within the Ministries/Institutions/Regional Apparatuses uses a budget sourced from the APBN/APBD. Procurement of goods/services based on Presidential Regulation Number 16 of 2018 concerning Government Procurement of Goods/Services includes procurement of goods, construction work, consulting services and other services. Which is carried out by means of self-management and/or providers. The implementation of the procurement of goods/services through self-management is a way of obtaining goods/services that is carried out by the Ministry/Institution/Regional Apparatus, other Ministries/Institutions/Regional Apparatus, community organizations or community groups.

Procurement of goods/services through providers is a way of obtaining goods/services provided by business actors based on contracts. Procurement of government goods/services is an annual routine activity in every Langkat Regency Government agency, including in villages. Each Government Agency in carrying out procurement must choose

Goods / services that are in accordance with the needs in order to improve the performance of each agency. Procurement of goods/services must be viewed as a strategic activity that must be carried out using the right strategy. Procurement strategy is the best effort

II. Review of Literature

2.1. Influence Current Cash Operation to Financial Distress

According to Subramanyam (2011:143) Something company have current cash operation that high mean have source fund for To do activity the operation as for pay off loan, maintain ability operation company, pay dividend and To do investation new without rely source funding from outside. According to Wahyuningtyas (2011:28) Condition *financial distress* too could occur if company have current cash positive however profit that obtained negative. Condition that make investors not entrust the investment back to company because from condition profit negative make not existence division dividend.

2.2. Influence Liquidity to Financial Distress

According to Ross, et al (2015:24) Liquidity something company could defined as ability company in Fulfill his obligations that already fall down tempo. Liquidity refers to on speed and convenience Where asset could converted Becomes money cash. According to Toto (2011:20), inability pay obligation by right time will live feel by creditor, especially creditor that related with operational company (suppliers). Thing this have indicates existence signal distress that cause existence delay delivery and problem quality product. If company able fund and pay off obligation period in short with good then potency company experience financial distress will more small.

2.3. Influence Leverage to Financial Distress

According to Ross, et al (2015:57) Ratio leverage is ratio that used for measure ability period long company in Fulfill his obligations. Ratio leverage that high could cause risk finance that high, Where risk this arise because company must bear flower that big also. According to Keown (2012:83), bankruptcy usually started with happening moment failed pay, Thing this caused more big amount debt, more high probability financial distress. Company with Lots creditor will more hurry up move to direction financial distress, compared to company with creditor single. If something company the financing more Lots use debt, Thing this risky will occur trouble payment in time that will come result debt more big from asset that owned. If state this not could overcome with good, potency happening *financial distress* even more big.

2.4. Influence Profitability to Financial Distress

According to Harry (2016:192) Profitability used for measure ability company produce profit and for measure level effectiveness management in run operational company. According to Mamduh (2011:83), profitability show efficiency and effectiveness use asset company because ratio this measure ability company produce profit based on use asset. With existence effectiveness from use asset company then will reduce cost that issued by company, then company will get savings and will have adequacy fund for run his efforts. With existence adequacy fund that then possibility company experience financial distress in time that will come will Becomes more small. Profitability is the company's ability to make a profit in relation to sales, total assets and own capital. Profitability ratios are very important to know by users of financial statements because they inform how much the company's ability to generate profits, the greater the

profit ratio shows the better management in managing the company, (Sartono in Angelia, 2020).

III. Research Methods

This research was conducted on mining sector companies listed on the Indonesia Stock Exchange for the 2015-2019 period. This research was conducted from September 2020 to February 2021. The research approach used is a quantitative approach because this research has a clear and orderly flow. The type of research used is descriptive quantitative research and the nature of this research is explanatory research. The population used in this study are 43 companies in the mining sector. The sampling technique in this study uses purposive sampling. Several criteria must be met by the company in order to be used as a sample, namely:

Table 1. Criteria Election Sample

Information	Amount
Mining Sector in BEI period 2015-2019	43
Mining Sector that not <i>listing</i> period 2015-2019	(14)
Mining Sector that have negative profit period 2015-2019	(22)
Number of companies that selected to be the research sample	7

Total amount data sample that used in research this that is 35 sample that taken from amount sample 7 sample multiplied with 5 corresponding with period research that is 5 year. Technique collection data in research this obtained through studies documentation, with way looking for data or theory supporter through book, journal and article that related with problem that researched for could describe problem that researched and collect data secondary from report finance company sector Mining that loaded on site official Exchange Effect Indonesia period 2015-2019.

Table 2. Definitions Operational Variable Research

Variable	Variable Definition	Variable Indicator	Measurement Scale
Operating Cash Flow (X1)	Operating cash flow is the difference between cash inflows and outflows in the current period. Source: Kasmir (2011:169)	$\text{OperatingCashFlow} = \frac{\text{Arus Kas}}{\text{Jumlah Saham}}$ Source: Kasmir (2011:170)	Likert scale
Liquidity (X2)	Liquidity Ratio describes the company's ability to settle its short-term obligations Source: Harahap (2016:301)	$\text{Current Ratio} = \frac{\text{Aset Lancar}}{\text{Kewajiban Lancar}}$ Source: Houston (2015:134).	Likert scale
Leverage (X3)	Leverage Ratio or Solvency Ratio is a ratio that describes the company's ability to pay its long-term obligations or obligations if the company is liquidated Source: Harahap (2016:303)	$\text{Debt to Equity Ratio} = \frac{\text{Total Liabilitas}}{\text{Total Ekuitas}}$ Source: Houston (2015:134).	Likert scale

Profitability (X4)	a ratio that describes the company's ability to earn profits through all existing capabilities and sources such as sales activities, cash, capital, number of employees, number of branches and so on Source: Harahap (2016:304)	<i>Return On Assets</i> = <u>Laba Bersih</u> Rata-rata Total Assets Source: Houston (2015:134).	Likert scale
<i>Financial Distress</i> (Y)	a broad concept in which companies face financial difficulties. Source: Andayani (2016:154))	Financial distress can be seen from companies that have negative profits in one reporting period Source: Ellen and Juniarti (2013:3)	Likert scale

Source: Data secondary that obtained, 2020

According to Santoso (2018:369) mention that, "On regression double, there are one variable dependent and two or more variable independent." Analysis regression linear multiple is something method statistics general that used for researching relationship Among a variable dependent with some variable independent.

Equation regression linear multiple is as following:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + e$$

According to Ghazali (2013: 97), the coefficient of determination (R^2) essentially measures how far the model's ability to explain the variation of the dependent variable. The value of the coefficient of determination is between zero and one. A small value of R^2 means that the ability of the independent variables in explaining the variation of the dependent variable is very limited. A value close to one means that the independent variables provide almost all of the information needed to predict the variation of the dependent variable.

According to Ghazali (2013:98), "Test statistics F on basic show is all variable independent or free that entered in model have influence by together to variable dependent or bound." To find out the hypothesis that submitted is accepted or rejected is done by comparing F_{count} with F_{table} at the level of confidence 5% ($\alpha = 0.05$) provided that if $F_{count} < F_{table}$ then H_0 accepted and H_1 rejected

According to Ghazali (2013:98), "Test statistics t on basic show how much far influence one variable explanatory/independent by individual in explain variation variable dependent." to find out the hypothesis that submitted be accepted or rejected done with way compare t_{count} with t_{table} on level trust 5% ($\alpha = 0.05$) with terms If $t_{count} < t_{table}$ then welcome and H_0 refused

IV. Results and Discussion

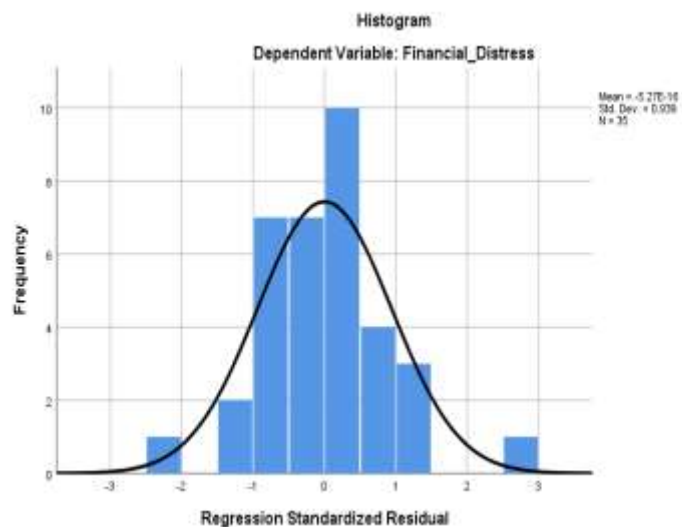
Table 3. Results Analysis Statistics Descriptive

Descriptive Statistics

	N	Minimum	Maximum	mean	Std. Deviation
Flow_Cash_Operations	35	.09	179.62	30.7668	44.26058
Liquidity	35	1.07	4.30	2.3578	.85722
Leverage	35	.17	1.22	.5495	.26307
Profitability	35	.01	5.41	.3007	.89389
Financial_Distress	35	.31	13.66	1.6887	2.18501
Valid N (list wise)	35				

Source: Results Research, 2021

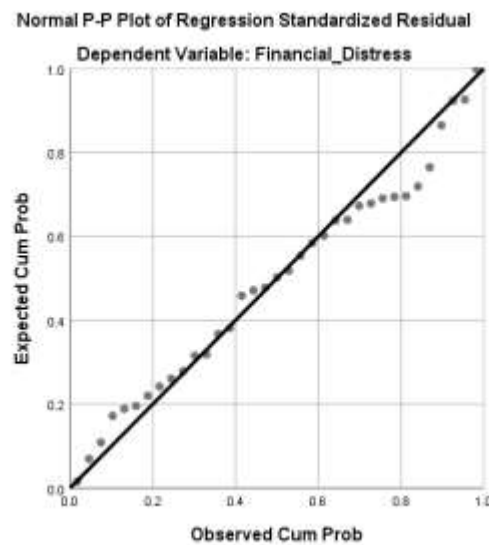
From Table that show score minimum, score maximum, score average (mean), and standard deviation from variable OperatingCashFlow (X1), Liquidity (X2), Leverage (X3), Profitability (X4), and Financial Distress (Y) with details Variable OperatingCashFlow have amount sample as much 35, with score minimum 0.09 on PT. Adro energy, Tbk year 2015 and score maximum 179.62 on PT. Mitrabara Adiperdana, Tbk year 2017 while score average (mean) 30.7668 with standard deviation 44.26058. Variable Liquidity have amount sample as much 35, with score minimum 1.07 on PT. Golden Energy mines, Tbk year 2016 and score maximum 4.30 on PT. Samindo resources, Tbk year 2016 while score average (mean) 2.3578 with standard deviation 0.85722. Variable Leverage have amount sample as much 35, with score minimum 0.17 on PT. Resources Natural Indonesia, Tbk year 2016 and score maximum 1.22 on PT. Golden Energy Miles, Tbk year 2018 while score average (mean) 0.5495 with standard deviation 0.26307. Variable Profitability have amount sample as much 35, with score minimum 0.01 on PT. Golden Energy Miles, Tbk year 2015 and score maximum 5.41 on PT. Golden Energy mines, Tbk year 2019 while score average (mean) 0.3007 with standard deviation 0.89389. Variable *Financial Distress* have amount sample as much 35, with score minimum 0.31 on PT. Resources Natural Indonesia, Tbk year 2018 and score maximum 13.66 on PT. Golden Energy mines, Tbk year 2019 while score average (mean) 1.6887 with standard deviation 2.18501.



Source: Research result, 2021

Figure 1. Test Normality histogram

Figure 1, produce picture shaped bell and not existence line that chop to the left nor to the right show that data that normal.



Source: Research result, 2021

Figure 2. Test Normality Probability Plot

Figure above, point move follow toward line diagonal so that could concluded data that normal.

Table 4. Test Normality Kolmogorov Smirnov
One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		35
Normal Parameters, b	mean	.0000000
	Std. Deviation	.29065069
Most Extreme Differences	Absolute	.126
	Positive	.126
	negative	-.071
Test Statistics		.126
asympt. Sig. (2-tailed)		.178c

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

Source: Research result, 2021

Based on table that, result significant that got is 0.178 that mean in on 0.05 so that data that declared normal.

Table 5. Test Results Multicollinearity**Coefficients^a**

Model	Unstandardized Coefficients		Standardized Coefficients		Sig.	Collinearity Statistics	
	B	Std. Error	Beta	t		Tolerance	VIF
1 (Constant)	.141	.317		.446	.659		
Flow_Cash_Operations	.009	.001	.180	6779	.000	.838	1.194
Liquidity	.172	.086	.067	2010	.054	.524	1,910
Leverage	.336	.283	.040	1.187	.244	.508	1970
Profitability	2.275	.066	.931	34,261	.000	.799	1.251

a. Dependent Variables: Financial_Distress

Source: Research result, 2021

On Table 5 got score VIF on variable Operating Cash Flow is 1.194, Liquidity is 1,910, Leverage is 1970, and Profitability is 1.251 where less from 10 and score Tolerance for the operating CashFlow variable is 0.838, Liquidity is 0.524, Leverage is 0.508 and Profitability is 0.799 where more from 0.10. This shows that no symptoms of multicollinearity occur.

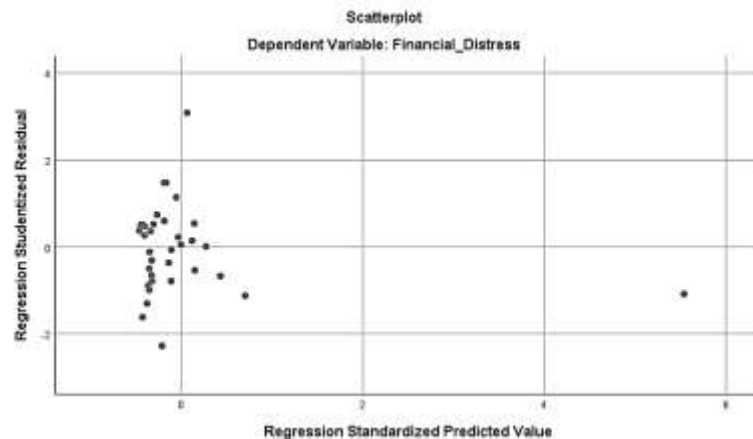
Table 6. Results Test Autocorrelation**Runs Test**

	Unstandardized Residual
Test Value ^a	.00185
Cases < Test Value	17
Cases >= Test Value	18
Total Cases	35
Number of Runs	16
Z	-.682
asympt. Sig. (2-tailed)	.495

a. median

Source: Research result, 2021

Based on Table 6 above, it can be seen that the score Run-test is as big as 0.495. Where the result of the significance is > 0.05 until it can be concluded that no autocorrelation occurs in this research.



Source: Research result, 2021

Figure 3. Results Test Scatter plots

On Figure 3, could seen that dot, dot, dot spread in Among axis zero so that could in declare data get away test chart.

Table 7. Test Result Coefficientsa

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta				Tolerance	VIF
1 (Constant)	.495	.201			2.466	.020		
Flow_Cash_Operations	.000	.001	-.098		-.517	.609	.838	1.194
Liquidity	-.050	.054	-.219		-.916	.367	.524	1,910
Leverage	-.274	.179	-.372		-1,529	.137	.508	1970
Profitability	-.003	.042	-.015		-.077	.939	.799	1.251

a. Dependent Variables: abs

Source: Research result, 2021

From Table 7 could is known that score (*Sig.*) for all variable dependent have result corresponding with criteria so that declared get away test.

Table 8. Test Regression Linear Multiple Coefficientsa

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta				Tolerance	VIF
1 (Constant)	.141	.317			.446	.659		
Flow_Cash_Operations	.009	.001	.180		6779	.000	.838	1.194
Liquidity	.172	.086	.067		2010	.054	.524	1,910
Leverage	.336	.283	.040		1.187	.244	.508	1970
Profitability	2.275	.066	.931		34,261	.000	.799	1.251

a. Dependent Variables: Financial_Distress

Source: Research result, 2021

From table above, result equation regression linear multiple is as following:

$$\text{Financial Distress} = 0.141 + 0.009\text{CashFlowOperation} + 0.172\text{Liquidity} + 0.336\text{Leverage} + 2.275\text{Profitability}$$

Score constant as big as 0.141 it means if OperatingCashFlow, Liquidity, Leverage and Profitability considered constant, then *Financial Distress* on Company Sector Mining that registered in Exchange Effect Indonesia period 2015-2019 increase as big as 0.141. Score coefficient Current Cash Operation as big as 0.009 declare that every enhancement Current Cash Operation one unit then *Financial Distress* will increase as big as 0.009. Score coefficient Liquidity as big as 0.172 declare that every enhancement Liquidity one unit then *Financial Distress* will increase as big as 0.172. Value coefficient Leverage as big as 0.336 declare that every enhancement Leverage one unit then *Financial Distress* will increase as big as 0.336. Value coefficient Profitability as big as 2.275 declare that every enhancement profitability one unit then *Financial Distress* will increase as big as 2,275.

Table 9. Value Coefficient Determination(R Square)

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.991 ^a	.982	.980	.30942	2,250

a. Predictors: (Constant), profitability, Liquidity, Operating_Cash_Flow, Leverage

b. Dependent Variables: Financial_Distress

Source: Research result, 2021

Based on Table 9, score that obtained from the third column is 0.980 it means variation variable OperatingCashFlow(X1), Liquidity (X2), Leverage (X3) and Profitability (X4) could explain variation from *Financial Distress* as big as 98% and 2% explained that other as rotation total assets, *current assets*.

Table 10. Results F-test

ANOVA ^a						
	Model	Sum of Squares	df	mean Square	F	Sig.
1	Regression	159,453	4	39,863	416,363	.000 ^b
	Residual	2.872	30	.096		
	Total	162.325	34			

a. Dependent Variables: Financial_Distress

b. Predictors: (Constant), profitability, Liquidity, Operating_Cash_Flow, Leverage

Source: Research result, 2021

On table 10, obtained Fcount as big as 416,363 while on $\alpha = 0.05$ obtained Ftable as big as 2.68 so it can be concluded that variable Operating Cash Flow(X1), Liquidity (X2), Leverage (X3) and Profitability (X4) by together have influence significant to variable *Financial Distress*

Table 11. Test Hypothesis t-test

Model	Coefficients ^a				Collinearity Statistics		
	Unstandardized Coefficients		Standardized Coefficients		t	Sig.	Tolerance
	B	Std. Error	Beta				
1 (Constant)	.141	.317			.446	.659	
Flow_Cash_Operations	.009	.001	.180		6779	.000	.838
Liquidity	.172	.086	.067		2010	.054	.524
Leverage	.336	.283	.040		1.187	.244	.508
Profitability	2.275	.066	.931		34,261	.000	.799

a. Dependent Variables: Financial_Distress

Source: Research result, 2021

On table above result test Partial obtained result as following:

1. Score $t_{\text{count}} 6779 > t_{\text{table}} 2.04227$ or score $\text{Sig } t (0.000) < \alpha (0.05)$. With thus, X_1 influence to Y.
2. Score $t_{\text{count}} 2010 < t_{\text{table}} 2.04227$ or score $\text{Sig } t (0.054) > \alpha (0.05)$. With thus, X_2 no take effect to Y
3. Score $t_{\text{count}} 1,187 < t_{\text{table}} 2.04227$ or score $\text{Sig } t (0.244) > \alpha (0.05)$. With thus, X_3 no take effect to Y.
4. Score $t_{\text{count}} 34,261 > t_{\text{table}} 2.04227$ or score $\text{Sig } t (0.000) < \alpha (0.05)$. With thus, X_4 take effect to Y.

V. Conclusion

1. Test OperatingCashFlow (X_1) take effect positive and significant to *Financial Distress*(Y) on Company Sector Mining that registered in Exchange Effect Indonesia period 2015-2019
2. Test Liquidity (X_2) not take effect significant to *Financial Distress*(Y) on Company Sector Mining that registered in Exchange Effect Indonesia period 2015-2019
3. Test Leverage (X_3)no take effect significant to *Financial Distress*(Y) on Company Sector Mining that registered in Exchange Effect Indonesia period 2015-2019
4. Test Profitability (X_4) take effect positive and significant to *Financial Distress*(Y) on Company Sector Mining that registered in Exchange Effect Indonesia period 2015-2019
5. Test OperatingCashFlow(X_1), Liquidity (X_2), Leverage (X_3) and Profitability (X_4) influential significant to to *Financial Distress*(Y) on Company Sector Mining that registered in Exchange Effect Indonesia period 2015-2019

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