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The Effect of Liquidity, Leverage, Institutional Ownership, and Sales Growth on Financial Distress on Property and Real Estate Companies Listed an The IDX 2016-2019

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ABSTRACT

Financial distress is a financial condition where the company's finances are in an unhealthy or crisis condition. Financial distress which is quite disturbing the company's operational activities is a condition that must be immediately watched out and anticipated. This study aims to analyze the effect of liquidity, leverage, institutional ownership, and sales growth. The research was conducted on property and real estate companies listed on the IDX for the 2016-2019 period. Sampling in this study using purposive sampling technique, and obtained as many as 152 samples that match the criteria. Data analysis used multiple regression analysis. The results showed that the variables of liquidity, leverage, and institutional ownership have an effect on financial distress.

1. INTRODUCTION

Economic conditions that are always changing have affected the activities and performance of companies, both small and large companies. The company's competition with one another is getting tougher and tighter, thus causing the costs to be incurred by the company to also be higher. If the company is not able to compete, the company will experience losses and ultimately result in the company experiencing bankruptcy (financial distress). Financial distress can occur in all types of companies, even though the company in question is a large company and is categorized as healthy, it will still experience difficulties in meeting funds for company operational activities due to the economic crisis.

*Financial distress*can happen to all companies. The causes of financial distress also vary according to Fachrudin (2008) classifying the causes of difficulties which are called the basic model of bankruptcy or the trinity of causes of financial difficulties which is called the basic model of bankruptcy. Companies can experience financial distress and then go bankrupt, namely (1) the Neoclassical model of financial distress and bankruptcy occurs if the allocation of resources within the company is not right. Management who is less able to allocate resources (assets) in the company for the company's operational activities. (2) The financial asset mix model is correct but the financial structure is wrong with liquidity constraints. This means that although the company can survive in the long term, it must also go bankrupt in the short term. (3) Corporate governance model, according to this model bankruptcy has the right mix of assets and financial structure but is poorly managed. This inefficiency pushes the company into Out Of The Market as a consequence of unsolved problems in corporate governance. Factors causing financial distress start from the inability to fulfill its obligations, especially short-term obligations including liquidity obligations and also liabilities in the solvency category. The problem of insolvency can arise due to factors starting from liquidity

difficulties. This inability can be demonstrated by two methods, namely Stock-based insolvency and Flow-based insolvency. Stock-based insolvency is a condition that shows a negative equity condition on the company's balance sheet,

According to Hanafi and Abdul (2014: 262), the alternatives for fixing financial difficulties are as follows: First, informal solutions are carried out if the problem is not so severe, the company's problems are only temporary and future projects are still good. This is done by extending the maturity of debts and reducing the amount of bills. Second, formal solutions are carried out when the problem is severe, creditors want to have security guarantees. This is done by changing the capital structure to a proper capital structure and selling the company's assets. In this study the factors that can affect financial distress are liquidity, leverage, institutional ownership, and sales growth.

2. METHOD

PT This study uses quantitative methods. The type of data in this study uses secondary data, namely the financial statements of property and real estate companies listed on the IDX for the 2016-2019 period. The population of this study includes all property and real estate companies listed on the IDX for the 2016-2019 period. The sampling used was purposive sampling technique with the following criteria:

1. Companies engaged in property and real estate classification listed on the Indonesia Stock Exchange (IDX) in 2016-2019.
2. Property and real estate companies that prepare financial statements are stated in rupiah.
3. The company publishes annual financial reports for the period 2016-2019.

The dependent variable in this study is financial distress. measurement of financial distress is proxied by the Altman Z-score method. This model is known as the modified Altman model which is expressed in 5 coefficients "T" namely adding up working capital to total assets, retained earnings to total assets, earnings before interest and taxes to total assets, and value book equity to the total book value of debt.

The independent variables used in this study are liquidity, leverage, institutional ownership, and sales growth. The operational definition of each variable is as follows. Liquidity is obtained from comparing the total current assets and current liabilities of a company. Leverage is obtained from comparing the total debt and assets of a company. Institutional ownership is obtained by comparing the total institutional share ownership and the total outstanding shares. Sales growth is obtained from sales of the current period minus sales in the previous period divided by sales of the previous period.

Data analysis techniques in this study consisted of descriptive statistical analysis, classical assumption test, and hypothesis testing. Descriptive statistics aim to provide an overview or descriptive data seen from the minimum value, mean, and standard deviation of each sample and is used to determine the general description of the effect of the independent variable on the dependent variable. The classical assumption test in this study consisted of normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test. Next is a hypothesis test consisting of multiple linear analysis, model feasibility test (F test), coefficient of determination (R^2), and statistical test (t test). Hypothesis testing is an analysis of data used to test the effect of two or more independent variables on one variable. bound.

3. RESULTS

The population in this study are all property and real estate companies listed on the IDX for the 2016-2019 period with a total of 168 companies. The number of samples of companies that match the predetermined criteria is 152 samples.

Table 1
Sampling Criteria

No	Sample Criteria	Amount
1.	Companies engaged in property and real estate classification which are listed on the Indonesia Stock Exchange (IDX) in 2016-2019 and prepare financial statements expressed in rupiah.	**65**
2.	Companies that do not publish annual financial reports during the 2016-2019 period.	**(23)**
	Number of companies passing the sample	**42**
	Total companies used for the sample (42*4)	**168**
	Outlier Data	**(16)**
	Final Sample Total	**152**

Source: Processed Data, 2021

Table 2
Descriptive Statistical Analysis

	N	Minimum	Maximum	mean	Std. Deviation
Liquidity (X1)	152	.179	40,520	3.46409	5.459519
Leverage (X2)	152	.024	.787	.37189	.180297
K. Institutional (X3)	152	0.000	.966	.55963	.245176
Growth (X4)	152	-.912	13,601	.13978	1.180613
Financial Distress (Y)	152	-.846	47,795	6.35101	6.971366

Source: Data processed, 2021

The results of the descriptive analysis of financial distress show that the minimum score is -0.846, the maximum value is 47.795 with an average of 6.35101 and a standard deviation of 6.971366.

The results of the descriptive analysis of the liquidity variable show a minimum value of 0.179, a maximum value of 40.520 with an average of 3.46409 and a standard deviation of 5.459519.

The results of the descriptive analysis of the leverage variable show a minimum value of 0.024, a maximum value of 0.787 with an average of 0.37189 and a standard deviation of 0.180297.

The results of the descriptive analysis of the institutional ownership variable show the minimum value of 0.000, the maximum value of 0.966 with an average of 0.55963 and a standard deviation of 0.245176.

The results of the descriptive analysis of the sales growth variable show the minimum number of -0.912, the maximum value of 13.601 with an average of 0.13978 and a standard deviation of 1.180613.

The normality test was conducted to determine whether the research variables were normally distributed or not. In this study, the normality test used the one sample Kolmogorov Smirnov test.

Table 3

SUMMARY OF NORMALITY TEST RESULTS

One-Sample Kolmogorov-Smirnov Test

Information	Kolmogorov-Smirnov Z	asymp. Sig. (2- Thailed	Conclusion
Normality	1,230	0.097	Normal distribution

Source: Data processed, 2021

Normality test aims to assess the distribution of data in a group of data or variables, whether the distribution of the data is normally distributed or not. Based on the results of the normality test above, it was found that Asymp. Sig shows a result of 0097. This indicates that the data has been normally distributed because the value is greater than 0.05

Table 4
SUMMARY OF MULTICOLLINEARITY TEST RESULTS

Variable	Tolerance	VIF	Information
Liquidity	0.698	1.434	There is no multicollinearity
Leverage	0.681	1,469	There is no multicollinearity
Institutional ownership	0.772	1,295	There is no multicollinearity
Sales growth	0.995	1.005	There is no multicollinearity

Source: Data processed, 2021

The multicollinearity test aims to test whether there is a correlation between the independent variables in the regression model. To detect the presence or absence of multicollinearity by looking at the tolerance value whose value is more than or equal to 0.1 and the Variance Inflation Factor (VIF) value is less than or equal to 1, the model can be said to be free from multicollinearity.

Table 5

SUMMARY OF HETEROSCEDASTICITY TEST RESULTS

Spearman's rho

Variable	R	Sig.	description
Liquidity	-.028	.742	Homoscedasticity
Leverage	.144	.076	Homoscedasticity
K. Institutional	-.033	.684	Homoscedasticity
Sales Growth	.010	.903	Homoscedasticity

Source: Data processed, 2020

Heteroscedasticity test aims to test whether in a regression model there is an inequality of residual variance from one observation to another observation. Heteroscedasticity test uses a method that aims to detect the presence or absence of heteroscedasticity is the Spearman' rho test. Based on heteroscedasticity testing, it shows that all independent variables have a significance value above 0.05 or 5%, meaning that the regression model is free from variance inequality from the residuals of one other observation, so it can be concluded that the model is free from heteroscedasticity or homoscedasticity.

Table 6

SUMMARY OF AUTOCORRELATION TEST RESULTS

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.968	.937	.935	1.771735	2.187

Source: Data processed, 2021

The autocorrelation test aims to determine whether in a linear regression model there is a correlation between the confounding error in period t-1 (Ghozali (2012: 110). A model is said to be free from autocorrelation if DU<DW<(4-DU). In this study, the durbin value Watson is 1.7901<2.187<2.2099

Table 6

MULTIPLE LINEAR REGRESSION EQUATION

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	□	Std. Error	Beta		
(Constant)	5.446	.701		7,764	.000
Liquidity	1.053	.032	.825	33,299	.000
1 Leverage	-10,885	.969	-.282	-11,231	.000
Institutional Ownership	2,332	.669	.082	3.484	.001
Sales Growth	.008	.122	.001	.067	.947

Source: Data processed, 2021

Multiple regression analysis is used to analyze how much influence the independent variable has on the dependent variable. The test is conducted to test whether liquidity, leverage, institutional ownership, and sales growth have an effect on financial distress. based on the table, the following equation can be obtained:

FD = 5.446 + 1.053 LK -10.885 LEV + 2.332 KI + 0.008 SG +

Information:

FD = Financial Distress

A = Constant

b-b = Coefficient of each variable

LK = Liquidity

LEV = Leverage

KI = Institutional Ownership

SG = Sales Growth

E = Standard Error

Constant value of 5.446 indicates that if liquidity, leverage, institutional ownership, and sales growth do not change or are constant, then financial distress will be constant.

The liquidity regression coefficient of 1.053 indicates that if liquidity increases by one unit, financial distress will increase by 1.053 units assuming other variables remain constant.

Regression coefficient of leverage of -10.885 indicates that if leverage increases by one unit, financial distress will decrease by -10,885 units assuming other variables remain.

The regression coefficient for institutional ownership of 2.332 indicates that if institutional ownership increases by one unit, financial distress will increase by 1.053 units assuming other variables remain.

The sales growth regression coefficient of 0.008 indicates that if sales growth increases by one unit, financial distress will increase by 0.008 units assuming other variables remain constant.

Table 6

F TEST RESULTS

	Fcount	Sig	Information
F Uji test	547,710	0.000	Significant

Source: Data processed, 2021

This test is to determine whether the independent variable has an effect on the dependent variable. The F test is also used to explain the overall ability of the variable to be able to explain the behavior of the variable. The results of the F test have a significance value of 0.000 which is smaller than 0.05. In conclusion, the independent variables, namely liquidity, leverage, institutional ownership, and sales growth have an effect on financial distress.

Table 7

SUMMARY OF DETERMINATION COEFFICIENT TEST RESULTS (R^2)

R	R Square	Adjusted R Square	Std. Error of the Estimate
.968	.937	.935	1.771735

Source: Data processed, 2021

The coefficient of determination is used to measure how far the ability of a model to explain the variation of the independent variables. The coefficient of determination (Adjusted R^2) shows a value of 0.935 so it can be concluded that the independent variables of liquidity, leverage, institutional ownership, and sales growth can explain the dependent variable, namely financial distress of 93.5% while the remaining 6.6% is influenced by other variables outside the four the independent variables that are not included in the model.

Table 8

TESTRESULTS t

Variable	t count	Sig.	description
Liquidity	33,299	000	Take effect
Leverage	-11,231	.000	Take effect
K. Institutional	3.484	.001	Take effect
Sales Growth	.067	.947	No effect

Source: Data processed, 2021

The t-statistical test aims to determine the effect of the independent variable individually on the dependent variable. The criteria set if the significance value is less than 0.05 then the hypothesis can be accepted. Based on the calculation results of the statistical t test above, it can be interpreted as follows:

Partial testing of liquidity on financial distress shows that there is a value of 33,299 with a significant value of 0.000 which is smaller than the alpha level of 0.05, then these results explain that H**accepted.**The conclusion is that liquidity has an effect on financial distress. In line with research conducted by Masdupi, Abel, and Atri (2018) and Widhari and Lely (2015) which show that the liquidity ratio with the current ratio has an influence on financial distress in a company. The higher the liquidity value, the lower the risk of financial distress in the company. On the other hand, the lower the liquidity, the higher the risk of the company's financial distress.

Partial testing of leverage on financial distress shows that there is a value of -11.231 with a significant value of 0.000 which is smaller than the alpha level of 0.05, then these results indicate that H **accepted**. The conclusion is that leverage has an effect on financial distress. In line with the research of Utami (2015), Jamaludin, Maslachch, and Cholid (2018), Ardiansyah (2018), and Lubis and Patrisia (2019) which state the effect of leverage ratios with financial distress. The use of higher debt will result in the company having difficulty paying its debts. This will cause the higher leverage ratio will result in the greater the possibility of the company experiencing financial distress.

Partial testing of institutional ownership on financial distress shows that there is a value of 3.484 with a significance of 0.001 which is smaller than the alpha level of 0.05, then these results indicate that H **accepted**. The conclusion is that institutional ownership has an effect on financial distress.

The results of this study are in line with that conducted by Bredart (2014) which states that there is an influence between institutional ownership on financial distress.

Partial testing of sales growth on financial distress shows that there is a value of 0.067 with a significant value of 0.947 which is greater than the alpha level of 0.05, then these results indicate that H**rejected.**The conclusion is that sales growth has no effect on financial distress. This study is in accordance with the results of research by Widarjo and Setiawan (2009) that sales growth has no effect on financial distress conditions and also research from Wahyu (2009) that sales growth has no effect on financial distress.

4. CONCLUSSION

This study examines the effect of liquidity, leverage, institutional ownership and sales growth on financial distress. Companies included in the population in this study are property and real estate sector companies listed on the Indonesia Stock Exchange (IDX) for the 2016-2019 period. From the results of the analysis and discussion that has been carried out, the following conclusions can be drawn:

1. Liquidity has a significant value of 0.000 which is smaller than 0.05. So it can be concluded that the liquidity variable has a positive effect on financial distress, so H accepted.
2. *Leverage*has a significant value of 0.000 which is smaller than 0.05. So it can be concluded that the leverage variable has a positive effect on financial distress, so H accepted.
3. Institutional ownership has a significant value of 0.001 which is smaller than 0.05. So it can be concluded that the institutional ownership variable has a positive effect on financial distress, so H accepted.
4. *Sales growth*has a significant value of 0.947 which is greater than 0.05. So it can be concluded that the sales growth variable has a positive effect on financial distress, so H rejected.

Based on the conclusions and limitations in this study, the researchers provide the following recommendations:

1. Based on the limitations regarding the number of samples in this study, suggestions for further research is to increase the number of research samples by expanding the observation period and with different criteria.

2. For further research, it is expected to add samples of companies in other sectors or take from all business sectors listed on the IDX in order to obtain more valid and generalizable results.

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