ABSTRACT

The increasing use of trade credit in non-financial companies encourages this study which aims to analyze the effect of financial distress on the use of trade credit.

The independent variable used in this study is financial distress as measured by the Altman Modified Z-score with trade credit as the dependent variable measured by the ratio of accounts payable to total assets, the ratio of accounts payable to total equity, and the ratio of accounts payable to sales. The control variables used in this study are firm size, sales growth, inventory to total asset ratio, and asset tangibility. The population used in this study is non-financial companies listed on the Indonesia Stock Exchange which have complete financial reports during 2016-2020. This study uses secondary data and the sample used based on the purposive sampling method is 163 companies resulting in 850 observations, while the analysis technique used is panel data regression analysis.

The results of this study indicate that financial distress has a significant positive effect on the ratio of accounts payable to total assets, the ratio of accounts payable to total equity, and the ratio of accounts payable to sales.

The limitation of this study is the number of outliers found in the data selection process, namely 50 companies. Suggestions for companies are that when experiencing financial distress, companies can use trade credit as a source of using funds. But what needs to be considered is that the use of trade credit has a risk because if its use is too large it can increase the risk of bankruptcy of the company.

Keywords: financial distress, trade credit