

ABSTRACT

This study aims to determine the effect of financial ratios on financial distress. In this study, the dependent variable is financial distress. The independent variables of this study are financial ratios which include liquidity ratio proxied by current ratio, solvency ratio measured by debt to equity ratio, efficiency ratio measured by asset turnover, profitability ratio proxied by return on equity and sales growth ratio. In addition, the control variables used are company size and managerial ownership.

This study uses secondary data obtained from the financial statements of companies listed on the Indonesia Stock Exchange and Bloomberg database. The method used is purposive sampling method and obtained 288 data from manufacturing companies engaged in consumer cyclical and consumer good listed on the Indonesia Stock Exchange in 2019-2021. Logistic regression analysis was used in this study to analyze the data.

The results showed that the liquidity ratio, efficiency ratio and profitability ratio had a significant negative effect on financial distress. The solvency ratio has a significant positive effect on financial distress. However, the sales growth ratio has no effect on financial distress, which means that the hypothesis is rejected.

Keywords: Financial Distress, Liquidity Ratio, Solvency Ratio, Efficiency Ratio, Profitability Ratio, and Sales Growth Ratio.