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**THE EFFECT OF OPERATING CAPACITY, LIQUIDITY, AND PROFITABILITY
ON FINANCIAL DISTRESS IN FOOD AND BEVERAGE SUB-SECTOR COMPANIES
LISTED ON THE INDONESIA STOCK EXCHANGE PERIOD 2016-2020**

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ABSTRACT

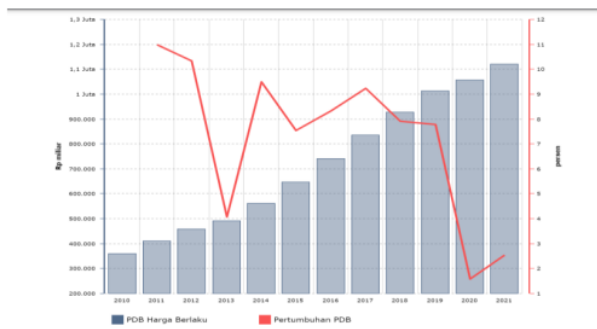
The purpose of this research is to identify and analyze the effect of operating capacity, liquidity, and profitability on financial distress in food and beverage sub-sector companies listed on the Indonesia Stock Exchange (IDX) for the 2016-2020 period. To implement these objectives, the panel data regression analysis method is used, and using the Altman method as a classification of companies experiencing financial distress. The type of data used is secondary data obtained from official websites and websites owned by each food and beverage company. The population of this study were 27 food and beverage sub-sector companies listed on the Indonesia Stock Exchange in 2022. Sampling used a purposive sampling method with several specific criteria. There are 12 companies that meet the criteria to be sampled in this study. The results of research with the help of Eviews 9 show that operating capacity as measured by total asset turnover (TATO) partially has no effect on financial distress while liquidity is measured by current ratio (CR) and profitability as measured by return on assets (ROA) partially effect on financial distress. Then simultaneously operating capacity, liquidity, and profitability affect financial distress.

Keywords: *Operating Capacity, Priority, Liquidity*

1. PRELIMINARY

Unstable economic conditions have affected financial performance so that very susceptible for something company for experience difficulty financial or *financial distress* coupled with competitive companies the more strict demand company for Becomes the more creative, increase quality, as well as own management which good. If something company no capable for face competition which there is so the company will experience financial difficulties or *financial distress* and if condition the no quick overcome so company will experience bankruptcy. According to Platt and Platt (2002) *financial distress* is a stage decline in the company's financial condition that occurred before bankruptcy or liquidation. Every company that runs its business must have risks the occurrence of *financial distress*, especially when there is an economic crisis in the country the place the company operate. There is virus *covid-19* make change which very significant to the economy not only in Indonesia but even the global economy. Lots company which experience decline profit until experience bankruptcy. Almost all companies in all sectors experienced the impact One of them is the food and beverage sub-sector. People's purchasing power which decrease, competition which strict between company which involve domestic and foreign companies as well as rising prices of goods Production needs make companies in the food and beverage sub-sector must more increase again performance his company so that spared from *financial distressed*. Based on report development industry edition 1 year 2020 rate growth product domestic gross on base price constant on sub sector food and drink show trend which fluctuating and tend decrease (kemenperin.go.id).

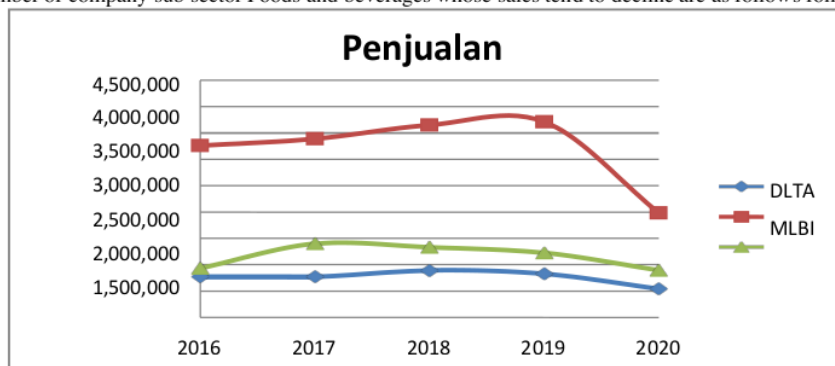
Based on Picture 1.1 it can be concluded that product growth domestic gross on year 2016 until with 2020 tend decrease even in the year of 2020 experience decline which significant. The performance of a company can be seen through financial reports. Results analysis ratio report finance can made as ingredients taking decisions for internal and external parties because of the analysis Financial report ratios can provide an overview of good and bad financial condition of a company so that this description can be used as something media for predict difficulty finance or *financial distress* which faced something company. There are several models to detect the occurrence of *financial distress* wrong only one is method Altman Z-scores. Z-scores is score which determined from the standard count multiplied by the financial ratios to be show level possibility of *financial distress* of a company.



Source: Body Center Statistics (BPS)

Picture 1.1
Chart GDP growth Sub Sector Food and M in 2010-2021

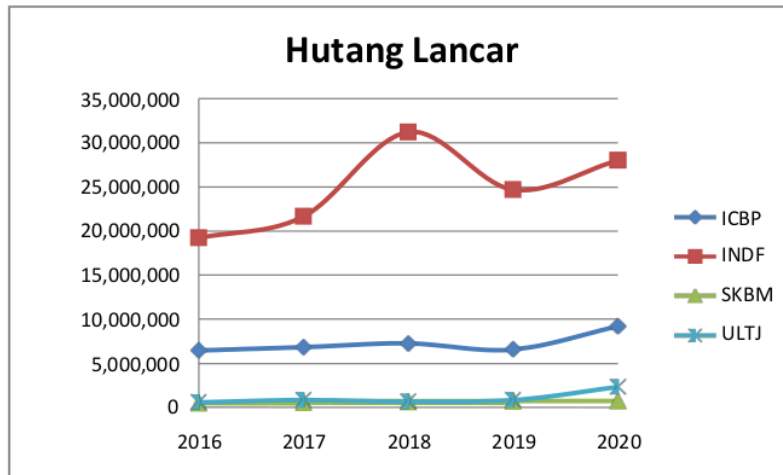
Operating capacity as one of the benchmarks used for predict condition *financial distress* in a company. According to Atika (2020) ratio this used for measure ability company in use its assets in a manner effective for produce sale. Hidayat (2013) argues that if the company's assets cannot be used in a manner maximum so income company also no maximum, and as a result possibility company experience difficulty finance or *financial distress* the more big. On study this *operating capacity* proxied with *total assets turnovers* (TATTOO) or ratio rotation totalassets that is with compare total sales with total assets which company owned. According to Hanifah and Purwanto (2013) Height results ratio *total assets turnovers* (TATTOO) or ratio rotation total assets shows the more effective a company is in using its assets for produce sale. There is a number of company sub sector Foods and beverages whose sales tend to decline are as follows following:



Source : Exchange Effect Indonesia (data processed, 2022)

Picture 1.2
Chart Sales of Sub Sector Food and Drink
2016-2020

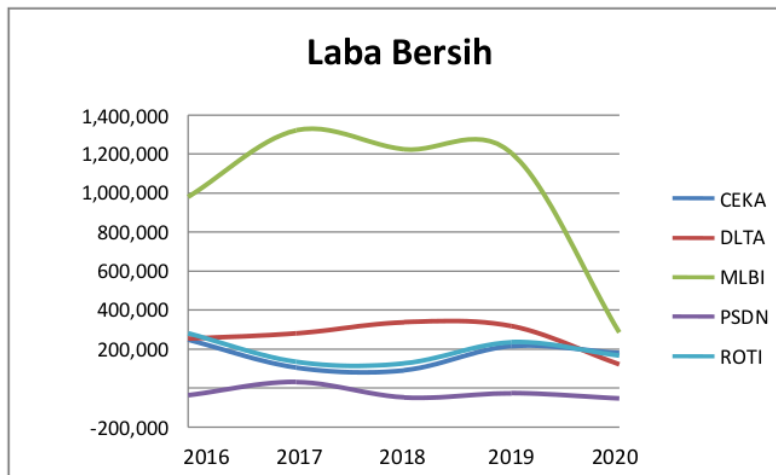
Furthermore, liquidity is also one of the benchmarks in predict condition *financial distress* in a company. According to Triwahyuningtias (2012) ratio liquidity used for measure ability company for pay off obligation smoothly with make use of its current assets. If the company is able to pay off obligations period in short with good so possibility company the experience *financial distress* the more small. On study this liquidity proxied by *current ratio* (CR) that is with compare assets fluent with debt fluent. *Current ratio* used for measure company to pay short-term debts that are due soon. The more tall score *current ratio* (CR) so the more good because Thing that shows the higher the company's ability to pay off obligationsperiod in short. There is a number of company sub sector food and drink shows trend which fluctuating tend increase, that is:



Source : Exchange Effect Indonesia (data processed, 2022)

Picture 1.3
Chart Debt Fluent Sub Sector Food and Drink
2016-2020

The last measurement tool used in research to predict condition *financial distress* in a company is profitability. Cashmere (2012) argue that ratio profitability is ratio which used for evaluate ability company in look for profit. Effectiveness The company can be seen from the company's ability to utilize its assets owned for get profit. With exists effectiveness from asset use the company will reduce costs which are issued by company, so that company will have sufficient funds for operate his efforts with exists adequacy fund the so company possibilities experiencing *financial conditions distress* will Becomes smaller. In research this is profitability proxied by *return on assets* (ROAs). According to Fahmi (2012:98) ratio this show ability company with use whole assets which has for produce profit. The more tall results *returns on assets* (ROA) so the company's ability to generate profits is also higher so could concluded company which own *returns on assets* (ROA) high enough is a company that works quite effectively. There are several food and beverage sub-sector companies whose net profits tend to be decrease, that is :



Source: Exchange Effect Indonesia (data processed, 2022)

Picture 1.4
Chart Net profit Sub Sector Food and Drink
Period 2016-2020

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2. Literature Review

2.1 Signal Theory (*Signaling theory*)

Theory signal or *signaling theory* is theory which explain how company give something cue or signal form information about something condition company good positive nor negative which beneficial for party information receiver. Brigham and Houston (2017:524) states that signal theory give description that signal or cue is something action which taken management company which give instruction for investors about how management views prospects company. In signal theory, the company which own quality good will give a signal to the market, so market could differentiate quality every company. Theory signal this emphasize exists information which describe the state of the company, both in the past, currently this and in the future. Information that issued by the company is thing which is very important to outsiders because influence to decision investment party outside company.

2.2 Performance Finance

According to Fahmi (2018:142) performance finance is something analysis which done to see to what extent a company has carry out with use rules implementation finance in a manner good and correct. Performance financial company which good is implementation rules which apply already conducted nicely and correct. According to Rudianto (2013:189) performance finance is results or achievement which has achieved by management company in operate function manage asset company in a manner effective during period certain. So, could concluded that performance finance is something analysis which done to see to what extent a company has carry out rule-rule implementation finance in a manner properly and correctly and manage company assets effectively during period certain.

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2.3 Financial Distress

According to Platt and Platt (2002) *financial distress* is Step decline condition corporate finance that happened before bankruptcy or liquidation. According to Fahmi (2014:157) *financial distress* is if the company is experiencing problems in liquidity then it will be very possible company the start enter period difficulty finance, and if the condition is not quickly resolved then this can caused bankruptcy effort. For avoid bankruptcy this various policies, strategies and help, good from party internal nor external. According to Hery (2016: 33) *financial distress* is something circumstances in where a company experience difficulty for fulfill its obligations, the circumstances in which the company's income cannot cover total cost and experience loss. For creditors, this situation is an early symptom failure debtor. So, we can conclude *financial distress* is Step decline condition finance company as company difficulty for fulfil his obligations and if condition the no fast overcome so caused bankruptcy effort so that policies, strategies and assistance are needed from internal and external parties. For creditors, this situation is an early symptom failure debtor

2.4 Operating Capacity

According to Fahmi (2014:77) *operating capacity* is a ratio that describes efficiency company in use the resources it has to get finance the company's operational activities. Ratio this used for measure company capabilities in use its assets in a manner effective for produce sale. According to Hidayat (2013) if asset the company doesn't could used in a manner maximum so the company's income is also not optimal, and as a result possibility company experience difficulty finance or *financial increasingly distressed* big.

2.5 Liquidity

According to Triwahyuningtias (2012) ratio liquidity used for measure ability company for pay off its current liabilities by taking advantage of assets smoothly. If company capable pay off obligation period in short with good so the more small to-possibility company that's me experience *financial distressed*.

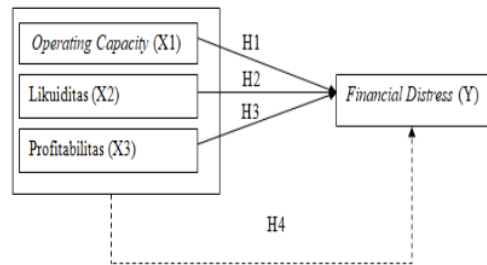
2.6 Profitability

According to Cashmere (2012:196) ratio profitability is ratio which used for evaluate ability company in look for profit. Effectiveness company could seen from ability company utilise assets which owned for get profit. With the effectiveness of use asset company so will reduce cost which issued by company, so that company will own adequacy fund for operate his efforts with so possibility company experience financial distress will Becomes more small.

2.7 Framework Thinking

This framework is designed for could test "Influence *Opera Capacity*, Liquidity, and Profitability Against *Financial Distress*". This research using *operating capacity*, liquidity and profitability as

variable independent and *financial distress* as variable dependent. Based on description the, could depicted framework thinking as following:



Information : Partial Simultaneous

Figure 2.1 Framework Thinking

2.8 Influence Operating capacity to Financial Distress

Operating capacity is a ratio that used for measure efficiency use source power or asset which owned company for produce sale. Proxy which used is *total assets turnovers* (TATTOO). Height results ratio *total assets turnovers* (TATTOO) show the more effective something company in use active for produce sale and expected could give profit its bigger for the company so possibility happening *financial distress* will the more small. The results of research that has been conducted by Setyawati (2021) as well as Octaviani and abbot (2020) state that *operating capacity* influential to *financial distressed*. Whereas results study which Wulandari and Jaeni did differently (2021) as well as Ramadhani (2019) which states that the *operating capacity* is not influential caught *financial distress*. Based on the description above it can be concluded hypothesis as following :

H1: *Operating capacity* influential to *financial distress*.

2.9 The Effect of Liquidity on Financial Distress

Munawir (2014:31) state that liquidity ratio, namely the ratio that shows ability company in fulfil obligation period in short. In study this tool measuring which used for measure liquidity is *current ratio* (CR). *Current ratio* (CR) is ratio Among total assets fluent with current debt. The higher the value *current ratio* (CR) show that the more tall company capable for pay debt smoothly so that possibility company experience *financial distress* will the more small.

The results of research that has been conducted by Asmarani and sustainable (2020) as well as Kurniawan (2018) state that liquidity influential to *financial distress*. While the research results are different conducted by Setyawati (2021) as well as Octaviani and abbot (2020) state that liquidity has no effect on *financial distress*. Based on the description above it can be concluded the hypothesis as follows: H2: Liquidity influential to *financial distress*

2.10 Influence Profitability against Financial Distress

Kasmir (2012) argues that the ratio profitability is ratio which used for evaluate ability company in look for profit. Effectiveness company could seen from ability company utilise assets which owned for get profit. In study this profitability proxied by *return on assets* (ROA). ROA is used to measure effectiveness company in in produce profit with utilise assets which has. The more tall results *returns on assets* (ROA) so ability company to make a profit also the more tall. With exists the effectiveness of the use of company assets so will reduce cost which issued by company, so that the company will have sufficient funds for operate his efforts with exists the adequacy of these funds then the possibility company experience condition *financial distress* will Becomes more small.

The results of research that has been conducted by Hidayat, Sari, Judge and abbot (2021) and Kurniawan (2018) stated that profitability affects *financial distress*. While the research results are different conducted by Asmaran and Lestari (2020) state that profitability no influential to *financial distress*. Based on exposure the, formulated hypothesis as following:

H3: Profitability influential to *financial distress*.

2.11 Effect of Operating Capacity, Liquidity, and Profitability to Financial Distress

The more tall score *operating capacity* which is prorated to *total asset turnover* (TATO), liquidity

proxied by *current ratio* (CR) and profitability proxied by *return on assets* (ROA) so possibility happening *financial distress* will be more small explanation This is in line with previous research conducted by Wulandari and Jaeni (2021) which states that *operating capacity*, liquidity and profitability influential caught *financial distressed*. Based on description on could concluded hypothesis following :

H4: *Operating capacity*, liquidity and profitability affects *financialdistress*

3. RESEARCH METHODS

3.1 Classification Population and Sample

According to Sugiyono (2019:126) Population is the area of generalization that it comprises on object or subject which have quantity and characteristics certain which determined by the researcher to be studied and then pulled in conclusion. Population on study this is company sub listed food and beverage sector on the Exchange Effect Indonesia from year 2016- 2020.

Sample is part of the number and characteristics belonging to that population. On study this, technique taking sample used is *purposive sampling*. Technique this take sample with set criteria company which corresponding with need study. The sample in this study was taken by criteria as following

1. Food and beverage sub-sector companies drink which registered in Exchange Effect Indonesian from year 2016-2020
2. Food and beverage sub-sector companies drink which publish financial report data for the year 2016-2020

3.2 Type and Source Data

Type data which used in study this is data quantitative. Data the form report finance company sub sector food and drink year 2016-2020. Sources of data in this study are data secondary. Data secondary in study this that is report finance company sub sector food and drink of the year 2016-2020 which is obtained from website official Exchange Effect Indonesia that is idx.co.id and website official company.

3.3 Procedure Taking Data

In preparing this study, researchers gather information use 2 method, that is studies library and documentation

3.4 Variable Study

The dependent variable is a variable which influenced by variable independent. Variable dependent which used in this research is *financial distressed*. The independent variable is the variable that influence variable dependent good in a manner positive nor negative. Variable independent which used in study this is *operating capacity*, liquidity, and profitability.

3.5 Definition Operational and Measurement Variable

3.5.1 Financial Distress

In study this, researcher using the Altman Z-score method for predict *financial distressed*. Z-scores is score determined from the count standard multiplied with ratio finance which will show level possibility *financial distress* something company. According to Altman (2000), formula Altman Z-scores ie as following:

$$Z = 6.56X_1 + 3.26X_2 + 6.72X_3 + 1.05 X_4$$

Information:

Z-Score = *Financial distress index* X 1 = *Working capital / total assets* X 2 = *Retained earnings / total assets*

X 3 = *earning before interest and taxes / total assets*

X 4 = *book value of equity / book value of total liabilities*

Where:

1. If the value of Z < 1.1 then the company in condition bankruptcy.
2. If score 1,1 < Z < 2,6 so The company is in a gray area condition (no could determined is healthy or experienced company bankruptcy).
3. If the Z value > 2.6 then the company in condition no experience bankruptcy. In research this

profitability be measured with *Return On Assets* (ROA). According to Brigham and Houston (2017) formula *Return On Assets* (ROA) is as following :

$$\text{return On Assets (ROA)} = \frac{\text{Profit Clean}}{\text{Total Asset}}$$

3.5.2 Operating Capacity

Operating capacity is ratio which used for know how much effective and efficient company in sale. In study this *operating capacity* be measured use *Total Assets turnovers* (TATTOO). According to Brigham and Houston (2017) *Total Asset Turnover formula* (TATTOO) as following :

$$\text{Total Assets turnovers (TATO)} = \frac{\text{Net Sales}}{\text{Total Assets}}$$

3.5.3 Liquidity

Liquidity is ratio which used for know ability company in pay off obligation period in short. In research this liquidity be measured use *Current Ratio* (CR). According to Hantono (2018) *Current Ratio* (CR) could counted with formula :

$$\text{Current Ratio (CR)} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

3.5.4 Profitability

Profitability is the ratio used for know ability company in produce profit.

3.6 Technique Analysis

Technique analysis which used is combined Among data *time series* with data *cross section* which called with panel data regression analysis. equation models regression data panel which worn in study this that is:

$$Z\text{-Score } it = \alpha + \beta_1 TATO_{it} + \beta_2 CR_{it} + \beta_3 ROA_{it} + \epsilon_{it}$$

Information:

- Z-Score it : *Financial Distress*
- α : Constant
- $\beta_1, 2, 3$: Coefficient Variable
- TATO it : *Operating Capacity* (TATO) CR i : Liquidity (CR)
- ROA it : Profitability (ROA)
- ϵ_{it} : Error

3.7 Test Hypothesis

3.7.1 Test t

According to Ghozali (2016) t test aim To use showing is every variable independent very influential to variable dependent with consider variable other characteristic stable. Level significant in test this is $\alpha=5\%$ or 0.05.

Hypothesis:

1. If Prob t statistics $> \alpha$ (0.05) so H_0 be accepted.
2. If Prob t statistics $\leq \alpha$ (0.05) so H_0 rejected.

3.7.2 Test F

According to Ghozali (2016) Test statistics F show is all variable independent in a manner together influential to the dependent variable. F test testing applied with score *prob. F statistics* with α (0.05).

Hypothesis:

1. If Prob F statistics $\leq \alpha$ (0.05) so H_0 rejected.
2. If Prob F statistics $> \alpha$ (0.05) so, H_0 be accepted.

4. RESULTS AND DISCUSSION

Analysis Statistics Descriptive Table 4.3

Statistics Descriptive Study

Source : Data processed use Eviews

	Z-SCORE	TATO	CR	ROA
Mean	5.466542	1.128851	2.644599	0.117399
Median	4.953835	0.115031	0.597707	0.087542
Maximum	15.88290	3.104759	8.637842	0.526703
Minimum	-1.913432	0.445778	0.679547	-0.068338
Std. Dev.	6.122916	0.472731	0.785620	0.149272
Skewness	-2.184677	0.204729	-0.241819	1.742133
Kurtosis	14.67023	2.525855	3.505906	6.060485
Jarque-Bera	388.2139	0.981175	1.224616	53.76669
Probability	0.000000	0.612267	0.542098	0.000000
Sum	327.9925	4.133210	38.67596	7.043918
Sum Sq. Dev.	2211.916	13.18502	36.41469	1.314650
Observations	60	60	60	60

Corresponding table 4.2 show results statistics descriptive from total 60 observation on year 2016-2020 as many as 12 companies have a mean Z-SCORE of 5.466542 with standard deviation of 6.122916. The maximum Z-Score value of 15.88290 is owned by PT. Delta Djakarta, Tbk (DLTA) in 2017 and the minimum value is -1.913432 owned by PT. Prasadha Aneka Commerce, Tbk (PSDN) on year 2020.

From the results of the statistical table above which is data from 12 companies in the food and sub-sector drink which recorded on the IDX period 2015-2020 obtained information that average operating capacity (TATTOO) is a number 1.128851 with standard deviation a number 0.472731. Company with operating capacity highest is PT. Wilmar Light Indonesia, Tbk (CEKA) in 2018 was recorded as having operating capacity of 3.104759. Whereas the company with the lowest operating capacity is PT. Delta Djakarta, Tbk (DLTA) on year 2020 as big 0.445778.

Statistics variable next is liquidity (CR) showing that average from 12 company sub sector food and drink period 2016-2020 is 2.644599 with standard large deviation 0.785620. Company with current ratio (CR) highest is PT. Delta Djakarta, Tbk (DLTA) on year 2017 with value 8.637842. Whereas company with current ratio (CR) Lowest is PT. Multi Star Indonesia (MLBI) on in 2016 was recorded as having current ratio (CR) of 0.679547. The next statistical variable is profitability (ROA). Average profitability (ROA) is a number 0.117399 with standard deviation number 0.149272. Company with the highest return on assets (ROA) is PT. Multi Bintang Indonesia (MLBI) in 2017 recorded to have a return on assets (ROA) of 0.526703. While companies with the lowest return on assets (ROA) is PT. Prasadha Aneka Niaga, Tbk (PSDN) in 2018 i.e. as big -0.068338.

4.1 Analysis Regression Data Panel

Study uses panel data regression analysis to see the effect of operating capacity, liquidity and profitability of financial distress by determining the model research using this test ensures the model to be used. Results from testing the is :

4.1.1 Test Chow

The chow test was carried out to ensure the use of CEM or FEM in research. Results chow test in research is:

Table 4.4 Results Test Chow

Redundant Fixed Effects Tests

Equation: Untitled

Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	2.998413	(11,45)	0.0045
Cross-section Chi-square	32.989351	11	0.0005

Source : Data processed using Eviews

Table 4.4 shows the results of the chow test with the probability value of *Cross-section Chi-square* $0.0005 < 0.05$ so H_0 rejected. With his election *fixed effect model* sonext test hausman.

4.1.2 Test Hausman

Test hausman conducted To use decide use FEM or BRAKE in in study. Test results hausman in study is:

Table 4.5 Results Test Hausman

Correlated Random Effects - Hausman Test
 Equation: Untitled
 Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	17.991672	3	0.0004

Source : Data processed use Eviews

Based on table 4.5 the hausman test results show the probability value of *Cross-section Chi-square* $0.0004 < 0.05$ so that H_0 is rejected. The chosen model *is fixed effect models* are not needed again test *Langrage Multipliers* .

Based on the tests that have been done, the *Fixed Effect Model* is model which used namely:

Table 4.6
Fixed effects Model

Dependent Variable: ZSCORE
 Method: Panel Least Squares
 Date: 05/14/22 Time: 19:05
 Sample: 2016 2020
 Periods included: 5
 Cross-sections included: 12
 Total panel (balanced) observations: 60

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-2.757603	0.628770	-4.385713	0.0001
TATO	-2.103639	1.376226	-1.528556	0.1334
CR	8.194652	0.762966	10.74052	0.0000
ROA	26.29324	2.518046	10.44192	0.0000

Effects Specification

Cross-section fixed (dummy variables)			
R-squared	0.923680	Mean dependent var	5.466542
Adjusted R-squared	0.899936	S.D. dependent var	6.122916
S.E. of regression	1.936852	Akaike info criterion	4.372323
Sum squared resid	168.8127	Schwarz criterion	4.895909
Log likelihood	-116.1697	Hannan-Quinn criter.	4.577126
F-statistic	38.90178	Durbin-Watson stat	3.291137
Prob(F-statistic)	0.000000		

Source : Data processed use Eviews Equation data regression panel study is:

$$Z\text{-Score it} = -2.757603 - 2.103639 \text{ TATTOO it} + 8.194652 \text{ CR it} + 26.29324 \text{ ROA it} + \epsilon \text{ it}$$

Information:

$$1. \text{ Constant } (\alpha) = -2.757603$$

Score constant this show when *operating capacity* , liquidity, and profitability is zero then *financial distress* company with indicators The Z-Score has a value of - 2.757603. Coefficient of *operating capacity* (TATO)(β_1) = - 2.103639

Based on score the could said that *operating capacity* has a non-unidirectional relationship with *financial distress* with indicators Z-Scores. Based on this means when the *operating capacity* increases one unit reduces the value of *financial distress* by -2.103639 with assumption independent variable others are considered constant. Coefficient liquidity (CR) (β_2) = 8.194652. Based on score the could said that liquidity own connection in the same direction with *financial distress* with indicator Z-Scores. Based on this, it means that if liquidity increases by one unit, then increase the value of *financial distress* as much as 8.194652 assuming variable independent other considered constant.

Coefficient profitability (ROA) (β_3) = 26.29324

Based on these values it can be said that profitability own connection in the same direction with *finances distress* with indicator Z- score. Based on Thing the means if profitability ride one unit soincrease *financial value distress* as many as 26.29324 with assumptionvariable independent other considered constant.

4.2 Coefficient Determination

Test this conducted To use know the size capacity variable independent explain variables dependent. The value of the coefficient of determination in study that is:

Table 4.7

Results Coefficient Determination

adjusted R-squared	0.899936
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Source : Data processed use Eviews

Based on table 4.7, score *adjusted R-squared* which got is 0.899936 or 89.99% which means ability variable *operating capacity* , liquidity, and profitability in explain *financial distress* of 89.99% while 11.11% is explained by the independent variables other.

4.2.1 Test t

The t test was applied to see the magnitude of the effect variable independent tovariable dependent in a manner individual with result as following:

Table 4.8 Results Test t

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-2.757603	0.628770	-4.385713	0.0001
TATO	-2.103639	1.376226	-1.528556	0.1334
CR	8.194652	0.762966	10.74052	0.0000
ROA	26.29324	2.518046	10.44192	0.0000

Source : Data is processed use Eviews

Based on results test t the then there is a take decision, Among other:

Based on results analysis influence variable *operating capacity* (TATO) on *financial distress* (Z Score) has a coefficient of - 2.103639 with probability 0.1334 > α 0.05 means *operating capacity* (TATO) has no effect on *financial distress* (Z- score)

Based on the results of the analysis of the effect of the liquidity variable (CR) on *financial distress* (Z-Score) has a coefficient of 8.194652 with probability 0.0000 $\leq \alpha$ 0.05 means liquidity (CR) have influence positive to *financial distress* (Z-Scores).

Based on results analysis influence variable profitability (ROA) to *financial distress* (Z-Scores)

4.2.2 Test F

Has a coefficient of 26.29324 with probability 0.0000 $\leq \alpha$ 0.05 means liquidity (CR) has a positive influence on *financial distress* (Z- score). means *operating capacity* no effect on *financial distress* with thus so hypothesis first rejected. Indicate that tall orlow *operating capacity* does not affect *financial distress* something **company because financial distressed**. F test is applied to find out amount of influence variable independent to variable dependent in a manner whole with results as following:

Table 4.9 Results Test F

F-statistic	38.90178
Prob(F-statistic)	0.000000

Source: Data processed using Eviews

Based on table 4.9 shows that the value of Prob(F-statistic) is $0.000000 < 0.05$ so H_0 is rejected which it means in a manner simultaneous variable *operating capacity*, liquidity, and profitability influence *financial distressed*.

4.3 Discussion Results Analysis

4.3.1 Influence *Operating capacity* To Financial Distress

On results test which conducted with variable *operating capacity* which be measured with TATTOO that is sale shared *total assets* show score *t-statistics* with significance $0.1134 > 0.05$ company is not only caused by the level of sales which tall or low, will but there is aspects others influence as lack capital, level liquidity as well as too big burden debt which owned besides that can caused because a number of company which no experience condition *financial distress* totally experience *assets slow turnover so that the total asset turnover value* is not affect *financial distress*.

These results are in agreement research by Hidayat, Sari, Hakim, and Abbas (2021), Wulandari and Jaeni (2021) and Ramadhani (2019), which show that *operating capacity* no effect on *financial distress*. Besides that, Aisha, Kristanti, and Zultilisna (2017) stated that company which own score *total assets turn over* (TATTOO) which big nor small could experience condition *financial distressed*. The higher it is rotation total assets, describe the more effective total assets company produce sale, however cost which issued in sales also need to be considered. In this case company can experience *financial distress* when no could streamline cost which issued in every sale.

4.3.2 Influence Liquidity Against *Financials Distress*

On the results of tests carried out with the variable liquidity as measured by *current ratio* (CR) ie *current assets* shared with *current liabilities* shows *t-value statistics* with a significance of $0.0000 < 0.05$ and a positive coefficient means liquidity influential to *financial distress* with thus so hypothesis second be accepted. Liquidity beneficial for showing ratio Among assets fluent with debt smoothly, the higher the liquidity value indicates that the company can fulfill obligation smoothly, so that could pressing occurrence condition *financial distress* company and vice versa. The increase in liquidity, the value of the Z-score will also be increases, which means that the company is likely to experience *financial distress* the more small. These results are in accordance with the research by Septianidan Dana (2019) and Mukhtar and Aswan (2017) which shows that liquidity has an effect on *financial distress*. In addition, Atika (2020) states that the size of the *current ratio* (CR) will influence small size score Z-scores.

4.3.3 Influence Profitability To Financial Distress

On the results of tests conducted with the variable profitability as measured by *return on assets* (ROA), namely net income divided by total assets, shows the value of the *t-statistic* with significance $0.0000 < 0.05$ and coefficient which positive it means profitability influential to *financial distress* with thus so hypothesis third be accepted. Profitability is useful for measuring a company's ability to produce profits by utilizing its assets. The higher the *return results on assets* (ROA) then the company's ability to generate profits as well the more tall, so that could push happening condition *financial distress* company also otherwise. Increased profitability so score Z-scores also will increases, which means that the company is likely to experience *financial distress* the more small. These results are in accordance with the research of Masitoh and Setiadi (2019) and Mukhtar and Aswan (2017) which shows that profitability affects *financial distress*. Also, Atika (2020) stated that the size of the *return on assets* (ROA) will influence size score Z-scores.

4.3.4 Influence *Operating Capacity, Liquidity, and Profitability* kindly Simultaneous To *Financial Distress*

On results test F which conducted show score *F-statistics* with significance $0.000000 < 0.05$ it means in a manner simultaneous *operating capacity*, liquidity and profitability influential against *financial distress*. With thus fourth hypothesis be accepted. The magnitude influence this also shown by score coefficient determinant as big 0.899936 or 89.99% which means ability variable *operating capacity*, liquidity, and profitability in explain *financial distress* as big 89.99% whereas 11.11% explained by variable independent other.

5.CONCLUSION

Study which conducted aim To use analyze influence *operating capacity* , liquidity, and profitability to *financial distress* on company which there is in sub sector food and drink which registered in Indonesia Stock Exchange with period 2016- 2020. Based on results testing so conclusion study this among others:

1. *Operating capacity* has no effect in a manner Partial to *financial distress* on company sub sector listed food and drink in Exchange Effect Indonesia period 2016-2020.
2. Liquidity has a partial effect and positive to *financial distress* in food sub-sector companies and drinks listed on the Exchange Indonesian securities for the period 2016-2020.
3. Profitability influential in a manner partial and positive to *financial distress* on company sub sector listed food and drink in Exchange Effect Indonesia period 2016-2020.
4. *Operating capacity* , liquidity, and profitability in a manner simultaneous influential to *financial distress* on company sub sector listed food and drink in Exchange Effect Indonesia period 2016-2020.

Suggestion

Based on the conclusions has put forward, so researcher give suggestion as following:

1. For researcher Furthermore, expected to use other variables, object study other or add period study. Then, expected can use another proxy in the variable which used for look there is a difference or not results study which has conducted.
2. For companies, research results show that *operating capacity*, liquidity, and profitability effect on *financial distress* so that expected company more notice third aspect the so that could spared from condition *financial distress*.

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