Accounting Department, Faculty of Economics and Business, Telkom University
JAF (JOURNAL OF ACCOUNTING AND FINANCE)
journal homepage: https://journals.telkomuniversity.ac.id/jaf/index
ONLINE ISSN 2581-1088

JAF (Journal of Accounting and Finance), Vol.8, No.2, pp.127-139, 2024

Assessing the Impact of Current Ratio, Return On Assets, and Debt To Equity Ratio on Financial Distress of PT Jasa Marga (Persero) Tbk Over the 2013-2022

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Received: 7 March 2024**; Revised:** 25 April 2024; **Published online:** 30 September 2024

To cite this article: Listri Herlina and Ilham Nugroho. (2024). ssessing the Impact of Current Ratio, Return On Assets, and Debt To Equity Ratio on Financial Distress of PT Jasa Marga (Persero) Tbk Over the 2013-2022. *JAF (Journal of Accounting and Finance)*, *vol.8*(*2*), pp. 127-139 https://doi.org/10.25124/jaf.v8i1.7329

To link to this article: https://doi.org/10.25124/jaf.v8i1.7329

Abstract

This study aims to examine the Financial Distress of PT Jasa Marga (Persero) Tbk through its financial performance. The analysis explores into the challenges associated with infrastructure development, particularly toll roads, wherein the high levels of financing and capital requirements lead to a significant increase in corporate debt. If it is not managed properly, this could potentially result in bankruptcy for the company. Using the Ordinary Least Square (OLS) method to analyze the issue, three internal factor variables were employed: Current Ratio (CR), Return On Assets (ROA), and Debt To Equity Ratio (DER).Based on the research findings, PT Jasa Marga (Persero) Tbk experienced financial distress from the second quarter of 2020 to the second quarter of 2021. Return on Assets (ROA) and Debt to Equity Ratio (DER) emerged as the primary factors influencing financial distress, whereas Current Ratio (CR) had no significant impact on it. With the influence of ROA and DER, PT Jasa Marga (Persero) Tbk faces a high risk concerning its ability to repay debts, attract new investments, or maintain a healthy financial balance. This could lead to a decline in the company's value, difficulties in accessing new sources of funding, or even bankruptcy. PT Jasa Marga (Persero) Tbk must consistently strive to improve its financial performance with careful attention.

Keyword: *Financial Distress; Current Ratio; Return on Assets; Debt to Equity Ratio; Ordinary Least Square (OLS).*

Abstrak

Penelitian ini bertujuan untuk mengetahui kondisi Financial Distress PT Jasa Marga (Persero) Tbk melalui performa keuangan perusahaan. Analisis ini mengeksplorasi tantangan-tantangan yang terkait dengan pembangunan infrastruktur khususnya jalan tol dimana tingginya tingkat pembiayaan dan kebutuhan modal sehingga utang perusahaan meningkat

signifikan, hal ini jika tidak dikelola dengan tepat maka perusahaan berpotensi mengalami kebangkrutan. Dengan menggunakan metode Ordinary Least Square (OLS) untuk menganalisis permasalahan tersebut digunakan 3 variabel dari faktor internal yaitu Current Ratio (Cr), Return On Assets (Roa), Debt To Equity Ratio (Der).Berdasarkan hasil penelitian, PT Jasa Marga (Persero) Tbk mengalami financial distress pada kuartal 2 tahun 2020 hingga kuartal 2 tahun 2021. Return on Assets (ROA) dan Debt to Equity (DER) menjadi faktor utama yang mempengaruhi financial distress sedangkan Current ratio (CR) tidak berpengaruh terhadap financial distress. Dengan berpengaruhnya ROA dan DER maka PT Jasa Marga (Persero) Tbk berisiko tinggi terkait dengan kemampuan untuk membayar utang, menarik investasi baru, atau mempertahankan keseimbangan keuangan yang sehat. Hal ini dapat mengarah pada penurunan nilai perusahaan, kesulitan dalam mengakses sumber pendanaan baru, atau bahkan kebangkrutan. Oleh karena itu, PT Jasa Marga (Persero) Tbk harus secara konsisten berupaya meningkatkan kinerja keuangannya.

***Kata Kunci** : Financial Distress; Current Ratio; Return on Assets; Debt to Equity Ratio; Ordinary Least Square (OLS)*

INTRODUCTION

The company's performance is considered positive when it effectively reduces the risk of bankruptcy, which boosts investor confidence and attracts investment. This leads to an increase in internal capital through equity sales and facilitates the acquisition of external funds through bank financing, based on trust in the company's operational efficiency. Consequently, company performance assumes crucial significance in its operational continuity. Assessing favorable company performance frequently relies on analyzing its financial ratios, which encompass metrics such as profitability, operational efficiency, liquidity, and solvency. (Sidarta, 2021). PT Jasa Marga (Persero) Tbk is a prominent company listed on the Indonesia Stock Exchange (IDX) and is included in the LQ45 index, which consists of 45 issuers with substantial market capitalization. The company operates in the Toll Road Business Entity (BUJT) and is involved in the construction, operation, and maintenance of toll roads. The company has experienced a decline in toll revenues as a result of community activity restrictions, leading to a decrease in daily vehicle traffic and the obligation to pay debts for toll road sections still under construction, such as the Jakarta Cikampek Selatan, Cinere-Serpong, Manado - Toll Road. Bitung, Cengkareng - Kunciran, Gedebage - Cilacap, as well as toll roads currently in operation (Kontan, 2021). The Zmijewski model (x_score) predicts that PT Jasa Marga (Persero) may face potential bankruptcy in Q2 2020 to Q1 2021 based on their financial performance from 2020 to Q1 2021.

Financial distress is one of the indicators to detect potential bankruptcy. Bankruptcy is a condition in which a company can no longer operate efficiently due to severe financial problems. Bankruptcy is often referred to as company liquidation or closure, known as insolvency. According to Law No. 4 of 1998, bankruptcy is a state where a company can be declared by a court decision if the debtor has two or more creditors and fails to pay at least one overdue debt (Nona, 2022). Understanding the financial distress condition is necessary because by knowing the financial distress condition, a company is expected to anticipate the potential for bankruptcy early on. Financial distress can be avoided with the determination of appropriate strategies and policies. This can be seen from the financial performance of the company through financial statements. Toll road financing policies,

E-ISSN 2581-1088
DOI: https://doi.org/10.25124/jaf.v8i1.7329

revenue from toll road traffic, toll road asset management, and payment of short-term and long-term obligations for toll roads that are pre-operation (construction) or post-operation toll roads in the form of toll road maintenance costs can be efficiently regulated so that the company can avoid potential bankruptcy. The Current Ratio (CR) OF PT Jasa Marga (Persero) was above 100% in Q2 2017, Q3 2017, and Q4 2022, indicating that the company could pay its debts to creditors on time. Around 2020, the company's Current Ratio ranged between 20-40%, reaching the lowest point within the range from 2013 to 2022. Subsequently, the graph shows an upward trend in 2021, indicating that the company faced difficulties in paying debts on time. The Return on Asset (ROA) HAS experienced a declining trend from 2013 to 2021. However, there was an increase in 2022 due to asset divestment activities that led to an increase in the company's operating income. The lowest point was in 2020 when the COVID-19 pandemic occurred, resulting in a decrease in toll road revenue and debt obligations. This categorizes the company as bankrupt when the Return on Assets is low and negative. There was an increase in the Debt to Equity Ratio (DER) until 2021, indicating that the company continuously increased its debt portion in the process of developing new toll road infrastructure. However, there was a slight decrease in 2022 due to debt repayment obligations. This was obtained from the toll road asset divestment scheme and the establishment of the toll road subsidiary PT Jasamarga Transjawa Toll. Upon examining the financial ratios of PT Jasa Marga (Persero) Tbk, a disparity emerges in the observed phenomena, particularly evident in the financial distress experienced in 2020. This incongruity is notably apparent when considering the relationship between the Current Ratio (CR) and Return on Assets (ROA). There exists a scenario where the ROA registers at a negative level, paired with a CR hovering around 1, approximately ranging from 0.7 to 0.8. This signifies a diminutive current debt ratio, paired with a subdued return on assets. Ideally, a reduced current debt should facilitate the company in optimizing revenue generation, potentially bolstering the ROA.

Based on previous researchs, varying results have been obtained. A study measuring the influence of liquidity on financial distress conducted by Jessy et al (2022) . found that the Current Ratio (CR) significantly and negatively affects financial distress. Thus, the greater the value of CR, the less financial distress occurs. Meanwhile, research on the influence of solvency on financial distress, also conducted by Jessy et al., found that Debt to Equity (DER) has no significant effect on financial distress. However, contrasting results were found by Ridwan et al (2022)., indicating that Debt to Equity (DER) positively affects financial distress. Thus, the greater the value of DER, the more financial distress occurs. Harefan et al., revealing that Return on Assets has a positive effect on financial distress. Therefore, the greater the value of ROA, the less financial distress a company experiences. This is because the company is considered effective in utilizing assets to generate profits. However, in this study, other ratios such as liquidity and solvency ratios were also examined to investigate their influence on financial distress.

LITERATURE REVIEW

Financial management

Brigham and Houston (2018: 4),"Financial Management, also called corporate finance, focuses on decisions related to the number and type of assets to be acquired, how to obtain the capital needed to purchase assets, and how to run the company to maximize its value." Financial management explains several decisions that need to be made, in the form of investment decisions, funding decisions or decisions to fulfill funding needs (financing decisions), and

E-ISSN 2581-1088
DOI: https://doi.org/10.25124/jaf.v8i1.7329

dividend policy decisions which are usually called profit-sharing decisions (Musthafa, 2017: 3). A company cannot function without managing and using proper funds, so financial management is very important in all types of business.

Capital market

Harjito and Martono (2014: 383), A market where long-term funds, including debt and equity, are exchanged is known as the capital market. Securities are used to exchange long-term funds. Meanwhile, Fahmi (2017:48), states that "the capital market is a place where various parties, especially companies, sell shares and bonds with the aim that the proceeds from these sales will later be used as additional funds or to strengthen the company's capital."

Financial distress

Plat and Plat (2002:217) Financial Distress: is "A stage of decline in financial conditions that occurs before bankruptcy or liquidation occurs. Financial Distress begins with the company's inability to fulfill its obligations, especially short-term obligations including liquidity obligations, and also includes obligations in the solvency category." Financial difficulties often begin with short-term liquidity issues, which can indicate the first signs of trouble for a company. If a company ultimately declares bankruptcy, this is a severe indication that the financial distress is significant (Triwahyuningtias, 2012:1). Financial distress can have far-reaching repercussions, including negative impacts on company performance evaluations, reduced employee compensation, suppliers withholding credit, and creditors declining loan requests. (Ratna & Marwati, 2018: 55).

Current Ratio (CR)

Gitman (2015:119) defines the Current Ratio as a measure used to assess a company's liquidity level. To obtain this ratio, a company's current assets are divided by its current liabilities. Brigham and Houston (2018:127-128) similarly explain that the current ratio is calculated by dividing current assets by current liabilities. Current assets are composed of cash, marketable securities, accounts receivable, and inventory, while current liabilities include trade payables, accrued wages, and taxes, as well as short-term notes payable to banks - all of which are due within one year.

Return On Assets (ROA)

Gitman (2015:130), Return on Assets (ROA) assesses management's overall performance in generating profits from available assets. The higher the company's return on total assets, the better. Brigham and Houston (2018:140) stated the same thing. Return on Assets (ROA) is a ratio that measures the quotient of a company's net profit by the total assets owned.

Debt To Equity Ratio (DER)

The Debt-Debt-Equity ratio, as defined by Gitman (2015:126), measures the proportion of total liabilities to common stock equity utilized to fund firm assets. The higher this ratio, the greater the company's use of financial leverage. Meanwhile, according to Brigham and Houston (2018:137), the debt-to-equity ratio (Debt To Equity Ratio), measures the percentage of company capital provided by creditors.

The correlation of Current Ratio (CR) with financial distress

The current Ratio shows how well a company can fulfill its short-term obligations. According to Maronrong et al (2022), the current ratio variable harms financial distress. If a retail sector

E-ISSN 2581-1088
DOI: https://doi.org/10.25124/jaf.v8i1.7329

company has a high current ratio then it is likely that the company will not experience financial distress. Meanwhile, according to Setiawan and Fitria (2020), financial distress is negatively affected by the current ratio. If the current ratio is higher, the company has the opportunity not to experience financial distress. This research was carried out in the chemical industry. Meanwhile, according to Oktaviani and Yanthi (2022), financial distress is negatively impacted by the current ratio. This research was conducted at F&G and logistics companies. Apart from that, according to Moch et al (2019), the Current Ratio has a negative relationship, meaning that the greater the Current Ratio, the smaller the potential for financial distress. This research was conducted on manufacturing companies listed on the Indonesia Stock Exchange (IDX). This makes the four studies have the same relationship between the current ratio and financial distress. Even though the four studies have different industries.

The correlation of Return On Asset (ROA) with financial distress

Profitability is a description of a company's ability to generate operating profits, which is reflected in return on assets. According to Maronrong et al (2022), if a company in the retail sector has high profitability, the company will not tend to experience financial distress. Meanwhile, according to Setiawan and Fitria (2020), the Return on Assets has a negative influence, meaning that the greater the Return on Asset value, the less likely it is to experience financial distress in the chemical industry sector. Moch et al (2019) found that the likelihood of experiencing financial distress decreases with a higher value of Return on Assets. The research was carried out on manufacturing companies that are listed on the Indonesia Stock Exchange (IDX). However, according to Oktaviani and Yanthi (2022), the profitability ratio has no relationship with financial distress. This research was conducted in the F&G and logistics industry. This is different from the three previous studies because a high profitability ratio does not always mean that a company can manage its finances well, even though the company has high business profits.

The correlation of Debt To Equity Ratio (DER) with financial distress

According to Maronrong et al (2022), the solvency ratio has a positive effect on financial distress in retail companies. This means that the greater the company's debt ratio, the more likely the company is to experience financial distress. Meanwhile, according to Setiawan and Fitria (2020), the debt ratio has a positive effect on financial distress in research conducted at chemical companies. Apart from that, according to Oktaviani and Yanthi (2022), the solvency ratio has a positive effect on financial distress. This research was conducted in the F&G and logistics industry. Apart from that, according to Moch et al (2019), it has a positive effect on financial distress in manufacturing companies listed on the Indonesia Stock Exchange (IDX). Based on these four journals, research results are similar, namely that companies that have a high Debt to Equity ratio have the potential for financial distress.

METHODOLOGY

To collect data for this research, the author is using the quantitative method. Descriptive approach was utilized to investigate the inquiry concerning the impact of the Current Ratio (CR), Return on Assets (ROA), and Debt to Equity Ratio (DER) on the financial distress of PT Jasa Marga (Persero) Tbk. The data source utilized by the researcher is secondary data. The population and sample in this study comprises the annual financial reports for a period of ten years, divided into quarterly data, from 2013 to 2022. Multiple linear regression analysis is utilized to examine the influence of Current Ratio (CR), Return on Assets (ROA), Debt to

E-ISSN 2581-1088
DOI: https://doi.org/10.25124/jaf.v8i1.7329

Equity Ratio (DER), and COVID-19 on Financial Distress. To determine the extent of the influence of the factors under investigation, multiple linear regression and its processing is carried out using the E-Views. The multiple linear regression equation:

$$Y= \alpha + \beta1X1 + \beta2X2+ \beta3X3 + \varepsilon \quad (1)$$

Y = Dependent variable Financial Distress
α = Constant
β1, β2, β3 = Regression coefficients of independent variables
X1 = Independent variable Current Ratio (CR)
X2 = Independent variable Return On Asset (ROA)
X3 = Independent variable Debt to Equity Ratio (DER)
ε = Standard error/error term

The t-test aims to examine the influence of each independent variable separately on the dependent variable. The t-test is conducted by comparing the calculated t-value with the critical t-value by referring to the partial significance column as follows: Determining the statistical hypotheses

a. Influence of X1 on Y
   H0: β1 = 0: There is no influence of Current Ratio (CR) on Financial Distress
   H1: β1 ≠ 0: There is an influence of Current Ratio (CR) on Financial Distress
b. Influence of X2 on Y
   H0: β2 = 0: There is no influence of Return On Asset (ROA) on Financial Distress
   H1: β2 ≠ 0: There is an influence of Return On Asset (ROA) on Financial Distress
c. Influence of X3 on Y
   H0: β3 = 0: There is no influence of Debt to Equity Ratio (DER) on Financial Distress
   H1: β3 ≠ 0: There is an influence of Debt to Equity Ratio (DER) on Financial Distress

The simultaneous hypothesis test F is used to determine whether there is a combined influence among the independent variables on the dependent variable.

H0: β1 = β2 = 0: There is no influence of Current Ratio (CR) and Return on Assets (ROA) on Financial Distress.
H1: β1 = β2 ≠ 0: There is an influence of Current Ratio (CR) and Return on Assets (ROA) on Financial Distress.

RESULTS AND DISCUSSION

Results

Normality Test

Before running multiple linear regression, normality test is needed to make sure that the data set is well-modeled by a normal distribution and to compute how likely it is for a random variable underlying the data set to be normally distributed. Kolmogorov-Smirnov normality test using the EViews 12.

E-ISSN 2581-1088
DOI: https://doi.org/10.25124/jaf.v8i1.7329

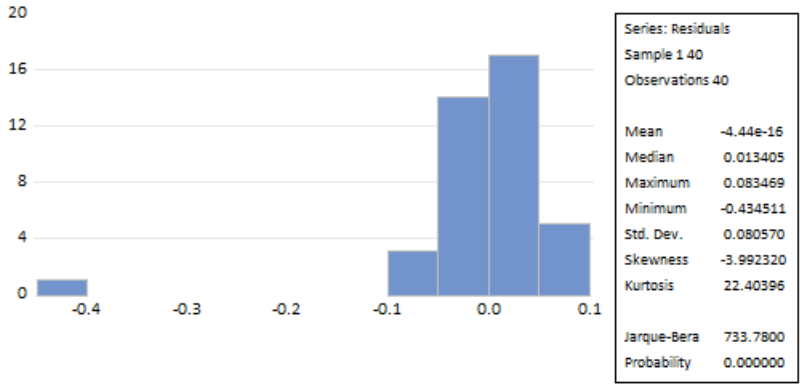

Figure 1. Normality Test Results

The probability value (2-tailed) is 0.00. This probability value is smaller than α = 0.05. Therefore, the residual data is considered not normally distributed at a significance level (α) of 5%. However, according to Allendre (2019), when the sample size n = 40, the data can be considered normally distributed according to the central limit theorem. Thus, in this research data, although the results indicate non-normal distribution, it can be stated that the research data is normally distributed.

Multicollinearity Test

Before running multiple linear regression, multicollinearity test is needed to make sure that every independent variable is independent towards other independent variables.

Variance Inflation Factors
Date: 08/22/23 Time: 01:00
Sample: 1 40
Included observations: 40

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.010469	59.56462	NA
CR	0.003788	10.63402	1.139738
ROA	0.000190	4.524679	1.589203
DER	0.000714	28.59324	1.725512

Figure 2. Multicollinearity Test Result

Heteroscedasticity Test

Before running multiple linear regression, multicollinearity test is needed to describe the case where the variance of errors or the model is not the same for all observations, while often one of the basic assumptions in modeling is that the variances are homogeneous and that the errors of the model are identically distributed.

Test Equation:
Dependent Variable: ARESID
Method: Least Squares
Date: 08/22/23 Time: 01:08
Sample: 1 40
Included observations: 40

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.035265	0.080204	-0.439689	0.6628
CR	0.091328	0.048244	1.893026	0.0664
ROA	0.005961	0.010799	0.551982	0.5844
DER	0.003391	0.020946	0.161885	0.8723

R-squared	0.116443	Mean dependent var	0.043899
Adjusted R-squared	0.042814	S.D. dependent var	0.067179
S.E. of regression	0.065725	Akaike info criterion	-2.512040
Sum squared resid	0.155511	Schwarz criterion	-2.343152
Log likelihood	54.24080	Hannan-Quinn criter.	-2.450976
F-statistic	1.581472	Durbin-Watson stat	0.921301
Prob(F-statistic)	0.210748		

E-ISSN 2581-1088
DOI: https://doi.org/10.25124/jaf.v8i1.7329

Figure 3. Heteroscedasticity Test

Based on the heteroscedasticity test in Figure 3 it can be seen that the values of the CR variable (X1) are 0.06, ROA (X2) is 0.58, and DER (X3) is 0.87, all values are greater than 0.05. Therefore, it can be concluded that there is no heteroscedasticity issue.

Multiple Linear Regression

Dependent Variable: FD
Method: Least Squares
Date: 08/22/23 Time: 00:59
Sample: 1 40
Included observations: 40

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1.489130	0.102318	-14.55392	0.0000
CR	-0.052176	0.061547	-0.847749	0.4022
ROA	-4.504473	0.013776	-326.9699	0.0000
DER	0.490595	0.026722	18.35926	0.0000

R-squared	0.999803	Mean dependent var	-7.689000
Adjusted R-squared	0.999787	S.D. dependent var	5.740454
S.E. of regression	0.083847	Akaike info criterion	-2.025003
Sum squared resid	0.253092	Schwarz criterion	-1.856115
Log likelihood	44.50006	Hannan-Quinn criter.	-1.963938
F-statistic	60921.93	Durbin-Watson stat	1.046626
Prob(F-statistic)	0.000000		

Figure 4. Multiple Linear Regression

From the regression equation,
The constant value is negative, specifically -1.489. This indicates that when the independent variables are considered constant (0), the financial distress is -1.489. In other words, the financial distress is valued at -1.489 before or without any changes in variables X1, X2, and X3
The regression coefficient value for the Current Ratio (CR) variable (β_1) is negative, specifically -0.0521. This indicates a negative (inverse) relationship between the Current Ratio (CR) variable and Financial distress. This means that if the Current Ratio (CR) variable increases by 1%, then conversely, financial distress will decrease by -0.0521
The regression coefficient value for the Return on Asset (ROA) variable (β_2) is negative, specifically -4.50447340373. This indicates that if the Return on Asset (ROA) variable increases by 1%, then financial distress will decrease by -4.50447340373, assuming that the other independent variables are held constant (0). The negative sign indicates an inverse relationship between the independent variable and the dependent variable.
The regression coefficient value for the Debt to Equity (DER) variable (β_3) is positive, specifically 0.490594649369. This indicates that if the Debt to Equity (DER) variable increases by 1%, then financial distress will increase by 0.490594649369, assuming that the other independent variables are held constant (0). The positive sign indicates a direct relationship between the independent variable and the dependent variable.

Coefficient of Determination (R^2)

R-squared	0.999803	Mean dependent var	-7.689000
Adjusted R-squared	0.999787	S.D. dependent var	5.740454
S.E. of regression	0.083847	Akaike info criterion	-2.025003
Sum squared resid	0.253092	Schwarz criterion	-1.856115
Log likelihood	44.50006	Hannan-Quinn criter.	-1.963938
F-statistic	60921.93	Durbin-Watson stat	1.046626
Prob(F-statistic)	0.000000		

E-ISSN 2581-1088
DOI: https://doi.org/10.25124/jaf.v8i1.7329

Figure 5. R-Squre

Based on Figure 5 it is known that the correlation between Current Ratio (CR) (X1), Return on Assets (ROA) (X2), and Debt to Equity (DER) (X3) to financial distress (Y) is 0.999 or 99.9%, falling within the interval 0.80 - 1.000, which means simultaneously (together). Meanwhile, 0.1% is explained by other variables (error). This means that when there is an increase in Current Ratio (CR) (X1), Return on Assets (ROA) (X2), and Debt to Equity (DER) (X3), financial distress may increase, and vice versa.

Partial Test (T-Test)

Dependent Variable: FD
Method: Least Squares
Date: 08/22/23 Time: 00:59
Sample: 1 40
Included observations: 40

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1.489130	0.102318	-14.55392	0.0000
CR	-0.052176	0.061547	-0.847749	0.4022
ROA	-4.504473	0.013776	-326.9699	0.0000
DER	0.490595	0.026722	18.35926	0.0000

Figure 6. Partial Test (T-Test)

Based on Figure 6 the calculated t-value, with a significance level (α) of 0.05 or 5% and degrees of freedom df = (n-k) = (40-4) = 36, the critical t-value is 1.688. Therefore, the results of the partial hypothesis test for each independent variable against the dependent variable are as follows: There is no significant influence of Current Ratio (CR) (X1) on Financial Distress (Y). There is a significant negative influence of Return on Asset (ROA) (X2) on Financial Distress (Y). There is a significant positive influence of Debt to Equity (DER) (X3) on Financial Distress (Y).

Simultaneous Test (T-Test)

R-squared	0.999803
Adjusted R-squared	0.999787
S.E. of regression	0.083847
Sum squared resid	0.253092
Log likelihood	44.50006
F-statistic	60921.93
Prob(F-statistic)	0.000000

Figure 7. Simultaneous Test (T-Test)

It can be observed that the value of the F-test is 60921, which is greater than the critical F-value of 2.866. With a significance value (sig) of 0.000, smaller than α = 0.05 (0.1% < 5%), it can be concluded that H4 is accepted and H0 is rejected. This means that simultaneously, there is a significant influence of Current Ratio (CR) (X1), Return on Asset (ROA) (X2), and Debt to Equity Ratio (DER) (X3) on financial distress (Y).

Discussion

The Effect of Current Ratio (CR) on Financial Distress

The coefficient value of the Current ratio (CR) variable regression is negative, at -0.0521. This indicates a negative (opposite direction) relationship between the Current ratio (CR) variable and Financial distress. The t-value of Current Ratio (CR) (X1) to Financial Distress (Y) is -0.84,

E-ISSN 2581-1088
DOI: https://doi.org/10.25124/jaf.v8i1.7329

which is smaller than the critical t-value of 1.688. With a significance value (sig) of 0.402, which is greater than α = 0.05 (8.3% > 5%). based on this hypothesis result, it is inferred that there is no significant effect of the Current ratio (CR) on financial distress despite having a negative relationship. The findings of this study do not support the research conducted by Ridwan (2022), which suggests that the current ratio variable negatively affects financial distress in retail companies. Similarly, the results of this study also do not align with the research conducted by Roni and Yunita (2020), which suggests that the current ratio has a negative impact on financial distress. This could be attributed to the trend of the current ratio at PT Jasa Marga (Persero) Tbk not showing a significant increase. As observed in the graph, the trend is fluctuating and tends to be stationary. Additionally, even when PT Jasa Marga (Persero) obtains high profits from its business activities, the current ratio does not significantly increase. Consequently, whether the current ratio is high or low, the company still has the potential to experience financial distress.

The Effect of Return on Assets (ROA) on Financial Distress

There is a significant negative influence between Return on Asset (ROA) (X2) and Financial Distress (Y). This means that the greater the Return on Asset (ROA), the smaller the potential for the company to experience financial distress. The results of this study do not support the research conducted by Ridwan (2022) that the Return on Asset variable negatively influences financial distress in retail companies. Meanwhile, the results also support the research conducted by Roni and Yunita (2020) that Return on Asset negatively affects. Brigham and Houston (2018:140), Return on Assets (ROA) is a ratio that measures the net income of a company against its total assets. Based on this, Return on Assets depends on the net profit of the company obtained through its business operations. When Return on Assets is high, it indicates that the company has a low potential for financial distress risk.

The Effect of Debt to Equity (DER) on Financial Distress

There is a significant positive influence of Debt to Equity (DER) (X3) on Financial Distress (Y). This implies that the greater the Debt to Equity (DER), the higher the potential for the company to experience financial distress. The results of this study do not support the research conducted by Ridwan (2022) that the Debt to Equity variable positively affects financial distress in the retail sector. Meanwhile, the findings also support the research conducted by Roni and Yunita (2020) that Debt to Equity has a positive influence on financial distress in the chemical industry. Additionally, the results of the study do not support the research conducted by Rusli & Rida (2019) that Debt to Equity has a positive effect, meaning that the greater the Debt to Equity, the higher the potential for financial distress.

If the Debt to Equity (DER) is high, then there is a greater potential for the company to experience financial distress. This is because higher debt levels make it difficult for the company to meet its debt obligations, especially if the company is not generating net income from its operations. Consequently, the company heavily relies on debt to conduct its business operations. Therefore, the level of Debt to Equity (DER) will have an impact on the company's potential for experiencing financial distress.

CONCLUSION, LIMITATIONS, AND RECOMMENDATIONS

Conclusion

PT Jasa Marga (Persero) Tbk experienced financial distress from Q2 2020 to Q2 2021. The high ROA value is due to asset divestment, leading to an increase in company returns despite a decrease in assets. There is no significant influence between the Current Ratio (CR) and financial

E-ISSN 2581-1088
DOI: https://doi.org/10.25124/jaf.v8i1.7329

distres while there is a significant negative influence between the Return on Assets (ROA) and financial distress and there is a significant positive influence between the Debt to Equity (DER) and financial distress at PT Jasa Marga (Persero) Tbk for the period 2013-2022.

Limitations

The limitations in this research is The research period used was only 10 years of observation.

Recommendations

For future researchers, it could be beneficial to extend the timeframe of the study.

For PT Jasa Marga (Persero) Tbk, it is advisable for the company to continue striving to improve its performance by paying attention to the condition of each of its financial ratios, especially by maintaining profitability through Return on Assets (ROA). If the company continuously sells assets to generate profits without balancing it with sound business processes, it may be categorized as facing financial distress.

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DOI: https://doi.org/10.25124/jaf.v8i1.7329

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