Improving of Financial Flexibility and Distress on Consumer Goods Manufacturers in Indonesia

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Abstract

This study aims to determine of financial flexibility and financial distress on consumer goods manufacturers in Indonesia. This research used quantitative research that took data from the company's audited financial statement and proceeded with Eviews 10. The population of this research is consumer goods manufacturers and used 8 samples that fulfilled certain criteria in 2017-2020 quarterly. This research used Random Effect Model. The results reveal the values of adjusted R-squared of independent variables is 87.3184%, and 86.4835% simultaneously affecting financial flexibility and financial distress. Return on asset is not significant in predicting financial flexibility and financial distress for selected samples. There are other four independent variables significantly influence financial flexibility and financial distress. The debt to equity ratio is the most influence variable on financial flexibility. The most influential variable on financial distress is market to book value. Investors and consumer goods companies might utilize the implications of this outcome to evaluate the company's success. Investors and consumer products makers might use the implication outcome to evaluate the company's performance.

Keywords
Financial Flexibility, Financial Distress, Profitability, Liquidity and Cash Holding.

1. Introduction

The consumer goods industry has a very important role in the development of the national economy. The consumer goods industry in Indonesia is also showing signs of growth in the capital market, as demonstrated by the rising number of consumer goods firms that have gone public. The consumer goods industry is a major driving factor for the national economy, and its improved performance can generate a large number of formal jobs. In numerous business industries, the level of business competition is becoming increasingly competitive and sophisticated. It requires the company to continue developing the business to survive and compete with other companies. To improve the company level of business and prospect in the future, companies must increase their capital by issuing shares to the public and joining the capital market or borrowing them from other parties.

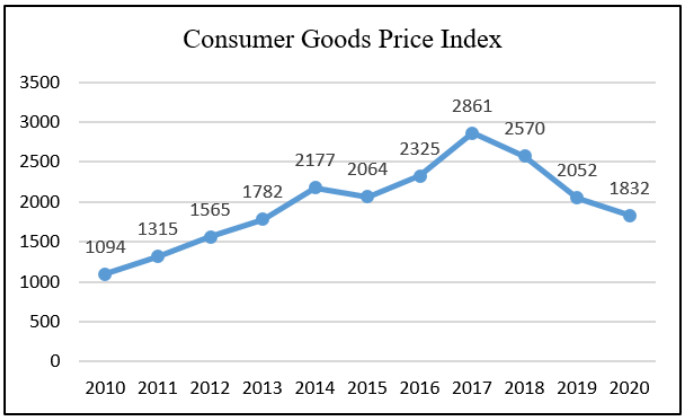

Figure 1. Consumer Goods Price Index Period 2010 – 2020
Source: Data Processed, 2021

The consumer price index (CPI) is one of the most closely watched price statistics published by the federal government. Based on Figure 1, it can be seen that the stock price index of consumer goods manufacturers in 2010 – 2014 showed an increase. In 2015 there was a slight decline and rose again until 2017. However, it decreased in 2018 – 2020, because in 2018 there is a financial crisis economic in the world that will impact into the capability to buy some of the stuff in the consumer goods. Based on figure, the increase in the consumer goods index indicates that the company is trying to improve the company's performance. The downtrend graphic on the consumer good index means that the stock price on the consumer goods is discounted. It means that it is a very good opportunity for investors to bagger their investment.

A capital market is where businesses can trade their stocks and bonds to increase and enhance their capital. They play a significant part in a country's economy since they serve as a source of company funding or a store of value for businesses to obtain funds. An investor is a person or institution that invests or purchases shares of a company. They must analyze a company's performance to understand it, and technical analysis has become a popular method. Before deciding to invest in a company, they search for information and observe the target company's performance. The information contained in the financial statements adequately describes the firm's development and accomplishments (Purwanto & Agustin, 2017).

The main goal of all companies is increasing the value, and it has an impact on the business model. The capacity indicates a great business model, which is reflected in the company's profitability (Johan, 2020). The firm's value is reflected in the share price, affecting corporate shareholders who generate good value. Stock demand determines stock price modifications and improvements to value the share that makes up the assets. The higher the stock price, the more investors are interested in buying shares.

Conversely, as stock prices fall, more buyers desire to sell or transfer their holdings. Investors and creditors should use the financial statements to decide their fund investments. It represents the valuation of cash, obligations, and equity at a certain time, while the income statement reflects the performance obtained over a specific time. The financial statements of a firm are examined to determine its profitability, risk, and health. If there are unexpected needs challenges in the high-level flexibility of companies, the company can overcome and take the opportunities that exist. Financial flexibility (FF) is related to the company's ability to increase capital on reasonable terms in deteriorating circumstances. The decisions taken by the company in its business strategy are very important by looking at its financial flexibility. With high flexibility, the company will have a very small impact on crisis risk.

Financial distress (FD) is described as a company's failure to fulfil its financial commitments on time, resulting in insolvency or liquidity issues that could lead to bankruptcy. Inappropriate capital structure decisions can lead to precarious financial situations, such as bankruptcy or financial difficulties due to debt repayment (Anuar & Chin, 2016). The capital structure decision has a direct impact on the amount of risk that shareholders are exposed to as well as the size of the expected rate of return on the company (Modugu, 2013). If a company has had a negative net profit for multiple years, it means that the company has financial distress. A negative value of earnings for two years in a

row signal that the company's performance is poor. If this is allowed uncorrected, the company may face even worse conditions, such as bankruptcy. In recent years, Mahmood et al. (2018) have taken an interest in financial flexibility, financial distress, and firm performance, who directed the survey of 192 non-financial firms listed on the Pakistan Stock Exchange. This study reported that financial distress companies are companies that have poor financial flexibility. A company with good financial flexibility means that the company has good performance. When the Altman z score is used to assess financial distress, it is observed that as the Altman z score rises, the likelihood of financial difficulty decreases. These figures also reveal the pecking order in Pakistani businesses, as companies first turn to internal sources of capital before turning to external sources. Investors should be aware of the notion of performance evaluation and how it affects the rate of return on investment. It aims to determine the certainty in the investment made to companies assessed in the category of companies that perform well. If the company is experiencing financial difficulties, it can be said that it failed to maintain its liquidity. Financial flexibility is an important thing that needs to be done to assess a company's performance against conditions that occur, describing the company's ability to react to unexpected expenses and various opportunities to invest.

Nowadays, many consumer goods companies only see flexibility in their production system, so assessing flexibility in an economic context is necessary. Therefore, assessing financial flexibility and financial distress will impact the company's capital structure, leading investors to decide on the investment.

1.1 Objectives

The main goals are as follows, based on the research mentioned above questions:

1. To find out the influence of return on asset (ROA) towards FF prediction on Indonesia's consumer goods companies.
2. To find out the influence of current ratio (CR) towards FF prediction on Indonesia's consumer goods companies.
3. To find out the influence of debt to equity ratio (DER) towards FF prediction on Indonesia's consumer goods companies.
4. To find out the influence of market to book value (MBV) towards FF prediction on Indonesia's consumer goods companies.
5. To find out the influence of cash holding (CH) towards FF prediction on Indonesia's consumer goods companies.
6. To find out the influence of return on asset (ROA) towards FD prediction on Indonesia's consumer goods companies.
7. To find out the influence of current ratio (CR) towards FD prediction on Indonesia's consumer goods companies.
8. To find out the influence of debt to equity ratio (DER) towards FD prediction on Indonesia's consumer goods companies.
9. To find out the influence of market to book value (MBV) towards FD prediction on Indonesia's consumer goods companies.
10. To find out the influence of cash holding (CH) towards FD prediction on Indonesia's consumer goods companies
11. To find out there any effect from financial ratios calculation in terms of ROA, CR, DER, MBV, CH to FF and FD prediction on Indonesia's consumer goods sector companies
12. To find out which one is the most significant variable toward FF and FD predictions on Indonesia's consumer goods companies.

2. Literature Review

The financial statement is a system of recording, classifying, and summarizing all transactions that the company performs with all parties related to its business activities and significant events results in the financial statement, including the cash flow, income statement, and balance sheet. The aim is to give information on a company's financial status, performance, and changes in financial position that is relevant to a broad number of people who use financial statements to make economic decisions.

Every company may have the possibility for something undesirable to happen, for example, bankruptcy. If the company has a bad financial operation, it means that possibility could happen. FF is an important aspect of a company's business strategy and is important for capital structure decisions. It refers to a company's capacity to take effective steps in terms of cash flow amount and timing, allowing it to meet the challenges of unexpected requirements while simultaneously grabbing opportunities. It can be defined as the capacity to restructure a company's finance at a low cost by using cash on hand as quick capital for investment opportunities rather than relying on external financing, which is more expensive and time-consuming (Rapp et al., 2014). FD can be defined as failure to cover the company's

operating costs, the level of profit is smaller of expenses, projections not met, failure to meet obligations, negative net worth, and others that can cause a bankrupt company. According to Platt & Platt (2002), financial distress is a declining financial condition before bankruptcy or liquidation. Companies that experience financial distress are usually in an irregular and chaotic financial management system. It is owing to the company's inability to meet its obligations, particularly short-term requirements, such as liquidity obligations and solvency liabilities. Companies that have had losses or negative earnings for two years in a row have poor performance. If this is not addressed, the company may face even worse situations, including bankruptcy.

Profitability is a financial ratio used to assess a company's ability to make a profit. This ratio is another standard metric for evaluating a company's results. After interest and taxes, the ROA is measured by the net income ratio to total assets. Profitability ratio can be used to determine how productive a company is based on all of its assets (Clayman, 2013). A company's ability to pay off all short-term debts when they come due using its current assets is measured by its liquidity ratio (Horne & Wachonicz, 2005). Liquidity can be used for investment, allowing businesses to take the lead in terms of growth. Greater variability in CR can imply improper or inefficient fund management. A high CR indicates that a corporation has sufficient liquidity to meet its financial obligations because it can pay huge amounts. Financial leverage is the utilization of a set source of funds with a fixed cost that impacts profitability in the hopes of creating additional profits that exceed the fixed costs, hence increasing profits for shareholders (Horne & Wachonicz, 2005). The debt is derived from third parties or fixed costs, derived from the company's operations and activities (Smart & Megginson, 2008). With higher the DER, the lower the company's solvency, implying that its ability to pay its debts is limited, implying that its financial risk is considerable. Valuation is a method for calculating the estimated fair price of a share. The result of comparing the market price per share to the book value per share is known as market to book value (MBV). The fair price of a share is often referred to as intrinsic value, which is the value of the shares that truly represent a company's performance. Cash holding (CH) refers to cash held by a firm or available for investment in physical assets and payout to investors (Ogundipe et al., 2012). Cash holdings are cash and cash equivalents that can be converted into cash quickly. A considerable amount of cash on hand suggests that the business is well-capitalized. If a corporation has too much cash, it will lose efficiency since the unproductive capital in the form of cash will disturb the company's liquidity. The funds held in operating activities and the short-term debt payments, on the other hand, will disturb the company's liquidity if it has too little cash.

This research's theoretical framework may be written as follows:

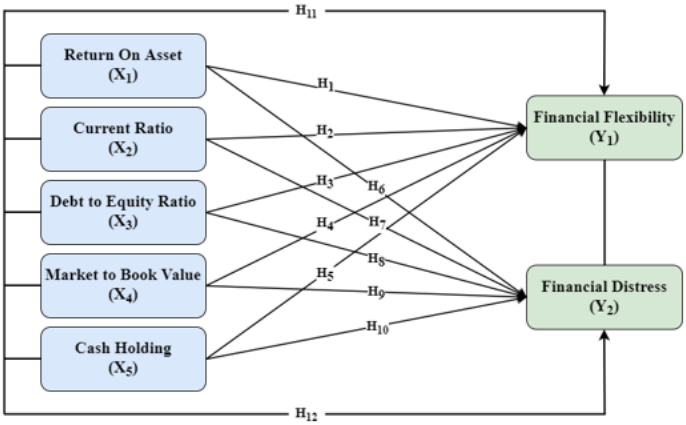

Figure 2. Theoretical Framework
Source: Adjusted by Researcher, 2020

3. Methods

This research used the quantitative method and secondary data. It focuses on consumer goods manufacturers in Indonesia that listed on Indonesian Stock Exchange period 2017-2020. The researcher used 8 consumer goods companies. The following were the parameters of criteria: 1) Consumer goods sector companies went public and registered with IDX during 2017-2020. 2) Consumer goods manufacturers that publish financial reports have been audited during 2017-2020. 3) Consumer goods manufacturers listed their shares have never been suspended from IDX

during 2017-2020. Based on these requirements, there are 8 consumer goods companies that have been selected for the 2017−2020 period each quarterly. A total of 93 observations were chosen as observational data.

FF (Y1) and FD (Y2) are the study's dependent variables. ROA, CR, DER, MBV, and CH are the independent variables. The influence of the independent variable on the dependent variable can be examined using the linear regression approach shown below.

Model I

$$Y1 = a + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4 + \beta 5X5 + e$$

Model II

$$Y2 = a + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4 + \beta 5X5 + e$$

4. Data Collection

a. Normality Test

Table 1 : Normality Test Result (Financial Flexibility)

Series Standardized Residuals	
Sample 2017Q1 2020Q4	
Observations 93	
Mean	-8.21e-18
Median	-0.009056
Maximum	0.159408
Minimum	-0.110077
Std. Dev.	0.054816
Skewness	0.342479
Kurtosis	2.649631
Jarque-Bera	1.455819
Probability	0.235576

Source: Eviews *10.00*

Table 2 : Normality Test Result (Financial Distress)

Series Standardized Residuals	
Sample 2017Q1 2020Q4	
Observations 93	
Mean	-5.43e-15
Median	0.000387
Maximum	6.238461
Minimum	-6.480235
Std. Dev.	2.785763
Skewness	0.123251
Kurtosis	2.937870
Jarque-Bera	0.450416
Probability	0.993213

Source*: Eviews 10.00*

According to the normality test results in Tables 1 and 2, the value of Jarque-Bera probability of FF is 0.235576 and for FD is 0.993213. The data normally distributed and passed the normality requirement, because it is higher than 0.05.

b. Multicollinearity Test

Table 3 : Multicollinearity Test with correlation (Financial Flexibility)

	FF	LNROA	LNCR	LNDER	LNMBV	CH
FF	1.000000	-0.339971	-0.785765	0.659173	0.097191	-0.332625
LNROA	-0.339971	1.000000	0.176370	-0.351900	0.563564	0.443346
LNCR	-0.785765	0.176370	1.000000	-0.745541	-0.295269	0.359899
LNDER	0.659173	-0.351900	-0.745541	1.000000	0.174520	-0.578673
LNMBV	0.097191	0.563564	-0.295269	0.174520	1.000000	0.169422
CH	-0.332625	0.443346	0.359899	-0.578673	0.169422	1.000000

Source: Eviews 10.00

Table 4 : Multicollinearity Test with correlation (Financial Distress)

	FD	LNROA	LNCR	LNDER	LNMBV	CH
FD	1.000000	0.658906	0.422868	-0.514909	0.635617	0.510288
LNROA	0.658906	1.000000	0.176370	-0.351900	0.563564	0.443346
LNCR	0.422868	0.176370	1.000000	-0.745541	-0.295269	0.359899
LNDER	-0.514909	-0.351900	-0.745541	1.000000	0.174520	-0.578673
LNMBV	0.635617	0.563564	-0.295269	0.174520	1.000000	0.169422
CH	0.510288	0.443346	0.359899	-0.578673	0.169422	1.000000

Source: Eviews 10.00

Each independent variable has coefficient value close to zero based on the correlation coefficient test in Table 3 and 4. It may conclude that the correlation coefficient is not significant.

c. Heteroscedasticity

Heteroscedasticity is used to see if the regression model can account for the differences between one residual outcome and another observation. When there is no heteroscedasticity, the model is accepted. In the cross-section data, the researcher conducted a white test to see if this problem was heteroscedastic. In research, this method is used to solve the problem of heteroscedasticity. There is no concern about heteroscedasticity in this study.

d. Panel Data Model Selection

Table 5 : Hausman Test Result (Financial Flexibility)

Correlated Random Effects - Hausman Test			
Equation: Untitled			
Test period random effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Period random	0.572794	5	0.9892

Source: Eviews 10.00

Table 6 : Hausman Test Result (Financial Distress)

Correlated Random Effects - Hausman Test			
Equation: Untitled			
Test period random effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Period random	1.169499	5	0.9478

Source: Eviews 10.00

Based on the Hausman test result in Table 5 and Table 6 above, the probability value in the Hausman test is 0.9892 for FF and 0.9478 for FD. The random effect model is the best option for this investigation because the probability value is higher than the significance level (0.05).

e. Multiple Regression

Table 7 and Table 8 shows the results of the multiple regression analysis utilizing the random effect model.

Table 7 : Multiple Regression Analysis (Financial Flexibility)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.563991	0.064017	8.810021	0.0000
LNROA	-0.004643	0.014154	-0.328029	0.7437
LNCR	-0.091140	0.016616	-5.485190	0.0000
LNDER	0.090070	0.007138	12.61849	0.0000
LNMBV	-0.032550	0.009232	-3.525628	0.0007
CH	0.443191	0.069031	6.420133	0.0000

Source: Eviews 10.00

Table 7 shows the random effect model, which will be represented as follows to highlight the overall impact of independent factors on the dependent variable:

FF = 0.563990511232 - 0.00464297407473*LNROA + 0.0900702902847*LNDER- 0.0325499989675*LNMBV - 0.0911401982306*LNCR + 0.443190525214*CH

Table 8 : Multiple Regression Analysis (Financial Distress)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-3.244099	3.253385	-0.997145	0.3215
LNROA	-0.005574	0.719323	-0.007748	0.9938
LNCR	5.567025	0.844421	6.592714	0.0000
LNDER	-1.788782	0.362756	-4.931089	0.0000
LNMBV	6.877979	0.469197	14.65904	0.0000
CH	2.363187	3.508222	0.673614	0.5023

Source: Eviews 10.00

Table 8 shows the random effect model in this study, which will be represented as follows to highlight the overall impact of independent factors on the dependent variable:

FD = -3.24409853969 - 0.00557357853248*LNROA + 5.56702478237*LNCR - 1.78878217979*LNDER + 6.87797868679*LNMBV + 2.36318735243*CH

1. The Influence of ROA towards FF

The first hypothesis states that there is no significant influence of FF on consumer goods companies in Indonesia. According to Table 7, the probability value of ROA is 0.7437, and Ho1 is accepted. The ROA shows insignificant negative influence on FF, as shown by a coefficient regression of -0.004643. A high degree of profitability signals creditors that the company has better future prospects, allowing creditors to lend money to the company (Connelly et al., 2011). The profitability ratio can also be used to define a company's degree of productivity based on all of its assets (Clayman, 2013). This result aligns with Krahé (2011), which shows ROA has been negatively related to FF. While some suggest that management should always favor internal money derived from earnings, others argue that the trade-off strategy is preferable because increasing earnings provide a larger tax shelter.

2. The Influence of CR towards FF

The second hypothesis states a significant influence of FF on consumer goods companies in Indonesia. According to Table 7, the probability value of the CR is 0.0000, and Ha1 is accepted. A coefficient regression of -0.091140 indicates that CR has a significant positive influence on FF. A company with sufficient liquidity has enough current assets to cover its current liabilities, as well as a capital structure that allows it to do so (Atieh, 2014). The study found contradicting results and concluded that liquidity and capital structure have a positive relationship (Pahuja & Sahi, 2012). It means that the higher CR, the higher company's profits will be. Suppliers can have more confidence in the accuracy of their payment obligations if they have enough cash on hand. This is extremely beneficial to the company's business operations since it allows the corporation to conduct sales transaction activities.

3. The Influence of DER towards FF

The third hypothesis states a significant influence of FF on consumer goods companies in Indonesia. According to Table 7, the probability value of DER is 0.0000, and Ha1 is accepted. A coefficient regression of 0.090070 indicates that the DER has a significant positive influence on FF. A high DER is enormously high to a company's financial health (Smart & Megginson, 2008). The study found DER is positively significant to FF (Krahé, 2011). It means that it affected the debt to the equity, it is really impacted the FF on the company. This key ratio shows how the company's liability to make the financials looks good toward the company's FF in the future. If the DER is too high, that will impact the company's capability to have a good cash flow in out.

4. The Influence of MBV towards FF

The fourth hypothesis states a significant influence of FF on consumer goods companies in Indonesia. According to Table 7, the probability value of MBV is 0.0007, and Ha1 is accepted. The MBV shows a significant positive influence on FF, as shown by a coefficient regression of -0.032550. This research is in line with Krahé (2011) which showed MBV is positive to FF. The relationship between MBV and FF is not as apparent in pecking-order theory. According to Degryse et al., (2012), there is a positive association since larger companies are more diverse and have less variable earnings.

5. The Influence of CH towards FF

The fifth hypothesis states a significant influence of FF on consumer goods companies in Indonesia. According to Table 7, the probability value of the CH is 0.0000, and Ha1 is accepted. A coefficient regression of 0.443191 indicates that the CH has a significant positive influence on FF. CH refers to cash held by a firm or available for investment in physical assets and payout to investors (Ogundipe et al., 2012). This research is in line with Saraswati (2020), which shows CH has a significant influence on leverage with a positive regression coefficient. Having a large amount of cash on hand can bring several advantages to a firm, one of which is the ability to fund unexpected expenses. Excessive cash has a negative side, namely the loss of a chance for the company to profit because the cash that is just stored will not generate income. As a result, a financial manager's task is to carry out the company's operational activities regularly while maintaining the company's cash balance.

6. The Influence of ROA towards FD

The sixth hypothesis states that there is no significant influence of FD on consumer goods companies in Indonesia. According to Table 8, the probability value of ROA is 0.9938, and Ho1 is accepted. The ROA shows insignificant negative influence on FD, which is showed by a coefficient regression of -0.005574. Creditors are more willing to lend money to a firm with a high level of profitability because it signals to them that the company has better future possibilities (Connelly et al., 2011). The profitability ratio can also be used to define a company's degree of productivity based on all of its assets (Clayman, 2013). The results of this study are both consistent and contradictory (Mas'ud & Srengga, 2015). Previous research found if it has a positive effect on FD. Meanwhile, Thim et al. (2011) found that it has a negative relationship with FD. In terms of management, the higher the value of ROA, the more effective the company is in dealing with its assets in order to generate profit from net income. When the ROA ratio is low, it indicates that the company's assets are less productive in creating profit, and thus makes it difficult for the company to obtain internal funding for investment, potentially leading to bankruptcy. Bankruptcy occurs when businesses that are experiencing financial distress are unable to meet their financial obligations.

7. The Influence of CR towards FD

The seventh hypothesis states a significant influence of FD on consumer goods companies in Indonesia. According to Table 8, the probability value of CR is 0.0000, and Ha1 is accepted. The CR shows a significant positive influence on FD, which is showed by a coefficient regression of 5.567025. A company with sufficient liquidity has enough current assets to cover its current liabilities, as well as a capital structure that allows it to do so (Atieh, 2014). As a result, obtaining long-term liabilities from third parties will be easier for enterprises. This study differs from the results found by Rahayu & Sopian (2017) and Rohmadini et al. (2018) where CR has an insignificant effect on FD. This is because the sample company can support its activities with current assets to satisfy its short-term obligations or current liabilities. As a result, the corporation will be able to pay its bills on time.

8. The Influence of DER towards FD

The eighth hypothesis states a significant influence of FD on consumer goods companies in Indonesia. According to Table 8, the probability value of DER is 0.0000, and Ha1 is accepted. The DER shows a significant positive influence on FD, which is showed by a coefficient regression of -1.788782. A high debt-to-equity ratio is enormously high to a company's financial health (Smart & Megginson, 2008). This research aligns with Widati & Pratama (2015) with the study results that leverage does not affect FD. A high debt-to-equity ratio is enormously high to a company's financial health (Smart & Megginson, 2008). The concept of leverage refers to how much of a company's funding comes from debt. The analytical methods employed include the DER, which is a ratio that measures the magnitude of the debt-to-capital ratio. The higher the DER, the greater the number of long-term liabilities owned by a corporation, which increases the chance of default. Meanwhile, found that DER has no significant influence on FD.

9. The Influence of MBV towards FD

The nineth hypothesis states a significant influence of FD on consumer goods companies in Indonesia. According to Table 8, the probability value of MBV is 0.0000, and Ha1 is accepted. The MBV shows a significant positive influence on FD, which is showed by a coefficient regression of 6.877979. This research is in line with Mahmood et al. (2018). It shows that MBV has positive significance to FD. If the growth opportunity is increasing, the performance of a firm is also increased. It means that the company has a low possibility of FD.

10. The Influence of CH towards FD

The tenth hypothesis states a significant influence of FD on consumer goods companies in Indonesia. According to Table 8, the probability value of CH is 0.5023, and Ha1 is accepted. The CH shows a significant positive influence on FD, which is showed by a coefficient regression of 2.363187. CH refers to the amount of money kept by a corporation or available for investment in physical assets and payout to investors (Ogundipe et al., 2012). This study is in line with Mahmood et al. (2018) that CH has positive significance in FD. This research shows that if the CH increases, it means that the firm has a small possibility to face FD.

11. Simultaneous Influence of ROA, CR, DER, MBV, CH towards FF and FD

The probability value of the F-statistics is 0.0000, which is less than 0.05. According to the eleventh hypothesis, which reports that the ROA, CR, DER, MBV, CH towards FF and FD on Indonesia's consumer goods sector enterprises. This result indicates that the dependent variable is determined simultaneously by all independent variables, indicating that the hypothesis is accepted. The value of adjusted R-squared shows that ROA, CR, DER, MBV, CH can influence FF by 87.3184%. Other variables that were not examined in this study influenced the remaining 12.6816%. ROA, CR, DER, MBV, CH can influence FD by 86.4835 % according to the adjusted R-squared value. The remaining 13.5165% was influenced by other variables that were not examined in this study.

12. The Most Significant Variable towards FF and FD prediction on Indonesia’s Consumer Goods Companies

The t-statistics result in Table 7 and Table 8 can determine the most significant value of the independent variable to the dependent variable. The higher the influence of the independent variable on the dependent variable, the higher the T-statistics. In t-statistics, it can be sorted by probability value. The statistical influence on the dependent variable increases as the probability value approaches zero. The researcher will focus on the T-statistics value because more than one independent variable has a very near probability value of 0. The DER in Indonesia's consumer goods companies is the most important factor in determining FF. In comparison to others with a value of 0.0000, the probability value is close to zero. The positive coefficient of this ratio indicates that increased DER can be followed by increased FF. In conclusion, the DER is the most significant variable in predicting FF. In Indonesia's consumer goods companies, the MBV ratio is the most significant variable of FD. In comparison to others with a value of 0.0000, the probability value is close to 0.0000. According to the positive coefficient of this ratio, a higher market-to-book value might be followed by increased FD. Therefore, the market-to-book value ratio is the most significant variable to consider in predicting FD.

5. Conclusion

ROA has insignificant negative influence on FF. The company should be influenced by the magnitude of this value ratio. This shows that the company can generate profits compared to relatively high assets. The CR has a significant positive influence on FF. The high-value ratio shows that the higher the profit the company will achieve. The DER has a significant positive influence on FF. The health of a company can be seen from this ratio. This key ratio shows how the company's liability to make the financials looks good toward the company's FF in the future. MBV has a significant positive influence on FF. If the company is getting bigger, it will require more resources to carry out its

operations. There is a positive association since larger companies are more diverse and have less variable earnings. CH has a significant positive influence on FF. The greater the cash balance owned by the company, the more liquid the company is, and the risk of cash shortages faced by the company is getting smaller, or it can be said to be more secure.

ROA has insignificant negative influence on FD. The effectiveness of the company in managing its assets in order to generate profits from net income can be seen from this ratio. Bankruptcy occurs when businesses that are experiencing financial distress are unable to meet their financial obligations. CR has a significant positive influence on FD. The company has the ability to support its activities with current assets to satisfy its short-term obligations or current liabilities. As a result, the corporation will be able to pay its bills on time. DER has a significant positive influence on FD. The concept of leverage refers to how much of a company's funding comes from debt. The higher the DER, the greater the number of long-term liabilities owned by a corporation, which increases the chance of default. MBV has a significant positive influence on FD. If the growth opportunity is increasing, the performance of a firm is also increased. It means that the company has a low possibility of FD. CH has a significant positive influence on FD. It shows that as CH increase, firms become more secure and are less likely to face FD.

There is an effect from financial ratios calculation in terms of ROA, CR, DER, MBV, CH all together to FF prediction by 87.3184% and for other variables that were not examined in this study influenced the remaining 12.6816% on F-test. As the remaining percentage, determine if there are any other factors or independent variables that are not covered in this study. For the other one, FD prediction by 86.4835 %, according to the adjusted R-squared value. Other variables that were not explored in this study influenced the remaining 13.5165%. This research ranked the independent variables by the level of significance towards the dependent variable. FF becomes the independent variable with the most significant effect coefficient is the DER. The FF variable is influenced by this ratio. Otherwise, in the MBV, FD becomes the independent variable with the highest effective coefficient. Within this research, we can conclude that a high significance on DER will negatively impact FF variable. If there is a high significance for the MBV, it will also impact the FD variable.

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