

16_18 September 2022

Barcelona, Spain

The Effect of Liquidity and Adequacy of Operating Cash Flows on the Risk of Financial Distress (Study on Retail Sub-Sector Companies Listed on the Indonesia Stock Exchange 2016-2020 Period)

Dr. Hanifah

STIE EKUITAS, Indonesia

Abstract

Financial distress is one of the stages that triggers the bankruptcy of a company (Ninh, 3:2018). Sustained losses experienced by the company will trigger financial distress, financial distress is a condition where the company experiences financial difficulties which is marked by a lack of cash flow originating from the operating process to pay off its current obligations (Fitri and Syamwil, 2020: 134). One of the causes that can trigger the occurrence of financial distress is the low level of liquidity of a company and low or negative ongoing operational activities. This study aims to determine how liquidity, adequacy of operating cash flows and financial distress, as well as to determine the effect of liquidity and adequacy of operating cash flows on the detection of risk of financial distress, the method used is descriptive and verification methods with secondary data obtained from financial statements and company annual report. The population in this study are retail sub-sector companies listed on the Indonesia Stock Exchange using purposive sampling technique, so there are 17 companies as a sample. The data analysis technique used is logistic regression analysis. Based on the results of the study, in general, the companies studied have sufficient liquidity and the adequacy of operating cash flows on average is positive, meaning that the companies are generally able to pay short-term debt and are relatively profitable, although there are still companies that suffer losses. Liquidity and adequacy of operating cash flow simultaneously affect the risk of financial distress by 40.9% and about 59.1% is influenced by other factors that have not been studied. Then partially both liquidity and adequacy of operating cash flow have a negative effect on the risk of financial distress.,

Keywords: liquidity, operating cash flow adequacy, financial distress.