

# **BAB I**

## **PENDAHULUAN**

### **1.1. Latar Belakang**

A situation known as financial hardship occurs when a company's operations are hindered by financial issues. Businesses that have been reported bankrupt are characterized by signs of financial distress. Both large and small businesses involved in manufacturing, services, and commerce are impacted by unstable economic conditions, which is why many businesses that go through financial difficulties ultimately file for bankruptcy.

A financial crisis condition also affects companies that are listed on the Indonesia Stock Exchange (IDX). A model for predicting companies that have financial difficulties up to the category of bankruptcy is one way that the phenomenon of companies being delisted from the Indonesia Stock Exchange (IDX) is investigated.

Companies must be aware of and anticipate conditions like this because they can hamper their operational activities (Octavera & Syafel, 2022). Therefore, it is anticipated that steps will be taken to foresee circumstances that lead to bankruptcy by being aware of the company's financial problems from the beginning. To measure the financial distress of a company is done by analyzing financial statements. Information on an enterprise's financial status, performance, and changes in that position is the primary goal of the financial report itself. Many users find this information helpful in making financial decisions (IAI, 2002).

Financial statements are records of the financial information of an entity for a certain period and can provide information regarding the entity's financial performance (Sujarweni, 2019). In order to forecast a company's future financial health and identify the early signs of bankruptcy, financial statements are essential. To prevent investment losses, it is necessary to use a model to forecast the state of financial distress. The viability of a business is essential, and owners and management must prepare for possible insolvency. Common methods for bankruptcy analysis include the Altman Z-Score, Springate, and Zmijewski. These methods have high accuracy in predicting bankruptcy, with the Springate and

Zmijewski methods having a 100% accuracy level, compared to the 50% accuracy of the Altman Z-Score method (Setiawan: 2017).

Talking about financial difficulties, it seems that this is also happening to property sector companies in Indonesia. Property sector companies are companies that operate in the field of building apartments, housing, real estate, and so on. From IDX information in the first quarter of 2020, many issuers experienced a decline in profits, some even suffered losses.

This research is interested in analyzing bankruptcy using the Zmijewski method. Because of the method Zmijewski has high accuracy using financial ratio analysis that measures the performance, solvency, and liquidity of a company for its prediction model. The variables used in the Zmijewski model equation are Return On Assets, Debt to Assets Ratio, and Current Ratio.

## **1.2. Rumusan Masalah**

All worldwide activity has been temporarily suspended by the pandemic phenomenon. Numerous studies have found that the Covid 19 outbreak has weakened various economic sectors, including the real estate business (Fabeil et al., 2020; Sangkham, 2020; Thorell et al., 2021). This is a result of the widespread concern with preserving one's bodily well-being over financial gains. The deputy minister of finance, Suahasil Nazara, claims that when the outbreak struck in 2020, companies in the real estate sector were among those most worst hit. Numerous businesses saw their fortunes deteriorate and some even declared bankruptcy (Boubaker et al., 2020; Paule-Vianez et al., 2020). The meanwhile, money is a crucial component of a company's development, according to (Mariano et al., 2020; Shahwan & Habib, 2020; Yousaf et al., 2020), since the majority of business bankruptcy instances are the result of financial difficulties brought on by inadequate financial management. Businesses in the property industry are those that build homes, apartments, and other types of housing. According to data from the IDX for the first quarter of 2020, a large number of issuers saw a drop in earnings, and some even suffered losses.

Given the current issues, researchers are looking into the relationship between three variables—liquidity, profitability, and leverage ratio and the likelihood that these factors would affect the firms in the property industry that are listed on the Indonesian Stock Exchange when it comes to financial trouble. Thus, "**Financial Ratio Analysis In Predicting Financial Distress Among Property Sector Companies In Indonesia Stock Exchange**" was the research title chosen by the investigator.

### **1.3. Pertanyaan Penelitian**

Some problem formulations that can be made in light of the background information provided are as follows:

RQ 1 : What is the effect of liquidity on financial distress among property companies in the Indonesia Stock Exchange?

RQ 2 : What is the effect of the profitability on financial distress among property companies in the Indonesia Stock Exchange?

RQ 3 : Does financial leverage influence financial distress among property companies in the Indonesia Stock Exchange?

### **1.4. Tujuan Penelitian**

Based on the problem formulated above, the objectives of this study are :

RO 1: To Examine the effect of liquidity on financial distress among property companies in the Indonesia Stock Exchange

RO 2: To examine the effect of profitability on financial distress among property companies in the Indonesia Stock Exchange

RO 3: To examine the effect of financial leverage on financial distress among property companies in the Indonesia Stock Exchange

### **1.5. Definisi Istilah Kunci**

#### **1.5.1. Likuiditas**

The ability of a business to make timely payments on short-term obligations is a key indicator of its liquidity (Kiyotaki & Moore, 2019; Singh & Bagga, 2019;

Zamula et al., 2020). Stated differently, the liquidity ratio functions as a tool for demonstrating or measuring a business's ability to pay off its obligations, both external and internal.

#### 1.5.2 Profitabilitas

Yüksel et al. (2018); Almashhadani (2021); Alabdullah et al. (2021). A ratio called profitability is used to evaluate a business's capacity for profit-making. This ratio also gives an indication of how effective a company's management is. The components of financial reports, particularly the income statement and balance sheet, can be compared in order to apply profitability ratios (Almashhadani, 2021b; Hirshleifer et al., 2018; Ledley et al., 2020).

#### 1.5.3 Leverage

A ratio called leverage is used to determine how much debt is utilized to fund an organization's assets (Birney, 2021; Chan et al., 2020; Santos & Veronesi, 2022). The leverage ratio is generally understood to be a tool for assessing a company's capacity to meet all of its debts, both current and future, in the event that the business is dissolved or liquidated.

### 1.6. Signifikasi Penelitian

In this context, the aim of this research is to develop and compare financial distress assessment models. A model that integrates Liquidity, Profitability, and Leverage Ratio. After that, the model is estimated, and many comparative tests are run.

### 1.7. Batasan Masalah

Based on the problem statement above, the researcher limited the scope of the problem to be discussed in the research. These are return on assets (ROA), debt to assets ratio (DAR), and current ratio (CR) on financial distress conditions using the method Zmijewski at Property companies started from 2017-2020 and was listed on the Indonesia Stock Exchange. This research collects data through the form of financial reports obtained from the official website of the Indonesia Stock Exchange, [www.idx.co.id](http://www.idx.co.id). The population of this research was all property

companies listed on the Indonesian Stock Exchange during the 2017-2022 period consisting of 92 companies. The sampling technique used in this research is purposive sampling with sampling criteria. This research used a sample of Property sector companies the sampling technique applied in this research was purposive sampling with sampling criteria, the companies with large capitalization, good experience, and share prices that are investment recommendations, published an annual report, used rupiah currency, and published the information needed to calculate proxies in this study in the 2017-2022 period and it has 11 companies.

### **1.8. Kesimpulan**

This chapter explains the study's topic. Starting with the background of the study, the problem statements, research objectives, research questions, the significance of the study, the scope, and limitations of the research, the definition of key terms, and the structure of the proposal.