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Analysis Of Distress Financial Condition Toward Stock Price Of Manufacture Company In The Period Of 2012 – 2016

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----------*ABSTRACT*----------
This study is aimed to acknowledge the impact of distress financial condition toward stock price of manufacture company. The population of this study was manufacture companies registered in Indonesia Stock Exchange during the period of 2012 – 2016. The data used in this study was secondary data achieved indirectly through mediator that is data from Indonesia Stock Exchange (ISE) in ISE corner of Faculty of Economics and Business University of Pancasila (FEB-UP) in form of financial report and stock price in 2012 – 2016. The result of this study based on t test result, current ratio (CR) variable and total assets turnover (TATO) variable does not significantly influence the stock price in the manufacturer industry detected with the financial distress condition, while earnings per share (EPS) variable influences the stock price positively significant in the manufacturer industry detected with financial distress condition with Altman Z-Score method registered in Indonesia Stock Exchange in 2012 – 2018. The result of statistics test F (Anova) simultaneously current ratio (CR) variable, total assets turnover (TATO) variable and earnings per share (EPS) variable influences positively significant toward stock price.

Key Words: *financial distress, current ratio, total assets turnover, earning per share*

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I. INTRODUCTION

The unpredictable economic condition in Indonesia results in high risk of acompany to have financial crisis or even bankruptcy. Wrong prediction toward operation continuity of a company in the future can cause fatal impact such as income or investment loss that has been invested in a company. Therefore, it is important to have a model of bankruptcy prediction of a company that is really needed by many parties such as stock holders, investors, bank (the creditor), government, employees, society and management.

The ability level of a company to be able to compete is really determined by the performance of the company itself. Before investing their fund to a company, the investors and creditors, initially, will always see the company financial condition. Therefore, it is important for the company to predict and analyze the financial condition.

Financial Distress is a condition started when a company cannot fulfil its obligation or indicated cannot fulfil its obligation for several years to undergo or continue its business. Platt and Platt in Almilia and Kristijadi (2003) stated that financial distress defines as a stage of financial condition decline happened before the bankruptcy or liquidation. While according to Darsono and Ashari (2005) " Ability in predicting financial distress will give benefits to many parties, especially the creditors and investors. Prediction also functions to give supports to any parties related to financial performance of the company if it will have financial problem in the future

There are two factors that cause a company experiences financial distress: internal and external factors. One of the causes of internal factor is for example the decrease selling point from year to year, while one of the causes of external factor is the competition between the similar companies.

The occurence of financial distresscondition in a company can be acknowledged and detected by measuring tools used, one of them is by using Altman Z-Score method. This method can be used to know if the company has financial distress to see the influence and impact of the company with financial distress by using financial ratio analysis. It is hoped that company can take actions to anticipate the condition lead to bankruptcy as early as possible so there will not be bankruptcy.

Based on the explanation above, researchers want to illustrate the calculation by using financial ratio analysis based on the information from annual financial report in manufacture company in Indonesia Stock Exchange during the period of 2012 – 2016. It is done to predict the possibility of company financial problem that can assist company management to know the influence of financial distress by using current ratio (CR),

total asset turn over (TATO), earnings per share (EPS) measuring tools and the impact of financial distress toward stock price using financial ratio.

To discover the financial problem of the company, researchers used five financial ratios in analyzing Alman Z-Score to determine if the company in financial distress condition or not. Meanwhile, current ratio, total assets turnover and earnings per shareare the measuring tools to know the influence toward stock price calculated based on the information acquired from the manufacturecompany annual financial report in 2012 – 2016.

II. METHOD

This study is quantitative study since it evaluated the theories by using numbers and statistics methods in holding the analysis. This study is also causality that is to explain relation and influence between two or more variables. This study is also to find out the impact of financial distress impact of the manufacture company and its influence toward stock price.

This study used secondary data type that is financial data published in Indonesia Stock Exchange, data of Indonesian Capital Market Directories (ICMD) or sites and websites that support in collecting research data.

The technique in collecting data is by downloading from the related website such as Indonesia Stock Exchange and other sources that are available to be able to support this research.

This research population is manufacture company registered in Indonesia Stock Exchange along the period of 2012 – 2016. The sampling determination used is purposive sampling.

This study used two variables: dependent variable and independent variable where stock price (Y) is dependent variable, while financial distress (X) is independent variable. Independent variables tested are Current Ratio, Total Assets Turnover andEarnings per Share from the company detected with financial distress by using Altman Z-score method.

III. RESULT AND DISCUSSION

This study evaluated how the influence of financial distress condition to the company detected by using Alman Z-Score method to evaluate current ratio, total assets turnover andearnings per share toward stock price and what the effect of the condition is. Company object used in this study is go-public company of the manufacturer industry registered in Indonesia Stock Exchange along the period of 2012 – 2016 that detected with financial distress by Altman Z-Score method.

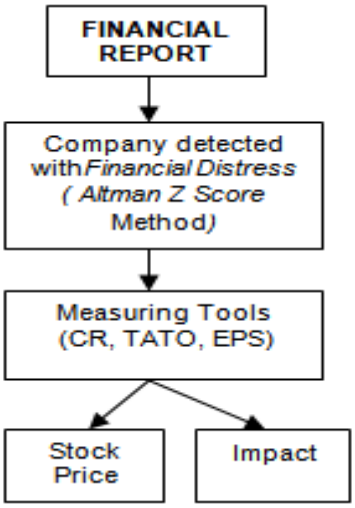
Table.1: Company detected with Financial Distress

No	Company Name	Code
1	PT. Akasha Wira International Tbk	ADES
2	PT.Asiaplast Industries Tbk	APLI
3	PT. Indo Kordsa Tbk	BRAM
4	PT.EverShine Textile Industry Tbk	ESTI
5	PT. Indofarma Tbk	INAF
6	PT. Jakarta Kyoei Steel Work LTD Tbk	JKSW
7	P T. Karwell Indonesia Tbk	KARW
8	PT. Pelat Timah Nusantara Tbk	NIKL
9	PT. Nipress Tbk	NIPS
10	PT. Asia Pasific Fibers Tbk	POLY
11	PT. Supreme Cable Manufacturing and Commerce Tbk	SCCO
12	PT. Sekawan Intipratama Tbk	SIAP
13	PT. Sorini Agro Asia Corporindo Tbk	SOBI
14	PT. Sunson Textile Manufacturer Tbk.	SSTM
15	PT. Ultrajaya Milk Industry and Trading Company Tbk	ULTJ
16	PT. Nusantara Inti Corpora Tbk	UNIT

Source: processed by researchers, 2018

Below is presented the empirical study method used in this study.

Figure1: Empirical Study Method



Source: Researcher (2018)

First is classic assumption test which is done so the result of double regression analysis is not bias. Classic assumption testing is residual normality test, multi collinearity test, auto correlation test, and heteroscedasticity test. After classic assumption test, hypothesis test is held.

Table2: Normality Test Result

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		80
Normal Parameters[a,b]	Mean	,0000000
	Std. Deviation	1204,42113104
Most Extreme Differences	Absolute	,207
	Positive	,207
	Negative	-,161
Test Statistic		,207
Asymp. Sig. (2-tailed)		,058[c]

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.

source: processed (2018)

The probability test result is 0,058 where the probablity point is > 0,05 then the decision is H0 accepted. It can be concluded that the research residual data distributes normally.

Table 3: Multi Collinearity Test Result

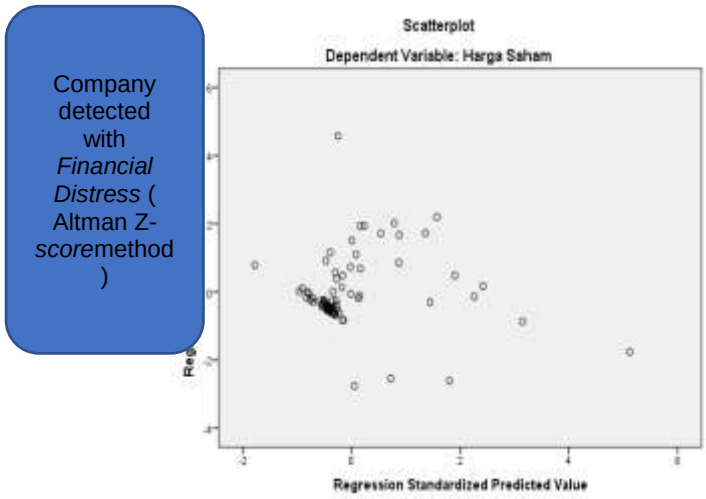
Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Current Ratio	,998	1,002
	Total AssetsTurnover	,993	1,007
	Earnings per share	,993	1,007

a. Dependent Variable: Stock Price
Source: Data processed result (2018)

All independent variables have tolerance value above 0,1 and VIF value is below 10. Therefore, it indicates in regression model there is no multi collinearity.

Figure2

Heteroscedasticity Test Result



Source: processed (2018)

Based on the scatterplot figure above, it is seen that the spots spread out randomly and they do not form any specific pattern or irregularly, and the spots spread out above and below number 0 on Y axis. It indicates there is no heteroscedasticity on regression model so regression model can be properly used to predict independent variablesbased on the input of independent variable.

Table 4: Auto Correlation Test Result

Model Summary[b]

Model	Adjusted R Square	Durbin-Watson
1	,472	2,264

a. Predictors: (Constant), Earning per share, Current Ratio, Total Assets Turnover
b.Dependent Variable: Stock Price

Source: processed (2017)

The result of Durbin Watson test is 2,264. From dwtablewith α = 5%, it has dl = 1,560 du = 1,715. Based on the criterion determined, dw count is between 1,715 < 2,264 < 2,285 so it means there is no correlation, positive or negative. So the conclusion is autocorrelation test is completed.

F test, basically, showsif all independent variables used and input in the model have simultaneous influence toward attached variable. To find out if the independent variable significantly influences the attached variable or not.

Table 5: Anova Test Result (F Test)

Model	F	Sig.
Regression	24,511	,000[b]
Residual		
Total		

a. Dependent Variable: Stock Price
b. Predictors: (Constant), Current Ratio, Total Assets Turnover, Earning per share

Source: data processed result (2018)

Significancy value resulted is 0,000< 0,050 then H0 is denied. From the evaluation it can be concluded that independent variables Current Ratio (X_1), Total Assets Turnover (X_2), Earnings per Share (X_3)simultaneously influence significantly toward attached variable Stock Price (Y).

Table6: Partial Result (T Test) Model 1

Model		T	Sig.
1	(Constant)	2,411	,018
	CR	1,641	,105
	TATO	,588	,558
	EPS	8,274	,000

a. Dependent Variable: Stock Price
Source: processed (2018)

Current Ratioinfluences significantly toward the Stock Price, similar to Earnings per Share. However, Total Assets Turnover does not influence significantly toward the company value.

Table7: Calculation Result Double Linear Regression

		Unstandardized Coefficients	
Model		B	Std. Error
1	(Constant)	552,584	229,168
	CR	151,388	92,282
	TATO	60,425	102,752
	EPS	3,872	,468

a. Dependent Variable: Stock Price
Source: processed by researchers, 2018

Y = 552,584 + 151,388X1 + 60,425X2 + 3,872X3

If Current Ratio, Total Assets Turnover, Earnings per Shareare assumed constant or zero, the amount of stock price is 552,584. Every increment of one point Current Ratio, Stock Price will increase about 151,388. Every increment of one point Total Assets Turnover will increase Stock Price about 60,425. Every increment of one point Earnings per Share will increase Stock Price about 3,872.

Table 8: Calculation Result Correlation and Determination Coefficient

Model	R	R Square	Adjusted R Square
1	,701[a]	,492	,472

Source: processed (2018)

R point about 0,701 shows that there is correlation or strong relation among current ratio, total assets turnover and earning per share with Stock Price in the manufacturer industry detected with financial distress by using Altman Z-Score method, while adjusted R Square point or determination coefficient is 0,472. It indicates that 47,2% variation or change in stock price can be explained by variation of current ratio, total assets turnover and earnings per share variable. While the remain of 52,8% can be explained by other factors not observed in this study.

IV. CONCLUSION AND PROPOSITION

The occurance of financial distress condition will give bad impact to the company such as income volume decrease, decrease in the growth and development of the company, the stagnation of financial system which results in weak financial circulation, company operational system, bad debts and bankcruptcy. While it impacts the company, financial distress condition will also influence the employees, suppliers, customers and investors.

Based on t test result, current ratio (CR) variable and total assets turnover (TATO) variable do not influence significantly toward Stock Price in manufacturer industry detected with financial distress condition, while earning per share (EPS) variable influences positively significant toward stock price in manufacturer industry detected with financial distress by using Altman Z-Score method registered in Indonesia Stock Exchange during 2012 – 2018. Meanwhile, F statistics test result (Anova) simultaneously current ratio (CR) variable, total assets turnover (TATO) variable and earning per share (EPS) variable influence positively significant to stock price.

It is suggested to the company to better use more financial ratio or use other method that related to the occurance of financial distress condition. The more ratio calculated and analyzed, the more accurate the result achieved in detecting financial distress condition so that the company can immediately fix its financial condition and avoid the bankruptcy.

For the next researchers, it will be better to add other independent variables such as exchange rate, monetary policy, investir behavior, ROA, ROE, PER, PBV and others that have possibility to influence stock price besides variables used in this study so it could get maximum result.

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