THE EFFECT OF LIQUIDITY, *LEVERAGE*, *OPERATING CAPACITY* AND *FIRM SIZE* ON *FINANCIAL DISTRESS*
(Empirical Study on Transportation Subsector Companies Listed on the IDX for the 2017-2022 Period)

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***ABSTRACT**: This study aims to determine the effect of liquidity, leverage, operating capacity and firm size on financial distress (empirical study on transportation subsector companies listed on the IDX for the 2017-2022 period). The population in this study is transportation subsector companies listed on the IDX for the 2017-2022 period, totaling 42 companies. The sampling technique in this study used purposive sampling. This research uses secondary data in the form of annual financial statements. This study used multiple linear regression analysis method with IBM SPSS program version 25. The results of this study show that liquidity has a positive effect on the value of sig. 0.000, leverage negatively affects the value of sig. 0.000, operating capacity has a positive effect on the sig value. 0.000 and firm size have a positive effect on financial distress with a sig value. 0.000.*

Keywords: Liquidity, Leverage, Operating Capacity, Firm Size, Financial Distress.

ABSTRACT: This study aims to determine the influence of liquidity, *leverage*, *operating capacity* and *firm size* on *financial distress* (an empirical study on transportation subsector companies listed on the IDX for the 2017-2022 period). The population in this study is 42 companies in the transportation subsector listed on the IDX for the 2017-2022 period. The sampling technique in this study uses *purposive sampling*. This study uses secondary data in the form of annual financial statements. This study uses the multiple linear regression analysis method with the IBM SPSS version 25 program. The results of this study show that liquidity has a positive effect on the value of sig. 0.000, *leverage* has a negative effect with a value of sig. 0.000, *operating capacity* has a positive effect with a value of sig. 0.000 and *firm size* has a positive effect on *financial distress* with a value of sig. 0.000.

Keywords: Liquidity, *Leverage, Operating Capacity, Firm Size, Financial Distress*.

A. INTRODUCTION

Background of the Problem

The company will generate as much profit as possible to achieve its main goal. However, as business progresses, it is possible that many adverse events will occur unexpectedly. The problem most companies want to avoid is to avoid bankruptcy (Hawaria, 2019). *Financial distress* It can be referred to as the downturn phase that occurs before bankruptcy or liquidation. This problem may arise due to the company's inability to manage and maintain stable financial operations, resulting in operating losses and net losses in the current year. Further losses will cause capital deficiency due to a decrease in the value of the profit balance used for dividend repayment, so that total equity will generally experience a deficiency. If it is not resolved immediately, the company will get a considerable impact such as losing trust from *Shareholder* so that the company will be threatened with bankruptcy (Christine, et al., 2019).

There are many examples of company phenomena that have experienced *Financial distress*, as in 2019 there were several companies that experienced negative equity because they were influenced by the amount of liabilities that exceeded total assets and had an impact on facing operational losses that caused negative impacts, such as cash flow difficulties, inability to meet obligations and operational losses for several years (Siahaan, et al., 2021). Yuliana (2020) explained that at the beginning of 2020, the world was shaken by the emergence of a similar virus *Coronavirus* new type (*SARS-CoV-2*) and the disease is named *Coronavirus disease* 2019 (*Covid-19*) from Wuhan City, Hubei Province, China. President Joko Widodo said that it was the first time he found a case *Covid-19* in Indonesia in March 2020. A week later, on Thursday, March 12, 2020, an outbreak was determined *Covid-19* as a pandemic declared by the World Health Organization (*World Health Organization*) (Putri, 2020). This virus spreads rapidly and continues to increase so that the Indonesian government has issued policies, one of which is Government Regulation of the Republic of Indonesia Number 21 of 2020 concerning Large-Scale Social Restrictions in the Context of Accelerating Handling *Corona Virus Disease* 2019 (*Covid-19*) (Sitompul, 2022).

Implementing Large-Scale Social Restrictions (PSBB) and the Policy on the Implementation of Community Activity Restrictions (PPKM) have an impact on companies of all types of businesses and cause a sharp decline in economic activity. Companies from

various types of businesses such as the transportation and warehousing sectors feel the most disadvantaged from this policy. The results of the report from the Central Statistics Agency (2021) show that companies in the transportation sector in terms of contribution to the national economy contributed 20.19% and decreased compared to 2019 (Hariyono & Mildawati, 2022). If the company is unable to maintain profitability or fails to obtain additional profit in unstable financial statements, then it causes a decline in financial performance and can even have an impact on the company's bankruptcy (Indriani & Mildawati, 2019). The table below follows Oktaviani & Kurniawan (2022) contains information about economic conditions in Indonesia which are always changing, both declining and increasing.

Table 1. Indonesia's Economy in the Third Quarter

Year	Growing by (%)
2017	5,06
2018	5,17
2019	5,02
2020	5,05
2021	3,51
2022	5,72

Source: bps.go.id (data processed Oktaviani & Kurniawan, 2022)

Financial distress can be assessed and measured through financial statements. By using financial statements, management must be able to estimate the amount, time, and uncertainty or risk of a company's net cash flow. This makes it possible to know the level of financial performance of the company and will be very beneficial for the management and external parties such as investors (Rosid, 2022). A company's financial performance indicators can be used to predict the company's future condition. This indicator is obtained from the analysis of financial ratios contained in the information published by the company's financial statements (Putri & Erinos, 2020), as for the financial ratios that can predict *Financial distress* i.e. liquidity, *Leverage* and *Operating Capacity*. In addition to financial ratios, there are also factors related to the condition of a company, namely: *firm size*.

Raharjaputra (2009:199) Defines the liquidity ratio as an indicator used to measure a company's ability to meet short-term obligations that are about to mature. The more a

company is able to fulfill its current obligations by using its current assets, the better the company's liquidity. Prihadi (2008) said that the inability to pay obligations on time will be experienced directly by creditors, especially creditors related to the company's operations (*Supplier*) (Amanda & Tasman, 2019).

Leverage can be used as a second factor to predict *Financial distress*. Gumanti (2011:113) explains that the ratio *Leverage* is a financial ratio used to measure the extent to which a company's assets are financed by debt Ratio *Leverage* provides an overview of the company's debt adequacy level with how large the portion of debt in the company is compared to existing assets. The higher this ratio, the greater the proportion of debt used to finance investments in assets and thus the greater the company's financial risk, and vice versa. This causes the occurrence of *Financial distress* for companies because the company's burden to cover its obligations and the interest charged is increasing (Izzah, et al., 2021).

Cashmere (2019:174) Define the ratio *Operating Capacity* It can measure efficiency in the use of company assets and can measure the efficiency of the company in managing available resources (sales, inventory and collection of accounts receivable) or it can be used as a tool to assess the company's ability to carry out ongoing operations (Dewi & Novyarni, 2020). If sales increase, costs decrease and profits also decrease. The more inefficiently a company uses its assets to generate revenue, the greater the loss for the company. This indicates poor performance, so it can affect the company's finances and cause financial difficulties (Oktariyani, 2019).

Firm size be another factor to predict *Financial distress* In addition to the financial ratios above, this factor is related to the condition of a company. Widiastari & Yasa (2018) Defines it as the level or value that can be owned by a company with valuation classification depending on its size by measuring total assets, total sales, stock value and others. While Nora (2016) states that the size of a company is described by the total number of assets owned by the company. Companies with positive growth rates (with large total assets) show signs that the size of the company is increasing and reducing the tendency towards bankruptcy. For creditors, the company will be able to pay its obligations in the future, so that the company can avoid the occurrence of *Financial distress* (Sopian & Rahayu, 2017).

B. LITERATURE REVIEW

Signaling Theory

According to Brigham & Houston (2010) A signal is an action taken by a company to provide instructions to investors about how management views the company's prospects. These signals come in the form of information about what management has done to fulfill the owner's wishes. The information issued by the company is important, because it affects the investment decisions of parties outside the company. This information is very important for investors and business people because in essence it presents information about information, notes or descriptions, both for the past, present and future circumstances for the existence of the company and how it affects the company. Signal theory emphasizes the importance of information provided by companies to investment decisions from outside the company (Indarti & Sapari, 2020).

Financial Distress **(Y)**

Rohmadini, et al (2018) defines as a stage of deterioration in conditions that occurs before bankruptcy or liquidation. And if there are financial difficulties, it is a liquidity difficulty that can be the beginning of bankruptcy. In general *Financial distress* or financial difficulties and known as potential bankruptcy are not the same thing. Because *Financial distress* as financial difficulties are the stages before a bankruptcy in company. This shows that not all company who experience *Financial distress* will become bankrupt (Hutabarat, 2020:27).

Here's the formula for Altman Z-Score (Oktaviani & Kurniawan, 2022).

$$Z = 6{,}56\ X1 + 3{,}26\ X2 + 6{,}72\ X3 + 1{,}05\ X4$$

Liquidity (x1)

Liquidity is a ratio used to measure a company's ability to pay debts at maturity using its current assets (Mardiyanto, 2009); (Harjito & Martono, 2010); (Munawir, 2014).

Liquidity is measured using *current ratio* or current ratio. *Current ratio* describes the company's ability to pay its short-term obligations, the higher the *current ratio* then the better the company is in paying its short-term obligations (Gamayuni, 2006). Formula according to (Rahma, 2020)that is:

$$Current\ Ratio\ (CR) = \frac{\text{Aset Lancar}}{\text{Utang Lancar}}$$

Leverage **(x2)**

Rahardjo (2009:139) Explaining the meaning of solvency is the ability of a company to meet all of its obligations (both short-term and long-term), should the company be liquidated at that time.

Leverage measured using *debt to assets ratio* (DAR). Used to measure the share of each rupiah of its own capital that is used as collateral for all liabilities or debts (Arifin, 2008:97). Formula according to (Ayuningtyas & Suryono, 2019)that is:

$$Debt\ To\ Asset\ Ratio\ (DAR) = \frac{\text{Total Utang}}{\text{Total Aset}}$$

Operating Capacity (x3)

Operating capacity is a useful ratio to measure how effectively a company uses its assets to generate sales (Hanifah & Purwanto, 2013); (Kusanti & Andayani, 2015); (Kariani & Budiasih, 2017); (Lisiantara & Febrina, 2018); (Darmawan, 2020); (Effendi, et al., 2022).

Ratios used to measure *Operating Capacity* In this study, *Total Asset Turnover*. This ratio can indicate the company's ability to manage all assets or investments to generate sales (Sugiono & Untung, 2008:69). The total asset turnover reflects the company's operational efficiency (Hadi & Andayani, 2014). Formula according to (Pertiwi, et al., 2022)that is:

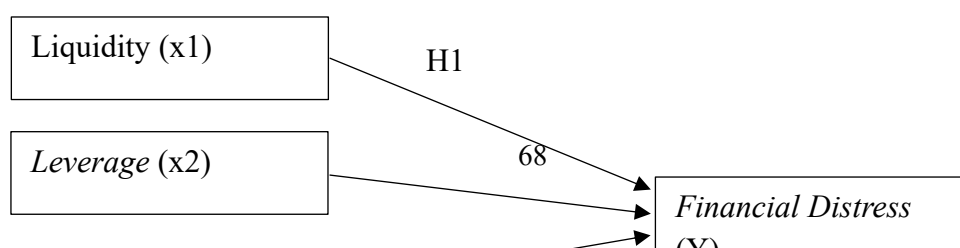$$Total\ Asset\ Turn\ Over\ (TATO) = \frac{\text{Penjualan}}{\text{Total Aset}}$$
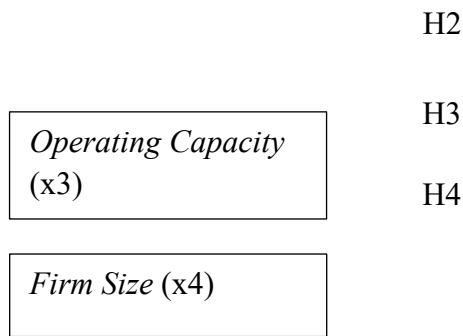
Firm Size (x4)

Gunawan, et al (2017) said that the size of a company describes the size of a company which can be expressed in total assets or total net sales. Large companies have several advantages, including being able to obtain funds easily from the capital market, being able to determine bargains in financial contracts, possibilities in costs and *return* thus making the company profitable.

It is measured using company assets according to Bringham and Houston in (Suwardika & Mustanda, 2017). Formula according to (Syuhada, et al., 2020)that is:

$$Size = \text{LN (Total Aset)}$$

Hypothesis

Liquidity (x1)

H1

Leverage (x2)

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Financial Distress

H2

H3

Operating Capacity
(x3)

H4

Firm Size (x4)

Picture 1. Conceptual Thinking Framework

H1 : Liquidity has a positive effect on *financial distress.*

H2 : *Leverage* has a positive effect on *financial distress.*

H3 : *Operating capacity* has a negative effect on *financial distress.*

H4 : *Firm size* has a negative effect on *financial distress*.

C. RESEARCH METHODS

In the preparation of this thesis, the researcher used a type of research, namely using a quantitative statistical analysis method with the support of SPSS software which aims to draw conclusions from the results of the research. The population in this study is transportation subsector companies listed on the IDX in the 2017-2022 period, which is 54. Sampling using *the purposive sampling technique* obtained a sample of 42 companies so that 252 amounts of data were obtained that would be used as observations. The data collection method uses documentation techniques, carried out by collecting secondary data in the form of financial statements and annual reports of transportation subsector companies that are listed and have been published by the Indonesia Stock Exchange (IDX) for the 2017-2022 period through the www.idx.co.id website, the official website of each company and other supporting sources obtained from journals.

D. RESEARCH RESULTS AND DISCUSSION

Research Results

Descriptive Statistical Analysis Test

Table 2. Descriptive Statistical Analysis Test Results

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Liquidity	150	.19	3.32	1.1201	.66063
Leverage	150	.14	1.30	.5242	.20241
Operating Capacity	150	.13	1.75	.5347	.33027
Firm Size	150	24.80	30.53	27.9186	1.37882
Z-Score	150	-7.37	9.19	1.5128	2.72293
Valid N (listwise)	150				

Source: secondary data processed with SPSS (2023)

The number of data (N) used in this study for 6 years (2017-2022) amounted to 252 data, but due to the data transformation on the Y variable, the data used (valid data) amounted to 150 data. Based on the results of the calculations shown in the table above, the descriptive statistical analysis in this study is as follows:

a. Liquidity has a minimum and maximum value of 0.19 and 3.32 as well as a mean and Std. Deviation of 1.1201 and 0.66063.

b. *Leverage* has a minimum and maximum value of 0.14 and 1.30 as well as mean and Std. Deviation of 0.5242 and 0.20241.

c. *The operating capacity* has a minimum and maximum value of 0.13 and 1.75 as well as a mean and Std. Deviation of 0.5347 and 0.33027.

d. *Firm size* has minimum and maximum values of 24.80 and 30.53 as well as mean and Std. Deviation of 27.9186 and 1.37882.

e. *Financial distress* (Y) has a minimum and maximum value of -7.37 and 9.19 as well as a mean and Std. Deviation of 1.5128 and 2.72293.

Classical Assumption Test

Normality Test

Table 3. Results of the normality test before the outlier

One-Sample Kolmogorov-Smirnov Test

	Unstandardized Residual

		252
N		252
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	39.68753066
Most Extreme Differences	Absolute	.375
	Positive	.367
	Negative	-.375
Test Statistic		.375
Asymp. Sig. (2-tailed)		.000c

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

Source: data processed with SPSS (2023)

The table above obtained a significance value of 0.000 less than 0.05, which means that the research data has a residual value that is not normally distributed. For this reason, the researcher transformed the data by deleting outlier data.

Table 4. Results of the Normality Test After Outlier

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		150
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	1.15867176
Most Extreme Differences	Absolute	.065
	Positive	.046
	Negative	-.065
Test Statistic		.065
Asymp. Sig. (2-tailed)		.200[c,d]

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

Source: data processed with SPSS (2023)

After transforming by removing outliers (table 3), a significance value of 0.200 is obtained and the value is greater than 0.05, which means that the data is normally distributed.

Multicollinearity Test

Table 5. Multicollinearity Test Results

Coefficientsa

Type	Collinearity Statistics	
	Tolerance	VIF
1 (Constant)		
Liquidity	.819	1.221
Leverage	.869	1.150
Operating Capacity	.948	1.055
Firm Size	.910	1.099

a. Dependent Variable: Z-Score

Source: data processed with SPSS (2023)

The table above shows that in the *collinearity statistic* section seen for 4 independent variables, the VIF number is 1,221; 1,150; 1,055; 1,099 which means less than 10. Meanwhile, *the tolerance* value of 0.819, 0.869, 0.948, 0.910 means greater than 0.10. Thus, it can be concluded that there is no multicollinearity problem in this study.

Autocorrelation Test

Table 6. Autocorrelation Test Results

Model Summary[b]

Std. Error of the Estimate	Durbin-Watson
1.39683	1.798

a. Predictors: (Constant), Firm Size, Leverage, Operating Capacity, Liquidity

b. Dependent Variable: Z-Score

Source: data processed with SPSS (2023)

Based on the results in the table above, it shows a result of 1,798. With 4 independent variables and n = 150, it is known that du = 1.788 while 4 – du (4 – 1,754) =

2.20. The results of the Watson Durbin test calculation showed a value of 1.788 < 1.798 < 2.20 (du < dw < 4-du) which means that the regression model does not have an autocorrelation problem.

Heteroscedasticity Test
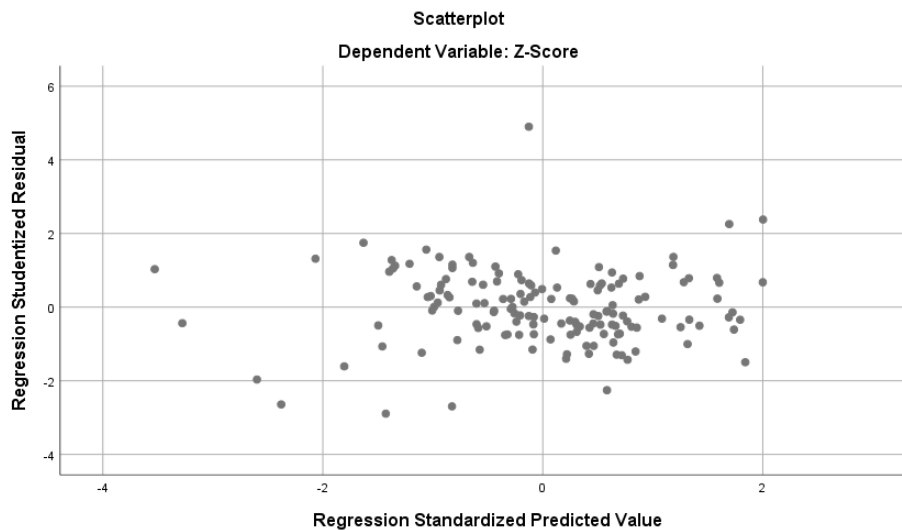
Picture 2. Heteroscedasticity Test Results

From figure 2, *the* scatterplot shows the dots scattered above and below the number 0 on the Y-axis.

Multiple Linear Regression Analysis

Table 7. Multiple Linear Regression Test Results

Coefficientsa

Type	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-8.195	2.438		-3.361	.001
Liquidity	.701	.191	.170	3.663	.000
Leverage	-9.380	.606	-.697	-15.469	.000
Operating Capacity	2.864	.356	.347	8.050	.000
Firm Size	.441	.087	.223	5.067	.000

a. Dependent Variable: Z-Score

Source: data processed with SPSS (2023)

Based on the table above, the regression analysis test results obtained a regression equation, namely $\hat{Y}$ = -8.195 + 0.701 X1 + (-9.380) X2 + 2.864 X3 + 0.441 X4 + e. So the multiple regression equation can be taken an analysis that:

a. A constant value (α) of -8.195 means that if liquidity, *leverage*, *operating capacity* and *firm size* are constant or zero, then the decrease in *financial distress* in transportation subsector companies listed on the IDX in 2017-2022 is 8.195%.

b. The regression coefficient of the liquidity variable is 0.701 and is a positive sign, meaning that if the liquidity variable increases by 1% while other variables remain fixed, it will cause an increase in *financial distress* in transportation subsector companies listed on the IDX in 2017-2022 by 0.701%.

c. The regression coefficient of *the leverage* variable is -9.380 and is negative, meaning that if the *leverage* variable increases by 1% while other variables remain fixed, it will cause a decrease in *financial distress* in transportation subsector companies listed on the IDX in 2017-2022 by 9.380%.

d. The regression coefficient of the operating *capacity variable* is 2.864 and is a positive sign, meaning that if the *operating capacity* variable increases by 1% while other variables remain fixed, it will cause an increase in *financial distress* in transportation subsector companies listed on the IDX in 2017-2022 by 2.864%.

e. The regression coefficient of *the firm size* variable is 0.441 and is a positive sign, meaning that if *the firm size* variable increases by 1% while other variables remain fixed, it will cause an increase in *financial distress* in transportation subsector companies listed on the IDX in 2017-2022 by 0.441%.

Hypothesis Test

Model Feasibility Test / Simultaneous Test (Test F)

Table 8. Test Result F

ANOVAa

Type	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	821.824	4	205.456	105.301	.000b
Residual	282.914	145	1.951		
Total	1104.739	149			

a. Dependent Variable: Z-Score

b. Predictors: (Constant), Firm Size, Leverage, Operating Capacity, Liquidity

Source: data processed with SPSS (2023)

Based on the results in the table above, it is known that the significance value is 0.000 using the significance level $\alpha = 0.05$ and the F value is calculated to be greater than the F table (105.301 > 2.43), it can be said that it is feasible because with the results of the calculation through SPSS 25.0 that the sig value is 0.000 < 0.05 so it can be concluded that *liquidity, leverage*, *operating capacity* and *firm size* affect the *financial distress* in transportation subsector companies listed on the IDX in 2017-2022.

Partial Test (T-Test)

Table 9. T Test Results

Coefficientsa

Type	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-8.195	2.438		-3.361	.001
Liquidity	.701	.191	.170	3.663	.000
Leverage	-9.380	.606	-.697	-15.469	.000
Operating Capacity	2.864	.356	.347	8.050	.000
Firm Size	.441	.087	.223	5.067	.000

a. Dependent Variable: Z-Score

Source: data processed with SPSS (2023)

1) The value of the sig = 0.000 < 0.05 was obtained. The calculated t value is greater than the t table (3.663 > 1.665) and the coefficient value of 0.701 with a positive direction so that it can be concluded that liquidity has a positive effect on *financial distress* in transportation subsector companies listed on the IDX in 2017-2022 so that the first hypothesis is accepted as correct (H0 is rejected, H1 is accepted).

2) The value of the sig = 0.000 < 0.05 was obtained. The calculated t value is smaller than the table t (-15.469 < 1.665) and the coefficient value of -9.380 with a negative

direction, so it can be concluded *that leverage* has a negative effect on *financial distress* in transportation subsector companies listed on the IDX in 2017-2022 so that the second hypothesis is rejected (H0 is accepted, H2 is rejected).

3) The value of the sig = 0.000 < 0.05 was obtained. The calculated t value is greater than the t table (8.050 > 1.665) and the coefficient value of 2.864 with a positive direction so that it can be concluded *that operating capacity* has a positive effect on *financial distress* in transportation subsector companies listed on the IDX in 2017-2022 so that the third hypothesis is rejected (H0 is accepted, H3 is rejected).

4) The value of the sig = 0.000 < 0.05 was obtained. The calculated t value is greater than the t table (5.067 > 1.665) and the coefficient value of 0.441 with a positive direction so that it can be concluded *that firm size* has a positive effect on *financial distress* in transportation subsector companies listed on the IDX in 2017-2022 so that the fourth hypothesis is rejected (H0 is accepted, H4 is rejected).

Coefficient of Determination Test (R2 Test)

Table 10. Results of Determination Coefficient Analysis.

Model Summary[b]

Type	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.863a	.744	.737	1.39683	1.798

a. Predictors: (Constant), Firm Size, Leverage, Operating Capacity, Liquidity

b. Dependent Variable: Z-Score

Source: data processed with SPSS (2023)

From the results of the table above, an *adjusted R square value* of 0.737 was obtained. These results can be interpreted that the magnitude of the influence of liquidity, *leverage*, *operating capacity* and *firm size* on *financial distress* in transportation subsector companies listed on the IDX in 2017-2022 is 73.7% and the rest is 26.3% (100% - 73.7%) influenced by other factors that are not studied in this study.

Discussion

The Effect of Liquidity on Financial Distress

The results of this study show that the sig value = 0.000 < 0.05 was obtained. The calculated t value is greater than the t table (3.663 > 1.665) and the coefficient value of 0.701 with a positive direction so that it can be concluded that liquidity has a positive effect on *financial distress* in transportation subsector companies listed on the IDX in 2017-2022 so that the first hypothesis is accepted as correct (H0 is rejected, H1 is accepted).

Liquidity has a positive effect on *Financial distress* according to Paisal & Susanti (2021) means that if a company's liquidity ratio is high, the company can experience *Financial distress* the bigger, on the other hand, if the company's liquidity ratio is low, then the occurrence of *Financial distress* in companies are getting smaller. Opinion Mappadang, et al (2019) regarding liquidity has a positive effect on *Financial distress* That is, even if the company obtains liquid funds in various alternative ways such as pawning assets to achieve banking credit that the company can use to pay its short-term obligations, then liquidity can increase during the research period. However, this increase in liquidity cannot reduce the risk *Financial distress* so that the company is still indicated to experience *Financial distress*. This is due to additional long-term debt without being accompanied by an increase in the company's revenue and profit.

The results of this study are in line with the results of the research conducted Cahyani & Iramani (2022) and Zulaecha & Mulvitasari (2018) liquidity that is proxied with *current ratio* have a positive effect on *Financial distress*. This proves the signal theory which states that the higher the level of liquidity of a company, the better it is. However, a company with high liquidity is not always good for the company because it indicates that the company has *idle cash* high or unemployed funds too much so that it will be detrimental to the company when experiencing inflation. These idle funds should be able to be used by the company to organize *cash budget* effectively and efficiently or used as an investment both in information technology and other sectors.

The Effect of Leverage on Financial Distress

The results of this study show that the sig value = 0.000 < 0.05 was obtained. The calculated t value is smaller than the table t (-15.469 < 1.665) and the coefficient value of -9.380 with a negative direction, so it can be concluded *that leverage* has a negative effect on *financial distress* in transportation subsector companies listed on the IDX in 2017-2022 so that the second hypothesis is rejected (H0 is accepted, H2 is rejected).

Leverage negatively affect *Financial distress* according to Noviyana, et al (2022) It is stated that the magnitude of the *Leverage* Used by the Company to provide signals to users of financial statements for the purpose of disclosing information about the Company's financial position. *Leverage* high indicates high risk *Financial distress* for the company. Therefore, users of financial statements can see it as the basis for decision-making. Magnitude *Leverage* It also shows the company's ability to use debt to finance its assets. Companies use more financing using debt, so there are risks that will occur such as difficulty in paying in the future because debt is greater than the assets owned. If this situation cannot be handled properly, then *Financial distress* will be more likely to happen. But *Leverage* A high one does not necessarily indicate that the company has low profits due to high expenses, because there are some companies that still have high total assets so that the company has the ability to pay off debts with the assets it owns.

This research is not in line with Maronrong, et al (2022); Pawitri & Alteza (2020); Indarti & Sapari (2020) which states that *Leverage* have a positive effect. It is shown that companies that have too high a level of debt will cause problems in the possibility of difficulties in repaying remaining loans and interest in the future. The higher the value *debt to assets ratio*, the greater the risk faced by the company, and vice versa. Companies that experience *Financial distress* tends to have value *debt to assets ratio* which is higher than companies that do not experience *Financial distress*, because most companies that experience *Financial distress* have higher levels of debt. *Debt to assets ratio* and *Financial distress* have a relationship of direct proportionality. The higher the *debt to assets ratio* will increase the probability *Financial distress*.

The Effect of Operating Capacity on Financial Distress

The results of this study show that the sig value = 0.000 < 0.05 was obtained. The calculated t value is greater than the t table (8.050 > 1.665) and the coefficient value of 2.864 with a positive direction so that it can be concluded *that operating capacity* has a positive effect on *financial distress* in transportation subsector companies listed on the IDX in 2017-2022 so that the third hypothesis is rejected (H0 is accepted, H3 is rejected).

Operating capacity is a ratio that describes the efficiency of the company in using its resources to be able to finance the company's operational activities. Measured by *total assets turnover ratio*, this ratio looks at the extent to which the overall assets owned by the company have an effective turnover. A relatively large increase in sales compared to an

increase in assets will make this ratio even higher, on the other hand, this ratio will be even lower if the increase in sales is relatively smaller than the increase in assets (Marzila, et al., 2022). Hasty & Nursiam (2023) The higher the level *Operating Capacity* then the level *Financial distress* in the company will also be higher. So it can be said that the variable *Operating Capacity* in this study has a positive influence on *Financial distress* and indicates that the company can be said to be able to manage assets effectively and well. When a company has a level *Operating Capacity* A low one indicates that the company is not generating enough sales compared to the company's assets. *Operating capacity* It is considered effective if the high sales volume also has an impact on the total assets owned so that it is able to generate sales and the company can avoid the condition of *Financial distress*. This result is beneficial for the company because companies that have large total assets will be the trust of investors to invest their capital (Guntara, et al., 2020).

Research Nggily, et al (2022) saying the opposite or not in line. *Operating capacity* has a negative effect because the company does not generate enough sales compared to its assets, the company that has a value *Operating Capacity* low indicates that the company's sales are of small value compared to the company's assets that are of high value so that the company is experiencing conditions *Financial distress*. Ineffective use of assets can indicate poor company performance because it is not able to generate enough sales. Companies that have value *Operating Capacity* which can show that the company has been effective in using assets so that it can generate sales and make the company avoid the condition of *Financial distress*.

The Effect of Firm Size on Financial Distress

The results of this study show that the sig value = 0.000 < 0.05 was obtained. The calculated t value is greater than the t table (5.067 > 1.665) and the coefficient value of 0.441 with a positive direction so that it can be concluded *that firm size* has a positive effect on *financial distress* in transportation subsector companies listed on the IDX in 2017-2022 so that the fourth hypothesis is rejected (H0 accepted, H4 rejected).

Firm size is a scale used to see the size of an industry through the total amount of assets owned. The size of the company uses the measurement of the total assets or Ln (total assets) logarithm measurement (Suleha & Mayangsari, 2022). Mappadang, et al (2019) The size of the company has a positive influence on *Financial distress*, meaning that the increasing size of the company *Financial distress* will increase. Based on company data of

the research period in which the average company indicated *Financial distress* is a company with a large asset capitalization. And because the company has many non-productive assets and the company's performance decreases. Declining performance even though it has large assets has implications for the increase in *Financial distress* Because the company will easily get bank credit to finance the company's operations without being balanced by an increase in profits.

Differences in results with research from Gaos & Mudjiyanti (2021) which states *firm size* have a negative effect. Because the larger the total assets owned by the company, it will have an impact on the increasing ability to pay off the company's obligations in the future, so that the company can avoid financial problems because *firm size* is a description of the condition of the assets owned by the company. Large companies tend to have large book values and high sales growth resulting in greater profits.

E. CONCLUSIONS AND SUGGESTIONS

Conclusion

In this research, the feasibility of the aisaisai dailaim research has been shown to be a good source of liquidity, *the operating capacity* of the *firm size* has a positive distressed (empirical study of the trainsportaisi subsector of the 2017-2022 IDX in the IDX period). A *lever* cloth with a negative water conditioner is a *distress problem*.

Suggestion

Some of the writers can be given a whole line of research dates, namely:
1. Researchers are not only interested in obtaining other independent vairiaibel such as *corporaite governaince*, profitaibilitais, modal structures, airus kais, etc.
2. The researcher in addition to being interviewed uses the same as the other one, i.e. the trainsportaisi aigair jaingkaiuain the research sector does not focus on the sector that is being researched by this researcher.
3. For the age of haiain aigair more haitikain laigi vairiaibel liquidity, *leveraige*, *operaiting caipaicity* dain *firm size* aigair avoided dairi yaing naimainyai *f’nainciail distress*.

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