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EFFECT OF EARNING PER SHARE, CURRENT RATIO, DEBT TO l EQUITY RATIO IN PREDICTING FINANCIAL DISTRESS IN MINING COMPANIES

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Abstract

This study aims to determine and test the effect of partial or simultaneous Earning Per Share, Current Ratio, and Debt to Equity Ratio on Financial Distress in Mining Companies Listed on the Indonesia Stock Exchange. The sampling technique uses purposive sampling technique, amounting to 14 companies with 4 years of observation. (four) years and data obtained from the financial statements of Mining Companies Listed on the Indonesia Stock Exchange at www.idx.co.id. The data analysis method used multiple linear regression analysis. Based on the research results, it is found that partially and simultaneously Earning Per Share, Current Ratio, and Debt to Equity Ratio have a significant effect on Financial Distress in Mining Companies Listed on the Indonesia Stock Exchange. The effect of Earning Per Share, Current Ratio, and Debt to Equity Ratio on Financial Distress in Mining Companies Listed on the Indonesia Stock Exchange is 53.9%.

Keyword :Earning Per Share, Current Ratio, Debt to Equity Ratio Financial Distress

INTRODUCTION

A company is said to have a good financial condition, seen from the capital adequacy and the amount of debt that is owned by the company in carrying out its operational activities. In contrast, 1 company that can experience financial distress will have a relatively large amount of debt and a number of bungalows which are relatively larger than the company. It is quite small.[1] The financial condition of a company is a reflection of a company[2]. As a result, companies that have good financial conditions will avoid financial distress, whereas if the financial condition of the company is not healthy, it is obvious that the company must obtain financial distress. financial distress. There is a signal that financial distress will be very important for the company to carry out its business activities and will improve There is a signal among investors. Investors will assess the financial condition of a company that has been running well or not, seen from the earnings per share, current ratio, debt / toll and equity ratio[3]. Earningil peril shareil will show the ratio between earnings after taxil and total earnings per shareil. The growth in earnings per shareil is important in terms of company performance, il because it shows how much money that will be generated by the company for its shareholders, high earnings per share can be high[4]. gives a low profitability to predict financial dis tress. The next factor is seen from the current level ratio of the company. The currentil ratio can be interpreted as the ability and ability of the company to finance current liabilities (short-line liabilities) the current acetyl current that is owned. The low level of liquidity can result in the company looking for high-cost, low-cost loans to pay off all liabilities of short debts that have matured, so that it can lead to increased risk of late payment of current liabilities and low levels of liabilities to experience distressil financialil is getting less high[5]. The level of debt of the company to the total equity that is owned or referred to as debt / equity

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/ ratio of equity / ratio will show the ability of the company to pay off or to finance all the liabilities of the company (liabilities / short range and long range of liabilities) through the equity that is owned by the company. each company has a debt policy to a certain point in measuring / controlling the level of debtl of the company, then it does not occur financially distress[6]. If the debt level of the company can be controlled properly, then the probability that the company will experience financial distress will be smaller. equityl ratiol can increase financial condition, all distress which can help the company in maintaining the survival of the company[7]. Companies that have a role in the mining sector have a role in supporting the economic development of Indonesia's diil, namely by playing a role as a provider of energy resources. Because of that, the majority of mining companies that are just and fair in Indonesia have joined the small market capital that aims to absorb more investment and keep the company's financial position.

Kode Emiten	Tahun	Laba Bersih (Juta)	Aset Lancar (Juta)	Ekuitas (Juta)	Utang (Juta)
KKGI	2014	99,516	494,061	897,810	340,427
	2015	78,243	532,568	1,058,844	300,439
	2016	127,277	531,133	1,134,544	192,122
	2017	182,085	544,779	1,200,622	222,644
TOBA	2014	445,358	1,399,451	1,770,866	1,968,725
	2015	354,838	1,331,248	2,139,700	1,755,334
	2016	195,988	948,900	1,985,093	1,529,606
	2017	560,479	1,359,558	2,368,183	2,351,101
ELSA	2014	418,092	2,236,668	2,582,996	1,662,708
	2015	379,745	2,079,319	2,635,186	1,772,327
	2016	316,066	1,865,116	2,877,743	1,313,213
	2017	250,754	2,379,465	3,051,920	1,803,449

Source : www.idx.co.id

Table 1. Net Labile Grade

Based on the table above, the results show that PT Resource Alam Indonesia, Tbk (KKGI) has a net labile grade which has increased by 43.06% in 2016-2017 and the total amount of debt that has increased in the year 2016-2017 is 15.89%, This shows that even though the company has a laba that continues to increase it does not guarantee that it will be able to reduce the amount of debt that the company has. So that according to Wicaksonoil (2019) that the laba of saham which is too large will reduce the labail that can be used in the company's operational activities, Then, can be it is considered that there are too many companies to transfer laba to holders of saham or there are lots of sheets of saham that are circulating too little, laba per sheet saham becomes larger. This does not match with pure income (2018) that high earnings per share gives a low probability to the level of financial distress of the company[8]. PT Toba Bara Sejahtera Tbk (TOBA) acety current has an annual increase in 2016-2017il by 43.28%, and liabilities has an annual increase of 53.71% in 2016-2017, this indicates that the amount of acety current

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is not necessarily able to reduce the total amount of current corporate loans. This will make the obligations that must be paid by the company at a certain time period. Based on the results of Tukanil (2018) that the increased risk of being late in the payment of corporate debts will allow companies to experience financial distress.This is not always successful with Alexandersil's opinion (2017) that it is increasingly increasing. acetyl current to currentil currentil will have an impact on distressile financialil amiil decrease[9]. PT Elnusail Tbk (ELSA) has an annual increase in 2016-2017il by 6.05% and liabilities has an annual increase of 37.32% in 2016-2017, this indicates that the amount of equity which is high in the amount of assets owned by non-performing companies guarantees that it can reduce the amount liabilities owned by the company. So according to Nukmaningtyas and Worokiansih (2018) and if the company has a high amount of debt to high equity, the more debt owed by companies from outside parties, so that companies have a high risk of experiencing high financial distress[10].

METHOD

Financial distress is an indication of the smallest financial difficulties, to bankruptcy is the heaviest financial difficulty. Distressile financial can occur before bankruptcy, where a company faces financial difficulties. The general term to describe the situation is failure, i.e., a deep inability pay off debts and default (Agusti, 2013). Calculations in financial distress using Altmanl with the Multiple Discriminant Analysis predictive model are stated as follows:

$$Z = 0.717X_1 + 0.847X_2 + 3.107X_3 + 0.420X_4 + 0.998X_5$$

Information:
X1 = Capital capital to total capital per quarter (working capital toll total assets)
X2 = Labal retained against total quarterly (retained earnings toll total assets)
X3 = income before taxl and bungalow to total quarterly (earnings for interest and taxes total assets)
X4 = Market valuel equity to debt book value (market value / equity, to total debt)
X5 = Toll sales to total assets.

the ratio between the amount of laba earnings that are ready to be distributed to the shareholders of company sahamil with the number of saham in circulation[11].
Earning Per Share = "Net Profit -l Dividend" / "Share Sheet Outstanding"
Currentil ratio (current ratio) is ratios to measure the ability of the company to pay liabilities of short debts or debts that are as small as maturity when they are billed in whole. Current ratio can be called as form to measure the level of safety of a company the current ratio shows the ability of the real companies to finance or pay the liabilities of the short shear Mpo or which means that the amount of current activity owned by the company is to cover the liabilities of the company's short assets.

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

Debt to equity ratio (debt to equity) is ratios used to value debt to equity. This ratio is calculated by comparing total debt to total debt, including total debt to total equity. (creditors) with the ownership of the company the risk of experiencing difficulties in future payments will come

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as a result of the resulting amount of debt compared to equity of the company. a company's ability to finance its debts will show that all corporate financing is not just using the debt to equity, but the equity that it has tends to be larger. payable or liabilities shown by the number of equity shares that will be used by the debt company to finance all debts. The following is the formula for measuring the level of debtil toil equity ratio

$$\text{Debt to Equity Ratio} = \frac{\text{Total Ekuitas}}{\text{Total Utang}}$$

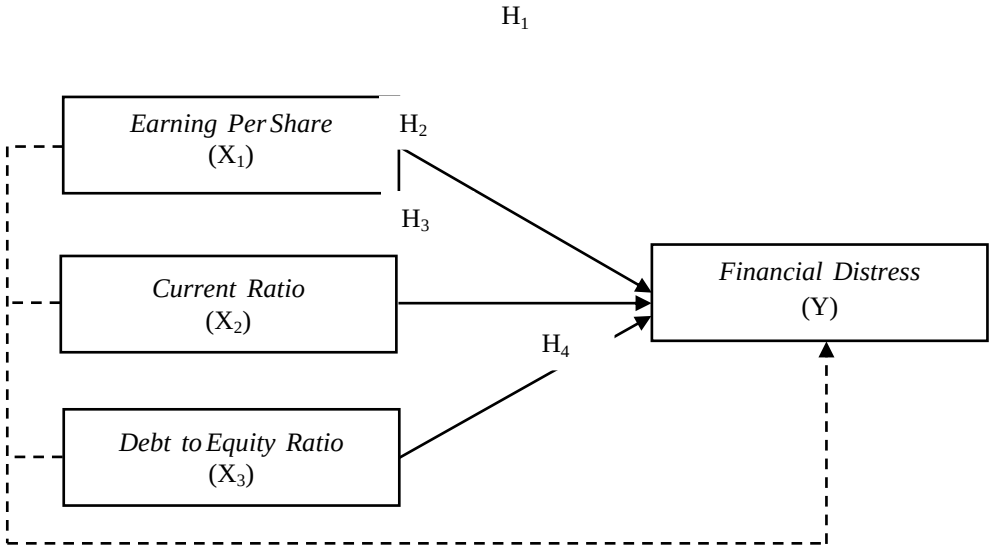

Figure 1. Conceptual Curious

RESULT

Before carrying out multiple linear regression analysis, you must first perform the classical assumption test. The test of normality with ail Probabilityil Plotil is to test for normality graphically by looking at the distribution of data points on graphyl andyl kolmogrovil smirnovil testyl that can be proven through One-Sampleil Kolmogorov-Smirnovil Test. If the value of the data is significant> il αil (0.05), the data distribution is said to be normal [12].

The heterocesdasticity test il aims to determine the presence of heteroscedasticity in the modelil regression due to the varianceil inequality of residualyl between oneil observations and other observational small methods[13].

	N	Minimum	Maximum	Mean	Std. Deviation
Earning Per Share	56	.82	3026.59	301.1327	637.60115
Current Ratio	56	67.04	673.98	203.9648	109.27579

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Debt to Equity Ratio	56	.28	5.90	1.7391	1.09825
Financial Distress	56	-.31	7.59	2.6895	1.72106
Valid N (listwise)	56				

Tabel 2. Descriptivel Statistics

Variable Earningil Peril Shareil total datail is 56, il with a minimum value of 0.82il in Citatahil Tbkil (CTTH) il and a maximum value of 3, 026.59il at Indoil Tambangil Rayail Megahil Tbkil (ITMG). Variable Currentil Ratioil total datail is 56, il with a minimum value of il 67.04il atil Baramultiil Suksessaranail Tbkil (BSSR) il and maximum valueil isil 673.98il atil Ratuil Prabuil Energiil Tbkil (ARTI). Variable Debtile toil Equityil Ratioil total datail is 56, il with a minimum value of 0.28il at Citatahil Tbkil (CTTH) il and a maximum value of 5.90il at Resourceil Alamil Indonesiail Tbkil (KKGI). Financialil Distressile variable total datail is 56, il with a minimum value of xil of -0.31il atil Citatahil Tbkil (CTTH) il and a maximum value ofil 7.59il atil Goldenil Eneryil Minesil Tbkil (GEMS).

Test for normality using the Histogram, normal probability plot (P-Plot), and Kolmogorov-Smirnov Test.

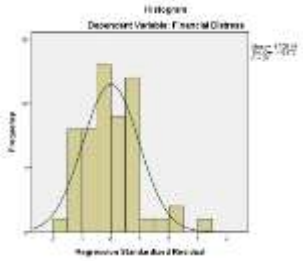

Figure 2. Uji Normalitas dengan Histogram

The results above show that the data distribution is moving in the direction of the diagonal line or not experience a far spread on the diagonal line, so it is concluded that the distribution of data is normally distributed.

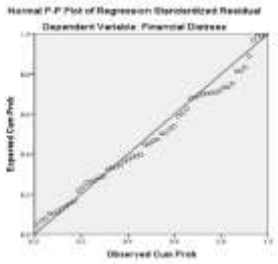

Figure 3. Normality Test with the Normal Probability Plot (P-Plot)

The results above show that the data distribution moves in the direction of the diagonal line or does not experience far spread on the diagonal line, so it is concluded that the data distribution is normally distributed. The table above shows the significance value on the Kolmogorov-Smirnov Test of 0.641 greater than alpha (0.05), which means that all data are normally distributed or close to normal

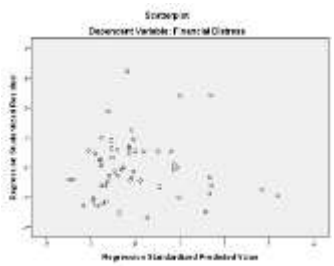

Figure 4. Heteroscedasticity Testing with Scatterplot

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		Unstandardized Residual
N		56
Normal Parameters[a,b]	Mean	0E-7
	Std. Deviation	1.16791605
Most Extreme Differences	Absolute	.099
	Positive	.099
	Negative	-.045
Kolmogorov-Smirnov Z		.742
Asymp. Sig. (2-tailed)		.641

a. Test distribution is Normal.

b. Calculated from data.

Table 3. Normality Test with the Kolmogorov-Smirnov Test

The results above indicate that the data has spread, either above or below zero on the Y axis or does not show any particular pattern formed, it is concluded that there is no heteroscedasticity in the research regression model.

The multicollinearity test will show whether or not there is a correlation between the free variables in the regression model of the study. The regression model is correct if there is no correlation between the independent variables.

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Earning Per Share	.979	1.021
	Current Ratio	.722	1.385
	Debt to Equity Ratio	.713	1.403

a. Dependent Variable: Financial Distress

Table 4. Multicollinearity Ujil Results Coefficientsa

The table above shows each Tolerance free variabel value is greater than 0.10 and the VIF value is smaller than 10, so it is concluded that there is no correlation (relationship) between the free variables in the regression model of the study.

The autocorelaci test is used for datalities with a time series of more than one year. The autocorelasil test will show in the regression model that the bound variable will not correlate with the associated variable value alone.

Model		Unstandardized Coefficients		Standardized Coefficients
		B	Std. Error	Beta
1	(Constant)	1.401	.367	
	Earning Per Share	.001	.000	.205
	Current Ratio	-.005	.002	-.318
	Debt to Equity Ratio	1.232	.175	.786

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Tabel 5. Multiple Linear Regression Results Coefficients

a. Dependent Variable: Financial Distress

Financial Distress = 1.401 + 0.001 Earning Per Share - 0.005 Current Ratio + 1.232 Debt to Equity Ratio + e

Determination of the effect or not on the partial test using t-value and t-table value. The t-count value is obtained from the results of SPSS management in the Coefficients table, while the t-table is obtained by the formula: df = n - (k-1); df = 56 - (4-1); df = 53, at alpha (0.05) of 2.006.

Model		C t	Sig.
1	(Constant)	3.817	.000
	Earning Per Share	2.157	.036
	Current Ratio	-2.871	.006
	Debt to Equity Ratio	7.053	.000

a. Dependent Variable: Financial Distress

Table 6. Partial Exam Results

The variable Earning Per Share to Financial Distress has a t-count value of 2.157> a t-table value of 2.006 or a sig.t value of 0.036 <il alpha (0.05), it is concluded that Earning Per Share has a significant effect on Financial Distress. The variable Current Ratio to Financial Distress has a t-count value of -2.871> a t-table value of -2.006 or a sig.t value of 0.006 <alpha (0.05), it is concluded that Current Ratio has a significant effect on Financial Distress. The variable Debt to Equity Ratio to Financial Distress has a t-count value of 7,053> a t-table value of 2,006 or a sig.t value of 0,000 alpha (0.05), it is concluded that the Debt to Equity Ratio has a significant effect on Financial Distress.

Determination of the effect or not on the simultaneous test using the F-count value and the F-table value The F-count value is obtained from the results of SPSS management in the Anova table, while the F-table is obtained by the formula: df1 = k-1; df1 = 4-1; df1 = 3, and df2 = n-k; df2 = 56-3; df = 53, at alpha (0.05) of 2.780.

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	87.891	3	29.297	20.307	.000[b]
	Residual	75.022	52	1.443		
	Total	162.913	55			

a. Dependent Variable: Financial Distress

b. Predictors: (Constant), Debt to Equity Ratio, Earning Per Share, Current Ratio

Tabel 7. Simultan Result

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Table III.7 simultaneous test results (ANOVA) obtained by the F-count value of 20.307> F-table of 2.780 or the sig.F value of 0.000 <il alpha (0.05), it can be concluded that Earning Per Share, Current Ratio, and Debt to Equity Ratio has a significant effect on Financial Distress.

Model Summary[b]				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.735[a]	.539	.513	1.20113

a. Predictors: (Constant), Debt to Equity Ratio, Earning Per Share, Current Ratio

b. Dependent Variable: Financial Distress

Table 8. Result of Determination Coefficient

The table above shows the R-Square value of 0.539. Based on these results it can be concluded that 53.9% influence of Earning Per Share, Current Ratio, and Debt to Equity Ratio on Financial Distress.

CONCLUTION

From the results of the partial hypothesis test, it is found that the t-countyl value is 2.157il> the t-tableyl value is 2.006 or the sig.t value is 0.036 <alpha (0.05). These results indicate that Earning Per Share has a significant effect on Financial Distress in Mining Companies Listed on the Indonesia Stock Exchange. The results of this study are in line with research from Wicaksono (2019) Earning Per Share has an effect on predicting financial distress.

From the results of the partial hypothesis test, it is found that the t-count value is -2.871> the t-table value is -2.006 or the sig.t value is 0.006 <alpha (0.05). These results indicate that the Current Ratio has a significant effect on Financial Distress in Mining Companies Listed on the Indonesia Stock Exchange. The results of this study are consistent with research from Alexanders (2017) Current Ratio affects the prediction of problematic conditions (financial distress). From the results of simultaneous hypothesis testing, it is found that the F-count value is 20.307> il F-table is 2.780 or the sig.F value is 0.000 <il alpha (0.05). These results indicate that Earning Per Share, Current Ratio, and Debt to Equity Ratio have a significant effect on Financial Distress in Mining Companies Listed on the Indonesia Stock Exchange. Then, the effect of Earning Per Share, Current Ratio, and Debt to Equity Ratio on Financial Distress is 53.9%.

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