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The Effect of Financial Ratio to Financial Distress Mediated by Profitability Ratio in PT Angkasa Pura II (Persero)

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Abstract

This study aims to analyse the effect of ratios of liquidity, solvency and activity on financial distress through ROE, ROA and ROI of PT Angkasa Pura II (Persero) as mediating variable. The decrease in the number of aircraft passengers due to restrictions on human movement due to Covid-19 pandemic affects airport revenues as indicated by deteriorating financial ratios and is thought to lead to financial distress. This study tries to detect the symptoms of financial distress in the state-owned enterprise engaged in airport services by looking at the direct and indirect effects of its financial ratios' performance. By using secondary data from financial statements, this study tried to build a structural equation model to know the direct and indirect effect. The results of hypothesis testing indicated that the ratio of liquidity, solvency and activity had negative effects on the company's ROE, ROA and ROI during the period 2001-2020, but only the activity ratio that had a significant effect. Meanwhile, the three ratios of liquidity, solvency and activity had direct negative but not significant on financial distress. Next, ROE, ROA, and ROI had a direct positive but not significant effect on the company's financial distress during that period. The study concludes that there was no relationship between the three ratios to financial distress mediated by ROE, ROA and ROI of the company.

Key words : Liquidity Ratio, Solvency Ratio, Activity Ratio, Profitability Ratio, Financial Distress

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INTRODUCTION

The Covid-19 pandemic has affected the flight market in a quiet manner due to restrictions on people movement and travel bans. Indonesia's economy in 2020 experienced negative growth (-2.07%) compared to the previous year's growth of +5.02%. This decline in economic activity is also shown by other macroeconomic indicators such as inflation which in 2020 was at 1.68% (while in 2019 it was in the range of 2.72%) (PT Angkasa Pura II, 2020). The transportation sector had strong linkages with other sectors (Handayani et al. 2020), while the aviation industry is the second hardest hit industry after the energy equipment and services industry (Margret, 2020). All countries are trying to control this pandemic, one way is by monitoring the transportation activities themselves are also very vulnerable to the transmission of the Covid-19 outbreak (Borkowski, Jażdżewska-Gutta, & Szmelter-Jarosz 2021).

Many companies engaged in the transportation sector were experiencing financial difficulties and are looking for ways to stay afloat by implementing various strategies to reduce their fixed costs and operating costs (Gu & Johnson 2020). Jobs that support the aviation industry sector were also affected by this pandemic such as flight crews who are direct employees of airlines, airport operators, airlines, air navigation service providers and also several direct workers which include fuel suppliers, construction companies, suppliers for airlines and the tourism sector (Serrano & Kazda 2020).

Passenger movement (passenger traffic) fell drastically by 60.48% since the first quarter of 2020 compared to the previous year and has not fully recovered since then. Aircraft movement (in units of route) also experienced a negative growth of 44.18%, while cargo movement recorded a decrease of 6.18% (PT Angkasa Pura II, 2020). The existence of regulations regarding restrictions on human movement resulted in a sharp decline in airport revenues. This is because there is a fairly high dependence between airlines and airports, so the decrease in the number of passengers has an impact on airline revenues and also indirectly affects airport revenues. Almost all airlines are not fully operational and tend to park their planes. The difficult times faced by the aviation industry are also very challenging periods for airports managers to dealt with. If not immediately followed up properly, the airport will experience a severe liquidity crisis. Apart from that, the airport still has business operations that must be maintained so that airport services can continue to run, in addition to the high-cost capital and debt payments. All of this can lead to considerable liquidity problems (Margret, 2020).

In order to survive or even enjoy growth, each airport manager must pay close attention to their respective financial conditions and performance. The management of the company can be done well or badly, effective or ineffective, where it all depends on what decision makers do when managing the airport and also based on the characteristics or quality values of the management. (Al-ahdal et al., 2020). Every decision taken will have an impact both directly and indirectly on stakeholders such as customers (passengers, airlines, airport tenants, expeditionary companies), employees, society and the environment. (PT Angkasa Pura II, 2020). One of difficult decisions that must be taken by the Airport Manager, among others, is to close part of the airport infrastructure and re-evaluate capital expenditures to reduce costs to a minimum. (Serrano & Kazda, 2020). Airports must find effective efforts to survive and sort out all airport activities, especially non-flight activities in order to remain competitive and profitable. (Volkova, 2009). If this is not done

immediately, the company may enter a situation of financial distress due to the drastic decline in aeronautical revenues caused by a decrease in the number of passengers. (Margret, 2020). Many studies have stated that liquidity difficulties, relatively larger amounts of debt, and declining profits are one of the early signs of financial difficulties. (Michalkova, Adamko, & Kovacova, 2018); Restianti & Agustina, 2018; Dwijayanti, 2010).

This study aims to analyse the effect of liquidity, solvency and activity ratios on financial distress through the profitability ratios with the title "The Effect of Financial Ratios to Financial Distress Mediated by Profitability Ratio in PT Angkasa Pura II (Persero)".

Many people think of financial statements only as accounting records, but actually it is more than that, because it provides a lot of useful information for managers, investors, creditors, suppliers, and also regulators, where the information in the financial statements underscores the strengths and weaknesses of a company that can be used to improve company performance in predicting the future (Brigham & Houston, 2019). Financial statements are written records that describe the company's business activities and financial performance (PWC, 2020) and is also a means of communicating financial information to external parties (Siregar, 2019).

To overcome the situation caused by the current crisis, all parties involved in the aviation industry were trying to find rescue packages and expect government policies. However, to find out what and how the company's performance is, it is necessary to analyse financial statements. As a source of data in decision making, financial statements can be used to analyse or identify major changes in trends, amounts and relationships, as well as the reasons that accompany them. These changes are early warning signs of a shift towards company success or failure.

Financial ratios are generally used in assessing the company's financial performance. In other words, ratios help evaluate what is in the financial statements (Brigham & Houston 2019) or items between the balance sheet dan income statement. Financial ratio analysis is an analytical method that is often used because it is the fastest method to determine the financial performance of a company. (Efriyanti, Anggraini, & Fiscal, 2012). Financial ratios provide a convenient and useful way of expressing relationships between numbers (Asyik & Soelistyo 2000) or in other words financial ratio analysis is a quantitative method to gain insight into a company's liquidity, operational efficiency, and profitability by studying financial statements such as balance sheets and income statements.

Financial ratios such as ROE and ROA are used by researchers to measure the company's financial performance (Shaw, Gupta, & Delery, 2001) (Asyik & Soelistyo, 2000) also known as profitability ratio, which is a ratio that shows the ability of the company to generate profit. Other ratios that are often used are Gross Profit Margin, Net Profit Margin, and ROI (Brigham & Houston 2019) (Dwijayanti, 2010).

Liquidity Ratio, which is a ratio that reflects the company's ability to meet its obligations in the short term. Liquidity here means the company has funds that can be directly paid for bills that are due and also for unexpected need s and must be paid on the spot, usually indicated by the cash ratio, current ratio, quick ratio, and net working capital. Solvency ratio (Leverage ratio), which is a ratio that reflects the company's abililty to meet long-term obligations. This ratio is indicated by the Debt to Asset Ratio, Debt to Equaity Ratio, Long Term Debt to Equity Ratio, Long Term

Debt to Capitalization ratio, Time Interest Earned, Cash Flow Interest Coverage, Cash Flow to Net Income, dan Cash Return on Sales. Activity ratio or Asset Management ratio shows the company's ability to utilize its resources. This activity ratio is indicated by Total asset turnover, Fixed asset turnover, inventory turnover, Average collection period and Day's sales in inventory.

Some studies show a positive and significant relationship between profits and liquidity, while others show a weak positive relationship as research conducted by Onyekwelu, Chukwani, & Onyeka (2018). Research conducted by Waswa, Mukras, & Oima (2018) found that the liquidity current liability coverage ratio has a negative influence on the company's financial performance, due to the company's management using low or negative cash flow so that it affects the indicators that measure the company's financial performance. Financial performance is an analysis carried out to see the extent to which the company has achieved financial performance with good and correct financial implementation rules, which according to Akenga (2017) refers to the proses of measuring the results of the company's policies and operations in monetary terms, as a measure of the company's overall financial health over a certain period of time. Each institution has different indicators in measuring its financial performance. In general, the company's financial performance measures are Return on Assets and Return on Equity, Such as Widyastuti (2019) who stated that in her research that financial performance is the ability of a company to earn profits in relation to sales, total assets and own capital. Howver, there are also many companies that measure their financial performance only by ROE, ROA and ROI.

Financial distress is a sign of financial difficulties, one of which is associated with a decrease in cash flow below the expected level. Signs of financial distress can be read by stakeholders can result in shareholder concerns, higher debt interest rates as the company becomes riskier, customer rejection, and the worst consequence is bankruptcy (Brigham & Houston 2019). According to Michalkova, Adamko, & Kovacova (2018), financial distress is used in a negative connotation to describe the financial health of a company that is faced with a temporary lack of liquidity and difficulties resulting in failure to meet financial obligations within their payment terms and to meet their financial obligations, even when in this case, there may be many predictive models that have been developed at a certain time and in certain economic conditions. Restianti & Agustina (2018) had analysed the effect of financial ratios on financial distress for 40 companies whose shares have been listed on the Indonesian Stock Exchange for the period 2013-2015. The results of their study found that EBIT/ Total Assets and ROE had an effect on financial distress, while the current ratio and TATO had no effect, so the conclusion of their study was that companies experiencing financial distress shous reduce financing from debt.

The hypotheses prepared to answer the research questions are a s follows:

H1: Liquidity Ratio has a direct effect on the company's Profitability Ratio

A satisfactory liquidity ratio is necessary if the company wants to continue operating. The company's ability to pay obligations and the company's liquidity position from time to time is very important as a forward planning tool, especially those related to cash and debt planning. Based on this, the liquidity ratio affects the profitability ratio, which means that the higher the liquidity ratio, the higher the company's ability, in this case the company's

financial performance to meet its short-term obligations and generate profits.

H2: Solvency Ratio has a direct effect on the company's Profitability Ratio

Solvency Ratio or Debt Management shows how risky the company's ability to pay all its debts, both short term and long term. Solvency as measured by the comparison between total assets and total debt; or between shareholder capital and short-term or long-term liabilities; or operating income before interest and taxes to be paid to bondholders or creditors compared to shareholders have a positive effect on the company's financial performance. Therefore, the higher the solvency ratio, the better the company's profitability ratio.

H3: Activity Ratio has a direct effect on the company's Profitability Ratio

Activity Ratio or Asset Management Ratio, shows the company's ability to utilize its resources. The better the activity ratio, the more it describes the ability of the company to earn high profits. Based on this, it can be hypothesized that the activity ratio has a direct effect on the company's profitability ratio.

H4: Profitability Ratios have a direct negative effect on Financial Distress

The profitability ratio combines of assets and debt management and shows their effect on ROE, also assessing the company's ability to seek profits or the level of profit earned by the company in one period or the development of profits from time to time. In other words, this ratio measures the effectiveness of the overall management which is indicated by the size of the level of profit obtained in relation to sales and investments. The better the profitability ratio, the more it described the company's ability to earn high profits and not experience financial distress. Based on this, a hypothesis can be formulated that the profitability ratio has a direct negative effect on financial distress.

H5: Liquidity Ratio has a direct negative effect on Financial Distress

Liquidity Ratio can provide an overview of the good and bad liquidity of a company. Based on this, a hypothesis can be formulated that the Liquidity ratio has a direct negative effect on Financial Distress.

H6: Solvency Ratio has a direct positive effect on Financial Distress

Solvency ratios can provide an overview of the good or bad debt management of a company. Based on this, a hypothesis can be formulated that the solvency ratio has a direct positive influence on Financial Distress.

H7: Activity Ratio has a direct negative effect on Financial Distress

Activity Ratio can also provide an overview of the good or bad use of a company's assets to generate profits. Based on this, a hypothesis can be formulated that the activity ratio has a direct negative effect on Financial Distress.

H8: Liquidity Ratio has an indirect negative effect on Financial Distress through the Company's Profitability Ratio.

Liquidity Ratio can provide an overview of the good and bad liquidity of a company. Based on this, the hypothesis can be formulated that the liquidity ratio has an indirect negative influence on Financial Distress through the Company's Profitability Ratio.

H9: Solvency Ratio has an indirect negative effect on Financial Distress through the Company's Profitability Ratio

Solvency Ratio can provide an overview of the good and bad debt management of a company. Based on this, the hypothesis can be formulated that the solvency ratio has an indirect negative influence on financial distress through the Company's Profitability Ratio.

H10: Activity Ratio has an indirect negative effect on Financial Distress through the Company's Profitability Ratio

Activity Ratio can also provide an overview of the good or bad use of a company's assets to generate profits. Based on this, it can be formulated that the activity ratio has an indirect negative influence on Financial Distress through the Company's Profitability Ratio.

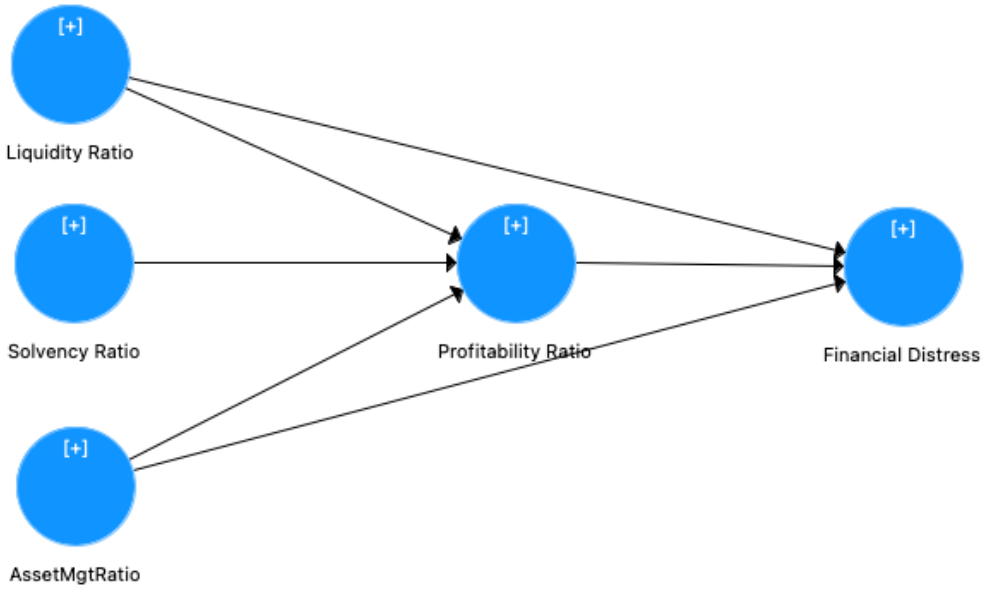

Figure 1. Conceptual Model

METHOD

This research study used a quantitative approach, where the data obtained is secondary data in the form of a combined number of data between time series data and cross section data which is generally referred to as panel data. The advantages of panel data in short can be aid to have dimensions of space and time (Gujarati, Damodar N. and Porter 2013), this allows for a large number of observations. In addition, the advantages possessed by panel data include (Gujarati, Damodar N. and Porter 2013) (Bawono and Shina 2018): 1) the ability to factor in the heterogeneity of individual data explicitly by allowing for individual specific variables; 2) can be used to study complex behavioural models; 3) more informative, varied, so that the degree of freedom is higher; 4) can minimize the bias generated by the use of tie series data or only cross section data.

The data source comes from financial reports with samples in the form of liquidity ratios, solvency ratios, asset management or activity ratios, profitability ratios and the change of *Earning Per Share* (EPS) as one of the symptoms of Financial Distress, from 2001 to 2020, where the financial statements used have been audited and published.

The variable used in this study include Liquidity Ratio (X1), Activity Ratio or Asset Management (X2), Solvency Ratio (X3) as independent variables (exogenous variables); Profitability Ratios (Z) as a mediating variable and endogenous; and Financial Distress (Y) as the dependent which is endogenous. The first independent variable is the liquidity ratio which is the value of cash ratio and current ratio. The second independent variableis the solvency ratio as indicated by the debt ratio and debt to equity ratio. The third independent variable is the activity ratio which is the value of TATO, ITO and collectability period.

The dependent variablein this study is Financial Distress. Several studies, such as Dwijayanti (2010) (Restianti & Agustina 2018) (Michalkova et al., 2018) use different indicators to indicate the presence of financial distress. In this study, the difference between the value of *Earning Per Share* (EPS) this year and the previous year is used as a proxy of early detection of financial difficulties. Thus, overall research variables are: Liquidity Ratio (X1); Solvency Ratio (X2); Activity Ratio (X3); Profitability Ratio (Z) and Financial Distress (Y).

The data analysis method was carried out using path analysis of the structural equation model with Smart PLS software version 3.3.3 by testing the measurement model (outer model) and structural model (inner model). The reason for using the path analysis of the structural equation model is because this study wants to examine the effect of financial ratios, namely the liquidity ratio, solvency ratio, and activity ratio on financial distress through the profitability ratio as mediating variable for PT Angkasa Pura II (Persero) over a period of time 2001-2020. Thus, the dependent variable examined in this study is Financial Distress (Y) which will be explained by the independent variables, which are Liquidity Ratio (X1), Solvency Ratio (X2) and Activity Ratio (X3) through the mediation of Profitability Ratios, namely ROE, ROA and ROI (Z). Another reason is that the use of Smart-PLS software has several advantages, including: First, it can process data simultaneously to test both direct and indirect effects. Second, it can perform computations with several varaibles with any indicators. Third, it makes calculations easier because it can automatically sort out which data are normally distributed, so there is no need for a normality test. Fourth, it can perform data processing with a relatively smaller number of samples and so on.

RESULTS AND DISCUSSION

The Table 1 describes the research demographic statistics of each indicator. There is no missing data on the eleven indicators used. Mean, Median, lowest and highest scores, standard deviation, excess kurtosis and skewness of the data can be seen clearly from the data used.

The first test of model measurement is to look at the loading factor of each indicator, which is a value generated by each indicator to measure its construct (variable). The standard used in this study is the loading factor value greater than 0.7; From the first test, the indicators of Inventory Turnover (ITO), Total Asset Turnover (TATO), Earning Per Share (EPS) have loading factor results that are smaller than 0.6; so that they were removed from the model, so that the indicator measurements for the variables are valid. After eliminating several indicators whose loading factor values are small, the results of the new loading factor calculations are shown in the figure 3.

Table 1. Statictic Demographic

Indicators	No	Missing	Mean	Median	Min	Max	Std. Dev	Excess Kuortosis	Skewnes
CASH	1	0	26,629.35	30,100	2,487	56,500	17,101.018	-1.319	0.090
CD	2	0	40,016.75	47,100	7,892	76,441	21,837.076	-1.398	-0.119
DA	3	0	1,547.60	809	114	5,203	1,532.116	0.181	1.162
DER	4	0	2,523.65	990	549	10,845	2,822.189	2.702	1.817
COL	5	0	4,840.40	4,500	2,900	13,300	2,159.614	11.967	3.106
ITO	6	0	215.00	200	100	500	123.592	-0.528	0.722
TATO	7	0	3,310.00	3,600	1,100	4,900	981.784	-0.164	-0.621
ROI	8	0	1,683.80	1,739	150	2,605	486.545	4.044	-1.271
ROA	9	0	1,217.75	1,180	-1,488	2,285	784.182	6.211	-1.917
ROE	10	0	990.00	900	-562	2,300	602.613	1.412	-0.251
FD	11	0	-23,879.30	4,651	-461,821	198,280	165,686.303	1.191	-1.105

Source: SmartPLS Output, 2021

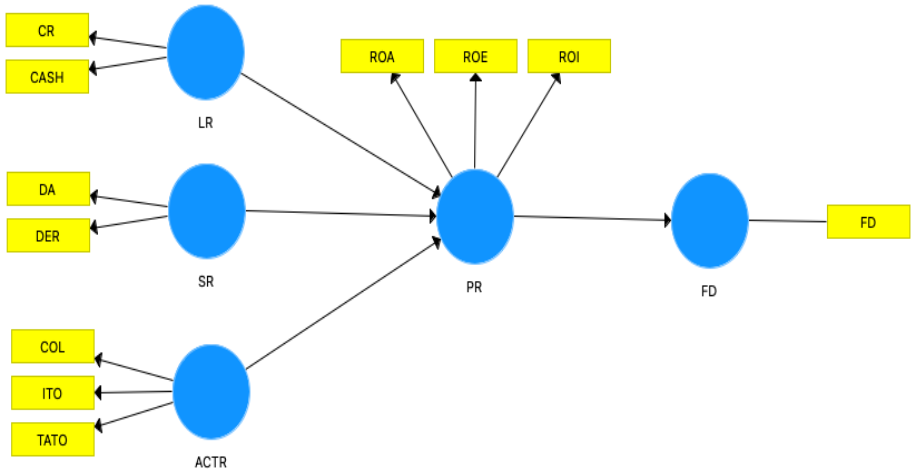

Figure 2. Initial Model

Table 2. Outer Loadings

Matriks					
	COL	Financial Distress	FP	LR	SR
COL	1.000				
CR				0.899	
DA					0.992
DER					0.994
FD		1.000			
ROA			0.813		
ROE			0.852		
ROI			0.971		
CASH				0.942	

Source: SmartPLS 3.3.3 Output, 2021

After testing the loading factor, the next step is to see the value of cross loading and average variance extracted (AVE). AVE is the value owned by each variable, with a standard value above 0.5. If the AVE value is below that, it is said that the variable has an invalid indicator value. However, although the calculated AVE value shows a fairly good result (> 0.5), it should be remembered that data the data used in this study is secondary data originating from the financial statements, so this step does not actually need to be done.

Table 3. Construct Reliability and Validity

Matrix				
	Cronbach's Alpha	Rho_A	Composite Realibility	Average Variance Extracted (AVE)
COL	1.000	1.000	1.000	1.000
Financial Distress	1.000	1.000	1.000	1.000
FP	0.853	0.859	0.912	0.777
LR	0.823	0.864	0.917	0.847
SR	0.985	1.000	0.993	0.985

Source: SmartPLS 3.3.3 Output, 2021

The next stage that needs to be observed is the discriminant validity value, which is indicated by the Fornel-Larcker Criterion, Cross Loading and HTMT values. The Fornel-Larcker Criterion value is the correlation value between the variable and the variable itself and variables with other variables. How to assess the results of the Fornel-Larcker Criterion is that the correlation value of the variable with the variable itself must be greater than the correlation of that variable with other variables.

Table 4. Discriminant Validity: Fornell-Larcker Criterion Value

	ACTR	FD	LR	PR	SR
ACTR	1.000				
FD	-0.223	1.000			
LR	-0.262	0.189	0.920		
PR	-0.826	0.177	0.500	0.881	
SR	0.523	-0.341	-0797	-0.746	0.993

Source: SmartPLS 3.3.3 Output, 2021

For the next stage that is seen is the value of Cross Loading, which has the same concept as Fornel Larcker. Cross Loading is the correlation value between variable indicators and their variables. The way to assess the results of cross loading is that the indicator value that measures the value of the variable must be greater than the value of other indicators on that variable.

At this stage (Figure 3), an analysis is carried out to test the exogenous and endogenous variables. Testing of the structural model or inner model is carried out to see the relationship between the constructs, the significance value and the R-Square of the research model. The structural odel is evaluated by looking at the R-Square value for the dependent construct, t-test, and the significance of the structural path parameter coefficients.

Table 5. Discriminant Validity: Cross Loading Value

	COL	Financial Distress	FP	LR	SR
COL	1.000	-0.223	-0.826	-0.262	0.523
CR	-0.200	0.271	0.394	0.889	-0.816
DA	0.456	-0.340	-0.684	-0.839	0.992
DER	0.574	-0.337	-0.790	-0.750	0.994
FD	-0.223	1.000	0.177	0.189	-0.341
ROA	-0.856	0.035	0.813	0.051	-0.419
ROE	-0.586	0.346	0.852	0.719	-0.789
ROI	-0.752	0.082	0.971	0.523	-0.745
CASH	-0.273	0.101	0.514	0.942	-0.674

Source: SmartPLS 3.3.3 Output, 2021

Thus, it can be said that all indicators used are able to measure the variable used in the model.

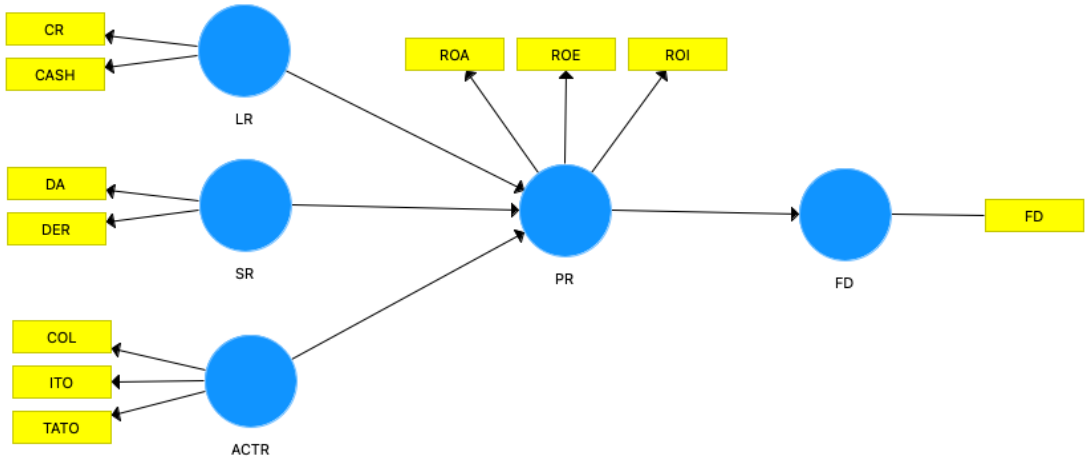

Figure 3. Final Model

The value of R^2 is a value that shows how much the independent variable (exogenous) affects the independent variable (endogenous). Based on the data processing carried out, R2 value is obtained as follows:

Table 6. R Square

	R Square	R Square Adjusted
FD	0.031	-0.023
PR	0.819	0.785

Source: SmartPLS 3.3.3 Output, 2021

Table 6 shows the R2 value for the Financial Distress (Y) variable is 0.031 or 3.1%, which can be concluded that Financial Distress is influenced by the Liquidity Ratio (X1), Solvency Ratio (X2), Activity Ratio (X3) and Profitability Ratio (Z) is 3.1% and the remaining 96.9% is explained or influenced by other variables.

Meanwhile, the value of R Square for Profitability Ratio (ROE, ROA, and ROI) can be explained by the variation of the Liquidity Ratio (X1), Solvency Ratio (X2), and Activity Ratio (X3) of 0.819 or 81.9% and 18.1% is explained by other variables outside the model.

Path Coefficient is a value that shows the direction of the variable relationship. The path coefficient is in the range 0 – 1. When the path coefficient value is in that range, the relationship is positive. If the value is below that range, which is between -1 to 0, then the relationship is negative.

Table 7. Path Coefficient (Direct Effect)

	Original Sample	Sample Mean (M)	Std. Dev	T-stat	P Values
ACTR -> PR	-0.599	-0.506	0.222	2.701	0.007
LR -> PR	-0.004	0.064	0.302	0.013	0.989
PR -> FD	0.177	0.197	0.327	0.540	0.589
SR -> PR	-0.436	-0.439	0.261	1.673	0.095

Source: SmartPLS 3.3.3 Output, 2021

Based on Table 7 regarding path coefficients and direct effects, the research hypotheses and statistical can be answered, as follows:

H1: Liquidity Ratio (X1 or LR) has a direct effect on the company's profitability ratio (Z or PR).

From the results of Bootstrapping, it can be seen that the Liquidity Ratio has a negative direct effect of -0.004, but the results of the statistical t test show the number 0.013 which is < 1.96 and p value is 0.989 which is > 0.05, which states that the effect of the Liquidity Ratio on the company's Profitability Ratio (ROE, ROA and ROI) is not significant.

H2: Solvency Ratio (X2 or SR) has a direct effect on the Company's Profitability Ratio (Z or PR).

The Solvency Ratio has a negative direct effect of -0.436, but the results of the statistical t-test show the number 1.673 which is < 1.96 and the p value is 0.095 which is > 0.05. From the results of the statistical test, it is known that the effect of the Solvency Ratio on the Profitability Ratio (ROE, ROA and ROI) of the company is not significant.

H3: Activity Ratio (X3 or ACTR) has a direct effect on the Company's Profitability Ratio (Z or PR).

The Activity Ratio represented by the collectability period indicator has a negative direct effect of -0.559 and the statistical t-test results show the number 2.701 > 1.96 and the p value of 0.007 < 0.05; So, from the results of the t-statistical test, it is known that the effect of the Collectability Period on the Profitability Ratio (ROE, ROA and ROI) has a negative and significant effect.

H4: Profitability Ratio (Z or PR) has a direct negative effect on Financial Distress (Y or FD).

In this fourth hypothesis test, ROE, ROA and ROI (Profitability Ratio) have a direct non negative effect on financial distress as the hypothesis was formulated, but the opposite is the positive effect of 0.177, but the results of the statistical t-test show the number 0.540 which is < 1.96 and the p value is 0.589 which is > 0.05; From the results of the statistical t-test, it is known that the effect of ROE, ROA and ROI (Profitability Ratio) on Financial Distress is not significant.

Table 8. Path Analysis (Indirect Effect)

	Original Sample	Sample Mean (M)	Std. Dev	T-stat	P Values
ACTR -> FD	-0.106	-0.090	0.191	0.556	0.578
ACTR -> PR		0.000	0.000		
LR -> FD	-0.001	0.010	0.109	0.007	0.995
LR -> PR		0.000	0.000		
PR -> FD		-0.000	0.000		
SR -> FD	-0.077	-0.104	0.168	0.459	0.646
SR -> PR		0.00	0.000		

Source: SmartPLS 3.3.3 Output, 2021

Based on Table 8 regarding Path Coefficient and indirect effects, the research hypotheses and statistical hypotheses can be answered as follows:

H5: Liquidity Ratio (X1 or LR) has a direct negative effect on Financial Distress (Y or FD)

The Liquidity ratio represented by the cash ratio and current ratio indicators has a negative direct effect of -0.001 and the statistical t-test results show the number 0.007 which is < 1.96 and the p value is 0.995 which is > 0.05; So, from the results of the statistical t-test, it is known that the effect of the Liquidity Ratio on Financial Distress has a negative and insignificant effect.

H6: Solvency Ratio (X2 or SR) has a direct positive effect on Financial Distress (Y or FD).

The Solvency Ratio represented by the debt to total assets and debt to equity ratio indicators has a negative direct effect of -0.077 and the statistical t-test results show the number 0.459 which is < 1.96 and p value is 0.646 which is > 0.05; So, from the results of the statistical t-test, it is known that the effect of the Solvency ratio on Financial Distress has a negative and insignificant effect.

H7: Activity Ratio (X3 or ACTR) has a direct negative effect on Financial Distress (Y or FD)

The activity ratio represented by the collectability period indicator has a negative direct effect of -0.106 and statistical t-test results show the number 0.556 which is < 1.96 and the p value of 0.578 which is > 0.05. In conclusion, the results of t-statistical test state that the effect of the activity ratio on Financial Distress has a negative and insignificant effect.

H8: Liquidity Ratio (X1 or LR) has an indirect negative effect on Financial Distress (Y or FD) through the Company's Profitability Ratio (X1 or LR). This eighth hypothesis after being tested did not show a relationship.

H9: Solvency Ratio (X1 or LR) has an indirect negative effect on Financial Distress (Y or FD) through the Company's Profitability Ratio (X1 or LR). This ninth hypothesis, after being tested, did not show a relationship.

H10: Activity Ratio (X1 or LR) has an indirect effect on Financial Distress (Y or FD) through Company's Profitability Ratio (X1 or LR). This tenth hypothesis, after being tested, did not show a relationship.

In order to find out how well the resulting model is, it will be carried out through a blindfolding test. From the results of this test, it can be seen that the model that determines the profitability ratio or ROE, ROA, and ROI which is influenced by the Liquidity Ratio, Solvency Ratio and Activity Ratio produces a value of 0.362 which proves that the resulting model is quite good because the value is above 0.

Table 9. Blindfolding Test

	SSO	SSE	Q^2 (=1-SSE/SSO)
ACTR	20.000	20.000	
FD	20.000	22.584	-0.129
LR	40.000	40.000	
PR	60.000	38.284	0.362
SR	40.000	40.000	

Source: SmartPLS 3.3.3 Output, 2021

For the model that determines Financial Distress which is influenced by Liquidity Ratio, Solvency Ratio, Activity ratio and Profitability Ratio produces a value of -0.129. This figure shows that the resulting model is not good enough, because the value is negative and far below 0.

Model Fit is one of the tests used in the partial least square structural equation model to find out how well the model under study is. Evaluation of the fit model is indicated by the value of the Normed Fit Index (NFI) (Sarwono 2010).

Table 10. Model Fit

	Saturated Model	Estimated Model
SRMR	0.132	0.141
D_ULS	0.786	0.899
D_G	1.211	1.225
Chi-Square	96.915	101.428
NFI	0.601	0.583

Source: SmartPLS 3.3.3 Output, 2021

Table 10 shows the NFI values between the hypothesized model and a particular independent model. The saturated model NFI value is 0.601 and the estimated model NFI value is 0.583. The model is said to have a high fit if the number is close to 1. The model formed in this study is quite good.

CONCLUSION

Liquidity Ratio has a negative direct effect on ROE, ROA, and ROI (profitability ratio) and is not significant, as is also shown by the liquidity ratio which is decreasing every year. This can be understood as a result of the company's policy of implementing cash flow management in its aeronautical and non-aeronautical business. In other words, the company places more emphasis on cash flow management than maintaining a fairly high liquidity ratio. A high liquidity ratio can indicate a strong and good liquidity position, but it can also be interpreted as excessive cash holdings. The business group at PT Angkasa Pura II (Persero) evaluate cash flow projections and actual cash flows on a regular and regular basis with the aim of ensuring the availability of funds to meet operational needs and payment of maturing liabilities. Basically, to pay off the company's short-term liabilities, the funds needed are obtained from airport services sales activities to company customers. (PT Angkasa Pura II 2018).

Solvency Ratio has a negative direct effect on ROE, ROA, and ROI (Profitability Ratio) but not significant. The debt ratio shown by the ratio of total debt to total assets and total debt to equity from 2001-2020 shows a significant increase from year to year. This figure generally shows how much of the total funding requirement (assets) comes from debt. However, this ratio also reflects how much the

company's debt affects asset management. The negative and non-significant relationship in hypothesis testing can be explained by the addition of the number of airports managed by PT Angkasa Pura II (Persero) and investments originating from long-term debts for airport infrastructure development which have an effect on this figure, so that the number is always greater from year to year. In April 2021, the number of airports managed by the Angkasa Pura II (Persero) will increase to 20 airports. In addition, the existence of restructuring (in the for of delays or rescheduling) of principal debt repayments and interest payments on investment loans from national banks can also explain why the relationship between solvency ratio to ROE, ROA, and ROI is negative and insignificant in the case of this company.

Activity Ratio has a negative and significant direct effect on ROE, ROA, and ROI. In the cost savings program, AP II saved around Rp 1.8 trillion from the budget that had been prepared at the beginning of the year at 19 airports in the form of saving water use (56%) and electricity (42.75%). Capital expenditure savings can be reduced from Rp 7.8 trillion to Rp 712 billion, which is focused on multiyear projects, maintenance of facilities to ensure security, safety, and services as well as the design planning of Terminal 4 of Soetta Airport. For cash flow management, the company tries to balance cash in and cash out. From the test results it is evident that the shorter the period of receivable, the better the effect on ROE, ROA, and ROI.

Profitability Ratio (ROE, ROA and ROI) have a direct positive effect on Financial Distress, although not significant. Based on the data for the last six tears, indeed ROE, ROA and ROI show a value that continues to decline. This can mean that the company's ability to seek profit or the level of profit earned by the company's ability to seek profit or the level of profit earned by the company in one period is decreasing. These ratios also show the development of the company profits from time to time. In relation to sales and investments, the effectiveness of the company's management as a whole illustrates the level of profits obtained is decreasing. As a ratio, ROE, ROA and ROI have a numerator and denominator, where the small value of the ROE, ROA, and ROI ratio cab ne caused by the denominator or divisor of the ratio being very large. The decrease in the ratio of ROE, ROA and ROI and the results of testing the fourth hypothesis cannot be concluded that the company is experiencing financial distress which leads to the bankruptcy of the company. This still needs to be investigated further. The company is experiencing financial difficulties due to a drastic decline in revenue, but from reference sources published by the company, it can be seen that there are efforts and risk mitigation carried out by the company through its business survival initiatives strategy.

Liquidity Ratio has a direct negative effect on financial distress and is not significant. A low liquidity ratio can mean that the company is experiencing Financial Distress, and vice versa. However, in this study, the company was not proven to experience financial distress despite the liquidity difficulties it faced. This could possibly be related to the ownership structure of companies which are state-owned enterprises and are seen as strategic infrastructure.

Solvency Ratio has a direct negative effect on financial distress and is not significant. If the solvency ratio decreases, the company is said to be experiencing Financial Distress. Likewise, if the solvency ratio increases, the possibility of the company experiencing financial distress is small. However, because the t-test statistic is

not significant, then this hypothesis is not proven.

Activity Ratio has a direct negative effect on financial distress and is not significant. If the activity ratio decreases, then the company should be said to ben not experiencing financial distress. In reverse if the activity ratio increases, which means the longer it takes for an activity to turn over, in this case receivables, to cash and the company is likely to experience Financial Distress. However, because the t-test statistic is not significant, then this hypothesis is not proven.

The authors consider several implications as follows: First, reviewing the company's business strategic initiatives by developing short-term, medium-term and long-term scenarios assuming pessimistic, moderate and optimistic macroeconomic conditions and continuing to implement the contingency plan that has been set by management as well as impelemnting the possibilities for the company's survival in the short and medium term. Second, periodically review the business through a comprehensive risk management study that can reduce the possibility of low cash flow and anticipate financial distress or financial difficulties. Third, evaluating the determination of management fees for stakeholders to improve cooperation and strategic partnership. Fourth, increasing the cargo or logistics business unit by partnering with other industry players and collaborating with other cargo or logistics companies to increase freight traffic. Fifth, Conduct a review of costs in order to achieve effectiveness and efficiency in terms of Human Capital, infrastructure, maintenance and other operational costs without reducing the quality of services provided by PT Angkasa Pura II (Persero) to stakeholder. Sixth, the authors also recommend that researchers who are interested in conducting research on this topic can use other financial variables and broader macroeconomic indicators in order to produce a better research model.

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