

ABSTRACT

Financial distress is financial difficulty experienced by the company prior to the bankruptcy or liquidation. Identification of financial distress is important, because the company will experienced financial distress before they go to bankruptcy or liquidation.

This study aims to determine the effect of independent variables in the form of liquidity ratio, activity ratio, profitability ratio and the leverage ratio to financial distress. The object of this research is the company in the textile and garment sector listed in Indonesia Stock Exchange 2011-2015. The sampling technique in the research is using purposive sampling techniques which generate 12 samples within a period of 5 (five) years as many as 60 units of samples. The analytical method used in this research is the logistic regression analysis were processed using SPSS 17.

The results of this study showed that simultaneous variable liquidity ratios, activity ratios, profitability ratios and leverage ratios affect the financial distress. In partial, liquidity ratio, activity ratio, and leverage ratio doesn't affect the financial distress, while the variable profitability ratios significantly negative effect on the financial distress.

Keywords: liquidity ratio, activity ratio, profitability ratio, leverage ratio, and financial distress.