THE EFFECT OF PROFIT AND CASH FLOW IN PREDICTING FINANCIAL DISTRESS
(Study Of Transportation Companies Listed On The Indonesia Stock Exchange For The 2019 – 2021 Period)

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ARTICLE INFO	ABSTRACT
Keywords: Profit Cash Flow Financial Distress	The business world in this era is developing more rapidly and is followed by increasingly sophisticated technological developments. This development will certainly cause new problems in the industrial sector, one of which is the strengthening of the level of competition. In addition, in 2020 the world was hit by Covid-19 which had a negative impact onithe health, economici conditions, education, and social life of the Indonesian people. Poor management in such a situation will pose a threat of bankruptcy to the company. This studyiaims to test the effect of profit andicash flow inipredicting financialidistress conditions in transportation companies listedion the IndonesiaiStock Exchange forithe 2019-2021 period. The data used in this studyiwas taken fromiwww.idx.co.id website. The method used in this studyiis quantitative descriptive analysis. A total of 40 companies in this study were sampled, namely transportation companies listed onithe Indonesia StockiExchange for the 2019-2021 period, using purposive sampling with certain criteria. The results ofithis study show that profit affects financialidistress while cash flow does not affect financial distress in transportation companies listed on the Indonesia Stock Exchange.
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1. INTRODUCTION

The globalization of the world economy has led to an increase in the development of the business world in Indonesia. Technological advances in various fields including transportation have an impact on the global world, especially for transportation companies in Indonesia, both in the air, sea and land sectors. Transportation companies in Indonesia have grown rapidly in recent years, due to the high demand for these services. This development led to intense competition, especially among similar companies. This situation requires companies to continue to improve and perfect their business fields in order to achieve company goals and maintain sustainable business continuity. The company's efforts to improve and perfect its business are of course accompanied by an increase in capital requirements and management fundamentals in order to compete with other companies. However, in carrying out its business activities, companies often face various problems, one of which is financial distress. To overcome this problem, companies choose alternatives by making loans to banks, merging with businesses, or even closing their businesses due to bankruptcy.

In the developmentiof globalization,ithere are severaliadverse impacts thatican be felt,ione of whichiis the globalifinancial crisis ini2008 which resultediin a weakeningiof business activitiesiin general. Most-countries in theiworld have suffered setbacks andifinancial disasters due to the outbreakiof the-financial crisis. The financialicrisis has led to bankruptcies ofiseveral publicly traded companies inithe United States, Europe, Asia and other countries. In addition,iin the domesticienvironment, there are severaliimpacts of theifinancial crisis,ione ofiwhich is thatithere are several companiesithat have become de - listings as airesult of the crisis. Companies canibe delisted from theiIndonesia Stock-Exchange (IDX) because theicompany is inia state of financialidistress or is experiencingifinancial difficulties [1]. A company canibe categorized asiexperiencing financialidistress where if theicompany has a-iperformance that showsinegative operatingiprofit, negative net profit, negative equityibook value and a company that

has a merger [2]. Another phenomenon ofifinancial distress isithe number oficompanies that tendito experience liquidityidifficulties, which is indicatediby the decreasingiability of companiesito fulfill theiriobligations to creditors [3]–[5].

The Central Jakarta Commercial Court, Wednesday, January 30, 2013, declared PT Metro Batavia as the operator of Batavia Air bankrupt because it was unable to pay debts worth USD 4,688 million to creditors [6]. Airlines that are not supported by strong financial fundamentals, good management, and lack of calculation in expansion could be displaced from competition. Batavia Air should be able to predict the ability toirepay short-term-debt and long-term debt so as not toiexperience financial distress and cause failure to repay the company's debt, thus impacting bankruptcy.

In 2019 the trading of PT Air Asia Indonesia Tbk (CMPP) shares in the regular and cash markets was temporarily suspended (suspended) by the Indonesia Stock Exchange (IDX) since August 5, 2019 [7]. However, 7 months have passed the suspension has not been lifted. This air transport issuer is in danger of being expelled from the Exchange. On March 13, IDX reminded Air Asia Indonesia's management that there are two factors that cause Air Asia Indonesia to be delisted. First, the company experiences conditions or events that significantly negatively affect business continuity both financially and legally. Delisting is carried out if there is no adequate indication of recovery. The second condition that led to the removal of Air Asia Indonesia from the stock exchange was that its shares for 24 months were not traded in the regular and cash markets, only in the negotiation market. Air Asia Indonesia shares were not traded in the regular market and cash market for 7 months due to suspension. This means that the 24-month deadline will occur on August 5, 2021. The amount of public ownership in AirAsia Indonesia also does not meet the minimum limit of 7.5%. At present, the number of public shares is only 1.59%. The remaining 49.16% belongs to PT Fersindo Nusaperksa and 49.25% belongs to AirAsia Investment Ltd.

In 2020 the worldiwas hit by theiCovid-19 pandemic, where almost all countriesiin the world were affectediby the virus, including Indonesia. The government continues to make efforts to prevent and deal with this pandemic. Because the Covid-19ipandemic has ainegative impact which not only has an impaction public health,ibut also affects the economiciconditions, education,iand social life ofithe Indonesian people. The Covid-19ipandemic made the government implement largeiscale social restrictions (PSBB), which made people's mobility drop drastically. This has led to a plummet in theicompany's revenue and profits in the transportation sector,isome of which even posted losses.

The gloomy condition of the transportation sector throughout the first semester of 2020, especially during the corona pandemic, can be seen from the decline in the numberiof passengers fromiall types ofitransportation in May 2020. The biggest loss was felt by airlines, as the number of passengers, both domestic and international, fell by more than 50% in May 2020. The Central StatisticsiAgency (BPS) noted thatithe growth rate of Gross Domestic Product (GDP) in the transportation and warehousing sector contracted the deepest with minus 15.04 percent throughout 2020. To survive in the midst of the corona pandemic, several transportation companies have carried out strategies to reduce operational costs, by cutting salaries or carrying out layoffs. Then, postpone the purchase of capital goods during the pandemic because operations are affected by the pandemic. In addition, companies in the transportation sector also take negotiating steps with creditors to obtain relief or relaxation of debt principal payments.

Some of the strategies taken by companies in the transportation sector are more or less able to withstand the negative effects of the corona pandemic. However, several companies were recorded to have suffered losses throughout the first semester of 2020 because their performance was highly dependent on people's mobility. This is an early symptom of a company experiencing financial distress that will eventually lead to bankruptcy or bankruptcy.

A company can be declared bankrupt if its financial conditioniis unhealthy, either dueito losses or other reasons, so it is unable to pay its debts (insolvency). Bankruptcy is a condition when the company does not haveisufficient funds to conduct its business and does not obtain the expected profit. Many companies are currently experiencing bankruptcy and ending their operations, even companies are forced to delist on the Indonesia Stock Exchange.

Financial distressiis defined asithe stage ofidecline in financialicondition that occursibefore bankruptcy oriliquidation [8], [9]. Conditions where the companyiexperiences financial stress that will gradually lead toibankruptcy. Financial distressican be describedifrom two extremeipoints, namely short-termiliquidity difficultiesito insolvable [10]. Short-termifinancial distress areiusually short-term in nature, but if left unchecked they can develop to be severe. Indicators ofifinancial distress canibe seen fromithe analysis of cashiflow, analysis of theicompany's strategy, and financial statements of the

company. If a companyiexperiences problems iniliquidity, it is veryipossible for theicompany to startientering a periodiof financial distress [11].

The main goal of an enterprise is to make a profit. Profit is excess income above costs during one accounting period [12]. Profit is defined asithe excess ofitotal revenue overitotal expenses,ialso called net income [13], [14]. Profit is the net result ofia company's businessioperations over a certain period of time [15]. The preparation of an income statement is carried out in order to show the results of the operation of an enterprise over a certainiperiod of time. One of the uses of profit information is to find outithe company's ability to distribute dividends to investors. If the net profit obtained by the company is small or even experiencing losses, the investor will not get dividends. This, if it occurs successively, will cause investors to withdraw their investments because they consider the company to be experiencing-financial problems orifinancial distress.

In addition, cash flowiis also a report thatiprovides information on cash receiptsiand payments in a certainiperiod of time. The definition of cash inflowiand cash outflow is, cash inflowiis the flow of sources from which cash is obtained while cash outflow is a cash outflow is a cash need for payments [16]. Cash flow statement is a report that provides anioverview of theiamount of funds available at anyitime that are used for variousioperational needs ofithe company includingiinvestments which also contain the amountiof income andiexpenses prepared by tracing and reviewing the incomeistatement and balanceisheet [17]. Through the cash flowistatement, users of financial statements can find out howithe company manages cashiand cash equivalents.

Every company inicarrying out itsibusiness operations williexperience cash inflowsiand cash outflows. If theicash inflow is greater than theicash outflow, this will indicate positive cash flows, on the contrary, if theicash inflow is less than theicash outflow, negative cash flows will occur. With this condition, cash flow canibe used asian indicator byicreditors to assess the company'sifinancial distress.

2. METHOD
2.1 Types and Data Source

Thisiresearch uses a quantitativeidescriptive analysisimodel, namely byicollecting, classifying, analyzing and interpreting secondary dataiin theiform of financialistatements of transportation companiesion theiIndonesia StockiExchange (IDX)ifor the 2019-2021 period. The use of quantitative descriptive analysis methods is adjusted to research variables on the subject matter and phenomena that occur at this time through the elaboration of research results in the form of numbers that have meaning for the research. With the aim, namely the results of calculating the indicators of research variables described by the author will further strengthen the analysis in making conclusions based on the current situation and also a literature study of the problem under study.

The data usediin this studyiis secondary data, namely data obtainedifrom publication reports. Researchers obtain data through library research where data collection or information is obtained through literature, journals, and other informationarelated to this research.aThe financial statements of transportation companies listed onithe Indonesia StockiExchange (IDX) forithe 2019-2021 periodiare also used as research data. The data isitaken from the company'siannual financialistatementsiin the form of cash or cash equivalents, net profit, asset value, liabilities, retained earnings, profit before tax, equity and sales through the www.idx.co.id website.

2.2 Population and Sample

Definition of population refers toithe whole groupiof people,ievents, orithings of interestithat the investigator wants toiinvestigate [18]. The populationiin this study was 46 transportation companies listed onithe Indonesia StockiExchange (IDX).i The observation periodiwith a span of 3 years (2019-2021) is expected to produce sufficient samples.

Samples are partiof the numberiand characteristics possessed by theipopulation [19]. Theisample determination technique used inithis study wasipurposive sampling. Purposiveisampling is samplingiusing certain constraints (according to certain criteria), the goal is to obtain airepresentative sampleiaccording to the criteria required by the researcher.

Table 1. Purposive Sampling Results

Description	Total

Transportation companies listed on the IDX for the period 2019-2021	46
Transportation companies that delisting from the IDX during the 2019-2021 period	(1)
Transportation companies where there are no required variable components	(5)
Companies selected as sample	40
Years of observation	3
Number of data observations for the period 2019-2021	120

The table above shows that out of a total of 46 transportation companies listed on the Indonesia Stock Exchange, after several criteria were established and processed, a sample of 40 companies was obtained. So that the number of data observations that will be tested in this study is as many as 120 data.

2.3 Operationalization of Variable

Operational variable is an attribute or trait or value of an object or activity that has certain variations that have been determined by the researcher to be studied and then drawn conclusions [20]. A research variable is basically something in the form of anything that is set by the researcher to be studied so as to obtain information about it, then draw conclusions. Based on this, in this study using independent variables and dependent variables.

1. Independent Variable

The independent variables used in this study are Profit (X1) and Cash Flow (X2) which can be described as follows:

1) Profit

The profit used in this study is earnings before tax (EBT) for all transportation companies listed on the Indonesia Stock Exchange for the 2019-2021 period. Reasons for using profit before tax to avoid the influence of using different tax rates between periods and analyses. In this study the profit was calculated using the following formula:

$$\text{Profit Ratio} = \frac{Earning\ Before\ Tax}{Total\ Asset}$$

2) Cash Flow

The cash flow used in the study is the cash flow of operating activities. Cash flow from operating activities is an indicator that determines whether from its operations the company can generate cash that can be used to pay off loans, maintain the company's operating capabilities, pay dividends, and make new investments without relying on outside funding sources. In the calculation, it uses the ratio of cash flow to total assets, namely operating cash flow divided by total assets. The year used is 2019-2021 to see the prediction of financial distress in the next year. In this study cash flow was calculated using the following formula:

$$\text{Cash Flow Ratio} = \frac{Operating\ Cash\ Flow}{Total\ Aset}$$

2. Dependent Variable

Bound variables are variables that are influenced or become a result due to the presence of free variables. In this study, the dependent variable is Financial Distress (Y). In this study, the company's financial distress was measured using the Altman Z-Score model. The Altman Z-Score model is the most widely used model and can accurately predict financial distress. The formula is as follows:

$$Z = 1.2\ X1 + 1.4\ X2 + 3.3\ X3 + 0.6\ X4 + 0.990\ X5$$

Description:
Z   = bankruptcy index
X1   = working capital / total assets
X2   = retained earnings / total assets
X3   = earning before taxes / total assets
X4   = market value of equity / book value of total debt
X5   = total sales / total assets

The classification of companies that are healthy and that experience financial distress is based on the Z-Score value of the Altman model, namely:

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a. If the Z value < 1.8, it includes companies that experience financial distress.
b. If the value of 1.8 < Z < 2.99 then it includes gray area (cannot be determined which company is experiencing financial distress and a healthy company).
c. If the Z value > 2.99 then it includes a healthy company

2.4 Analysis Method

This study uses quantitative methods, namely analyzing data and matters relating to numbers or calculation formulas used to analyze the problem being studied. Data analysis using multiple linear regression. In regression analysis, the dependent variable is often influenced not only by quantitative variables according to the scale, but also by qualitative variables.

3. RESULT AND DISCUSSION

3.1 Test of Normality

The normalityitest aimsito test whetheriin the regressionimodel, the confounding oriresidual variables haveia normal distributionior not [21]. In this study, ithe Kolmogrov-Smirnovitest analysis technique was used to detect normality and the Kolmogrov-Smirnov test did not cause differences in perception between one observer and another. Kolmogrov-Smirnov test to find outiwhether the dataiis normally distributed orinot based onithe significance and probability values set at 5%, so that it becomes the basis forimaking decisions asifollows:
a. If Asymp. Sig. > 0.05 then the data is normally distributed.
b. If Asymp. Sig. < 0.05 then the data is not normally distributed.

Table 2. Kolmogorov-Smirnov Normality Test Results

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		57
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.66470027
Most Extreme Differences	Absolute	.093
	Positive	.093
	Negative	-.053
Test Statistic		.093
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.		

Asymp value results. Sig.i(2-tailed) in the one sampleiKolmogorov-Smirnov test showed a value ofi0.200. Then it can be concludedithat the regression model is normallyidistributed, because theiprobability value in the Kolmogorov-Smirnov test is greater than the error rate of 5% (0.05).

3.2 Test Multicollinearity

The multicollinearity testiaims to testiwhether the regressionimodel finds aihigh or perfecticorrelation between theiindependent variables [21]. To see and findiwhether or not multicollinearityiexists in the regressionimodel, the correlation matrix analysis ofithe independent variablesiis carried out through the multicollinearity test, namely:
a. Tolerance value, by measuring the value of the variability of the selected independent variables that cannot be explained by other independent variables.
b. VIF (Variance Inflation Factor) Value Through these two measures it will be seen which independent variables are explained by other variables. Basic references include:
   • If the tolerance value is > 0.1 and the VIF value is < 10, it can be concluded that there is no multicollinearity between the independent variables in the regression model.

- If the tolerance value is < 0.1 and the VIF value is > 10, it can be concluded that there is multicollinearity between the independent variables in the regression model.

Table 3. Multicholinearity Test Results
Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.675	.554		1.219	.225		
	Profit	11.842	1.862	.510	6.358	.000	.987	1.013
	Cash Flow	-2.067	4.701	-.035	-.440	.661	.987	1.013

a. Dependent Variable: Financial Distress

The tolerance-value on the-variable profiti(X1) is 0.987. Theitolerance value on the cashiflow variable (X2)iis 0.987. Theitolerance values in X1 and X2 are greater than 0.10, so there are no symptoms of multicolinearity. The VIF value in variable profit (X1) is 1.013. The VIFivalue on the cash flow variablei(X2) is 1.013. TheiVIF values on X1 andiX2 are lessithan 10, so there are no symptoms of multicolinearity. That is, all these variables do not occur multicolinearity, so for the second condition of the test the classical assumption all variables are met.

3.3   Test Autocorrelation

The autocorrelation testiaims to testiwhether in a multiple regression model thereiis a correlationibetween the confounding errors inithe t period andithe confounding errors inithe t-1 period [22]. Diagnosing the existence of autocorrelationiin a regression modelican be done byitesting the Durbin Watson test value for level oneiautocorrelation and requiresian intercept inithe regression modeliand no lagivariables between theiindependent variables. If there is a correlation, then there will be autocorrelation problems that arise due to observations that are all the time and sequential to one another.

Table 4. Autocorrelation Test Results
Model Summaryb

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.507a	.257	.245	463.976	1.827

a. Predictors: (Constant), Cash Flow, Profit
b. Dependent Variable: Financial Distress

Based on the table above, it can be seen that the value of Durbin-Watson-is 1,827. Durbin-Watson's table shows a dL value of 1.6684 and a dU value of 1.7361 with the number of independent variables (k=2) and the number of samples (n=120). The results obtained du (1.7361) < 1.827 < 4-dl (2.3316), then the result decision was free autocorrelation over the regression model studied.

3.4   Test Heteroscedasticity

The heteroscedasticityitest aims toitest the regressionimodel whetherithere is aniinequality ofivariance and residuals from one observationito another [22]. The way to detect heteroscedasticity inithis study is the Glejseritest through the significance values of all variables. The Glejser testiis carried outiby absolute the dependentivariable, then regressing it on the independent variable. If a heteroscedasticity testiuses the Glejser test, the basic reference includes:

a. If the result is less than the significant level (confidence level of 0.05), then it can be said that there is heteroscedasticity in the regression model
b. If the result is greater than the significant level (confidence level of 0.05), then it can be said that there is no heteroscedasticity in the regression model

Table 5. Heteroskedasticity Test Results
Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.675	.119		5.690	.000
	Profit	-.371	1.118	-.056	-.332	.741
	Cash Flow	-1.036	1.064	-.163	-.974	.334

a. Dependent Variable: ABS_RES

The results of the heteroskedasticity test using the glejser method showed that the significance value between the independent variable and the absolute residual was more than 0.05, namely 0.741 for the profit ratio variable and 0.334 for the cash flow ratio variable. So it can be concluded that there are no symptoms of heteroskedasticity.

3.5 ANOVA Test

The ANOVA test is used to show whether all the independent variables included in the model have a joint effect on the dependent variable [22]. Testing is carried out using a significant degree (α) of 5% or 0.05. The test method is as follows:

Ho: means that the profit and cash flow variables simultaneously do not have a significant effect on financial distress.

Ha : meaning that the variables of profit and cash flow simultaneously have a significant influence on financial distress.

The test criteria is carried out by comparing F count with F table with the following guidelines:
1) If F: F Count < F table with Sig. > 0.05 then Ho is accepted
2) If F. F Count > F table with Sig. < 0.05 then Ha is accepted

Table 6. ANOVA Test Result

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	872.168	2	436.084	20.257	.000[b]
	Residual	2.518.700	117	21.527		
	Total	3.390.868	119			

a. Dependent Variable: Financial Distress
b. Predictors: (Constant), Cash Flow, Profit

The Significance Value (Sig.) in the table above is 0.000 which is less than 0.05, so it can be concluded that the variable profit ratio and cash flow ratio simultaneously have an effect in predicting financial distress conditions or in other words hypotheses are accepted.

3.6 T Test (Partial)

The t statistical test basically shows how far the influence of one independent variable individually explains the dependent variable [21]. Testing is carried out using a significant degree (α) of 5% or 0.05 and degrees of freedom or df = (n – k). The test method is as follows:

Ho: means that the profit and cash flow variables partially do not have a significant effect on financial distress.

Ha: meaning that the profit and cash flow variables partially have a significant influence on financial distress.

The test criteria are carried out by comparing t count with t table with the following guidelines:
1) If t count < t table or Sig. > 0.05 then Ho is accepted
2) If t count > t table or Sig. < 0.05 then Ha is accepted

Table 7. T Test Result
Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.675	0.554		1.219	0.225
	Laba	11.842	1.862	0.510	6.358	0.000
	Arus Kas	-2.067	4.701	-0.035	-0.440	0.661

a. Dependent Variable: Financial Distress

The Significance Value (Sig) of the profit variable in the partial test result (t-test) above is 0.000. Because the significance value of 0.000 is less than the probability of 0.05, it means that the profit variable has an effect in predicting financial distress conditions. Meanwhile, the significance value of the cash flow variable is 0.661 which is greater than the probability of 0.05, so the cash flow variable has no effect in predicting financial distress conditions.

3.7   Coefficient Determination

The coefficient of determination shows the ups and downs of Y which is explained by the linear effect of X. The coefficient of determination ranges from zero to one ($0 \le R^2 \le 1$). If R^2 equals 0, it means that there is no relationship between the independent variable (X) and the dependent variable (Y). If R^2 equals 1, it means that the regression line formed can predict Y perfectly. The closer the R^2 value is to the value 1, it means that the influence of the independent variable on the dependent variable that it can explain is getting stronger.

Table 8. Determination Test Results

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.507[a]	.257	.245	463.976	1.827

a. Predictors: (Constant), Cash Flow, Profit

b. Dependent Variable: Financial Distress

It is known that the adjusted r square value is 0.245 or equal to 24.5%. This figure means that the variable profit ratio and cash flow ratio are able to explain the financial distress variable of 24.5%, while the remaining 75.5% is influenced by other variables that were not studied.

3.8   Multiple Linear Regressions Model

After the calculation using SPSS above, the multiple liner regression equation was obtained as follows:

$$Y = 0,675 + 11,842 X1 + (-2,067) X2 + e$$

Table 9. Multiple Regression Analysis Results

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.675	0.554		1.219	0.225
	Profit	11.842	1.862	0.510	6.358	0.000
	Cash Flow	-2.067	4.701	-0.035	-0.440	0.661

a. Dependent Variable: Financial Distress

The influence of each independent variable on the dependent variable based on the regression equation can be analyzed as follows: A constant value of 0.675 is a positive constant value indicating a positive influence on the independent variable. If the independent variable rises or has an effect in a single unit, then the dependent variable will rise or be fulfilled. The value of the regression coefficient

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of the profit variable (X1) to the financial distress variable (Y) is 11.842 meaning that if the profit (X1) increases by one unit, the financial distress (Y) will increase by 11,842. The positive value coefficient means that between profit (X1) and financial distress (Y) a positive relationship. An increase in profit performance (X1) will result in an increase in financial distress. The value of the regression coefficient of the cash flow variable (X2) to the financial distress variable (Y) is -2.067 meaning that if the cash flow (X2) decreases by one unit, then the financial distress (Y) will decrease by -2.067. The negative coefficient means that between cash flow (X2) and financial distress (Y) the negative relationship. A decrease in cash flow performance (X2) will result in a decrease in financial distress.

3.9 The Effect of Profit in Predicting Financial Distress Conditions

Based onithe results of the tests performed, it shows that theivalue of the regression coefficient of the profit ratio variable is 11.842 with aisignificance valueiof 0.000, where this value is smaller than an alphaiof 0.05. Thusithe first hypothesisiwhich states that the profit ratio affects financial distress is accepted. This means that the high or low profits obtained by a company will affect financial distress. The higher theiprofits obtained byia company, theiless likely financial distress will occur, conversely if the lower profits obtained by a company, financial distress will occur.

In this study, profit affects financial distress because profit is important in a company. Large profits will affect the level of investor confidence in investing in a company. Profit as measured using the profit ratio is a comparisonibetween profit before taxiand the totaliassets of a company, where the profit ratio in thisistudy measures the company'siability to generate profit before tax based on theitotal assets of a company.

The value of a high profit ratio also shows theicompany's high ability toigenerate profits very effectively. With effectiveiasset management, the company has the potential to generate larger profits and show excellent company performance. So that the valueiof a high profit ratio indicates thatithe possibility of a financial distress condition for the company will be even lower.i Conversely, the lowerithe value of the profit ratio, the higherothe possibility of financialodistress for a company. The results ofothis study are consistent with previousiresearch, such as the findings of Calestia [23], Senny [24] and Nailufar [25], which found that profit has a large impact on financial distress.

3.10 The Effect of Cash Flow in Predicting Financial Distress Conditions

Based on the results ofithe tests performed, it shows that the regressionicoefficient value of the cashiflow ratio variable is -2.067 with aisignificance valueiof 0.661, where this value isigreater than alpha 0.05. Thus the second hypothesis which states that cash flows affect financial distress is rejected. This means that the high or low cash flows obtained by a company will not affect financial distress.

In this study, cash flows have no effect due to the fluctuating nature of cash flows, while financial distress is usually relatively stable. Cash flow fluctuations can occur in extreme ways where in one period the company can experience losses and afterwards experience profits or vice versa. Cash flows that experience fluctuations that tend to be extreme are not considered to be one ofithe factors that causeifinancial distress because the-period of occurrence is quite short.

Many factors influence the condition of financial distress both from withinithe company (internal factors) and fromioutside the company (external factors). As for theicompany's internal factors, the company'sicash flow difficulties can occur due to management errors in managing cash flows to pay for company activitiesiwhich can worsenithe company's financialicondition. The large amount ofithe company's debt is due to cover the company's costs incurred,ias a resultithe company's operationsiwill create aniobligation for theicompany to repayithe debt in theifuture. Losses from the company's operating activities for several years are a result of the company's activities that need to be addressed with appropriate policies in a short period of time, the company'sioperating losses can result in negativeicash flow. If the company can cover the internal causes of the company,iit is not certain that theicompany will avoid financial distress, because there are other factors outside the company, one of which is an increase in interest rates which causes interest expenses to also increase as well.

statement of cash flows has a certain pattern that is different so that cash flowiis not a guarantee in determiningifinancial distress for theicompany. Operating cash flow can show the company'sifinancial condition, a factor that can make the value of operating cash flow high is that the receipt from sales is greater-than the operating expenses incurred by the company. However, it is different from investing and financing cash-flows, investment and funding-cash flows that have-a low value cannot be ensured that the company is experiencing bad financial conditions, and vice versa if the values of the two cash flows are

high it does not mean that the-company can properly fulfill its-obligations. to third parties. The results of this study are in line with recent research by Wahyuningtyas [26] and Senny [24] which found that cash flow has no effect on financial distress.

4. CONCLUSION

Based on the results of data analysis and discussion carried out in the previous chapter, the researcher draws the following conclusions: The profit variable has an effect on predicting financial distress conditions in transportation companies listed on the Indonesia Stock Exchange in 2019-2021. This shows that profit as measured by the profit before tax ratio divided by total assets has an effect on predicting financial distress, which means it is statistically supported in this study. Companies that produce a low profit ratio indicate that the company is less effective in managing assets to earn profits, so that the company's performance is considered not good and it may increase the costs incurred, this will later give rise to a signal that the company is in a state of financial distress. Conversely, if a company has a high profit ratio, it means that the company is effective in managing assets to earn profits, this also shows that the company's performance is good and it is not in a state of financial disstres.

The cash flow variable has no effect on predicting financial distress conditions in transportation companies listed on the Indonesia Stock Exchange in 2019-2021. This shows that cash flow as measured by the ratio of operating cash flow divided by total assets has no effect on financial distress, implying that this study has no statistical support. This is because the information obtained from operating cash flows only shows net cash from the company's operations, and does not indicate the company's ability to pay debts and other costs arising from these debts, making it impossible to predict whether the company is in a state of financial distress.

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