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The Effect of Financial Ratios on Financial Distress Before and After the Covid-19 Pandemic in the Retail Subsector

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Abstract: *The purpose of this study is to analyze the effect of liquidity ratio, leverage and profitability on financial distress before and after the Covid-19 pandemic, as well as to analyze the difference in liquidity, leverage and profitability on financial distress before and after Covid-19. This study uses data from retail companies listed on the Indonesia Stock Exchange (IDX) for the 2016-2023 period, where 2016-2019 is the pre-pandemic period and 2020-2023 is the post-pandemic period. Financial distress is measured using the springate method (s-score), for liquidity using the current ratio, leverage using the debt to equity ratio and profitability using return on assets. The results of the study show that liquidity has a significant effect on financial distress before the Covid-19 pandemic, but does not have a significant effect on financial distress after the Covid-19 pandemic. Leverage did not have a significant effect on financial distress before and after the Covid-19 pandemic. Profitability has a significant effect on the financial distress before and after the Covid-19 pandemic in the retail subsector listed on the IDX. Liquidity, leverage, and profitability simultaneously had a significant effect on financial distress before and after the Covid-19 pandemic in the retail subsector listed on the IDX. There was a significant difference between leverage against financial distress before and after the Covid-19 pandemic, but there was no significant difference between liquidity and profitability against financial distress before and after the Covid-19 pandemic in the retail subsector listed on the IDX.*

Keywords: Financial distress, Liquidity, Leverage, Profitability

JEL: G01, G32, H63, G31

1. INTRODUCTION

Starting in Wuhan, China, the Covid-19 pandemic then spread to all parts of the world, including Indonesia. This pandemic was declared on March 11, 2020 by the World Health Organization (WHO). Indonesia's economy has been devastated by this pandemic. The economy of each region is threatened, because the import of goods is hampered. Indonesia sees a decline in economic growth as a result of the Covid-19 pandemic. According to the Central Statistics Agency, economic growth throughout 2020 decreased by 2.07% on an annual basis. According to Suhariyanto, head of BPS, this contraction was caused by the decline that occurred in various economic sectors as a result of the Covid-19 pandemic.

One of the subsectors that has been affected by Covid-19 is retail companies. A retail company is a business that sells goods or services directly to the end consumer. Simply put, these are the stores that we visit every day to buy the things we need, from food, clothes, to electronics. The Covid-19 pandemic has caused a decline in retail sales in Indonesia. CEIC Indonesia showed that Indonesia's retail sales growth reached -0.1% in August 2021, after previously reaching -2.9% in July 2021. The lowest record for retail sales was recorded in May 2021 with a decrease of -20.6%. The Large-Scale Social Restrictions (PSBB) policy implemented resulted in a significant decrease in turnover for retail businesses. The existence of Covid-19 also affects people who are more conservative in shopping due to health concerns, this has resulted in a decrease in demand for goods.

The existence of Covid-19 has resulted in many retail stores being forced to close or go bankrupt because they cannot survive in difficult economic conditions. The Indonesian Retail Entrepreneurs Association noted that around 1,200 retail stores closed in the 9 months of the

pandemic in 2021 and this number increased to 1,300 stores in March 2021. One of the retail companies that carried out mass closures, namely Hero supermarket which occurred in January 2021, Hero was forced to close its stores and also laid off 532 employees, this was done to support business continuity by maximizing work productivity (Kusuma, 2021).

To overcome the impact of the pandemic, many retail companies are trying to increase their sales by conducting online sales and home delivery. The Covid-19 pandemic has significantly hampered Indonesia's economy, especially in the retail sector. Retail companies must adapt quickly through new strategies and technologies to survive difficult economic conditions so as not to experience financial distress.

Financial distress is a condition in which a company has difficulty fulfilling its financial obligations. This condition can be caused by several factors, such as a decrease in income, an increase in costs, or an unfavorable change in economic conditions. Financial distress can be seen from the financial performance of each company. According to (Rompas & Rumokoy, 2023)financial performance is a company's ability to achieve its financial targets. A good company condition is a strength for the company to continue to survive and develop in achieving the company's goals. To measure and assess financial performance, a company can use financial ratio analysis. By understanding and analyzing financial ratios, it is possible to get a clearer picture of a company's financial performance and make better decisions. The financial ratios used in this study are liquidity, leverage, and profitability ratios.

Liquidity ratio is a ratio to measure a company's ability to meet its short-term obligations, the liquidity ratio used in this study is the current ratio (CR). Then, the leverage ratio is a ratio to measure the company's ability to meet its long-term obligations, the leverage ratio used in this study is the debt toequity ratio (DER). Furthermore, the provitability ratio is a ratio to measure the company's ability to generate profits, the provitability ratio used in this study is return on assets (ROA).

This study aims to find out how the influence between liquidity variables on financial distress before and after the Covid-19 pandemic in the retail subsector; how the influence between leverage variables on financial distress before and after the Covid-19 pandemic in the retail subsector; how the influence between profitability variables on financial distress before and after the Covid-19 pandemic in the retail subsector; and whether there is a difference between the variables of liquidity, leverage, and profitability on financial distress before and after the Covid-19 pandemic in the retail subsector.

This research is expected to provide various benefits both theoretically and practically. Theoretically, this research is expected to be useful to add insight and knowledge in the future, as well as be able to provide information and become a source of reference as a comparative material for similar research. Practically, it is hoped that this research can provide benefits for companies as information and as one of the considerations in making internal decisions of the company, provide benefits for investors in making decisions to invest, and provide benefits for researchers and readers as an increase in knowledge about the influence of financial ratios on financial distress before and after Covid-19 in the retail subsector.

2. LITERATURE REVIEW

2.1. Signal Theory

Signal theory is a concept that explains how the information received is not the same between one party and another. This theory is related to information asymmetry which shows that there is a difference in information between company management and other interested parties (D. P. Sari, 2022). According to (Isnin Yulia Alfiani Rochman & Sari Andayani, 2023)signal theory is an action taken by company management to provide clues for investors about how management views the company's prospects. Therefore, managers need to give signals to interested parties by publishing financial statements.

Signal theory provides a useful framework for understanding how information flows in a variety of situations, especially in situations where information is not perfect. The information received by investors can be in the form of positive signals and negative signals. Positive signals are such as good profit announcements, where this can increase investor confidence,

while negative signals can reduce interest in investing, because they are considered to indicate a bad outlook. These signals can help investors assess companies and make better investment decisions.

2.2. Financial Distress

Financial distress can be defined as the difficulty of funds to meet a company's obligations or liquidity problems that start with minor problems and develop into more serious problems, for example when debt is greater than assets (Abidin, 2022). Financial distress is a situation where the company's operating cash flow is not enough to meet short-term obligations so that the company is forced to make improvement efforts (Putri, 2021). If a company is heading towards a weakening financial condition, it can cause a loss of trust among stakeholders such as creditors and shareholders (Yonita & Aprilyanti, 2022). The financial distress analysis method used in this study is the Springate method. The Springate method was created by Gordon L.V. Springate in 1978, the method used to develop the bankruptcy prediction strategy of the Springate model, namely the multiple discriminant analysis method known as Multiple Discriminant Analysis (MDA) (Rismadi et al., 2023).

2.3. Liquidity

The liquidity ratio is a ratio that indicates the company's ability to meet its short-term obligations (Dwiningwarni & Jayanti, 2019). This ratio measures a company's ability to meet its short-term obligations by utilizing assets that can be quickly converted into cash. Current Ratio (CR) is a measurement tool used to assess a company's ability to meet short-term obligations, because this ratio shows the extent to which the demands of short-term creditors are met by assets that are estimated to be converted into cash in the same period as the debt maturity (Puspitasari, 2021). The lower the Current Ratio value, the greater the indication of the company's inability to meet its short-term obligations. This can have an impact on the profitability of the company, as companies that fail to meet their obligations will face additional burdens related to their debts (PA & Marbun, 2016). The results of research from (Subagyo et al., 2022) show that liquidity has a significant effect on financial distress before and after the Covid-19 pandemic. The same research conducted by (Anisa et al., 2023) also showed that liquidity had a significant effect on financial distress before and during Covid-19.

2.4. Leverage

Leverage ratio is a measure that indicates the extent to which a company's assets are financed by debt or capital. By using this ratio, it can be known the extent of the company's fixed liabilities to other parties as well as the comparison between the value of fixed assets and the capital owned (Oroh et al., 2019). The leverage ratio is very important for investors because it can provide an understanding of the company's financial condition and the potential risks arising from the use of debt. Debt to Equity Ratio (DER) is a comparison between total debt and equity, which describes the company's ability to meet its obligations using its own capital. High debt without being offset by increased sales can hinder the company in generating profitability. The lower the DER value, the better a company's financial security, and vice versa (Sunaryono et al., 2022). The results of research from (Anisa et al., 2023) show that leverage has a significant effect on financial distress before and during the Covid-19 pandemic. The same research conducted by (Daenggrasi et al., 2023) also showed that leverage had a significant effect on financial distress during the Covid-19 pandemic.

2.5. Profitability

The profitability ratio is a ratio used to measure the extent of a company's ability to generate profits from various policies and decisions that have been taken (Iswandini, 2019). This ratio is calculated by comparing profits to other financial elements, such as sales revenue or total assets. The profitability ratio helps in making investment decisions by providing an overview of the company's financial performance. Return On Asset(ROA) is one of the profitability ratios that measures the ratio between net profit and total assets. ROA shows the extent to which a company can utilize all its assets to generate after-tax profits (A. K. Sari

&Nurhawaeny, 2019). The higher the ROA value of a company, the more effective the company is in utilizing its assets to generate profits. The results of research from (Daenggrasi et al., 2023) show that profitability has a significant effect on financial distress during the Covid-19 pandemic. The same research conducted by (Berta et al., 2023) shows that profitability has a significant negative effect on financial distress before and during the Covid-19 pandemic.

3. METHOD

This study uses secondary data, namely data in the form of financial statements that are published regularly. Data is obtained by downloading the financial statements of retail companies listed on the Indonesia Stock Exchange through its official website, www.idx.co.id. This study used three independent variables and one dependent variable. The independent variables used in this study are liquidity, leverage, and profitability. Meanwhile, the dependent variable used in this study isFinancial distress.

The population used in this study is all retail subsector companies listed on the IDX in 2016-2023, which is 46 companies. The sampling technique in this study is by purposive sampling, which is a sample taken with certain considerations. Based on the criteria that have been set, a sample of 22 companies was obtained with a total of 63 observation data. The criteria determined to be used as a sample are as follows:

1. Retailing Subsector Companies listed on the Indonesia Stock Exchange (IDX) for the 2016-2023 period.
2. The Company presents its full financial statements ended December 31 during the research period (2016-2023 period).
3. The company did not experience delisting during the research period, namely the 2016-2023 period.

Based on the above criteria, the researcher obtained a company that meets the criteria with the following details:

Table 1. Sample Selection Criteria

Companies listed on the Indonesia Stock Exchange (IDX) for the period 2016-2023	46
Companies that do not present complete financial statements for the period 2016-2023	(23)
Companies that have been delisted for the 2016-2023 period	(1)
Total Research Samples	22
Observation period 2016-2019 (22×4)	88
Observation period 2020-2023 (22×4)	88
Outlier company data	(25)
Total Observer Data / 4 years (2016-2019 and 2020-2023)	63

Source: Processed by the Author (2024)

4. RESULTS AND DISCUSSION

4.1. Descriptive Statistical Analysis

Descriptive statistical tests are used to show the relationship between all variables in the study, namely the dependent variable and the independent variable (Muzharoatiningsih & Hartono, 2022). This descriptive statistical test explains the sample size (N) and the magnitude of the total value of the variables, namely the minimum, maximum, mean, and standard deviation values. As can be seen in table 2 below, there are differences between the minimum, maximum, mean, and standard deviation values before and after Covid-19 in the variables of liquidity (CR), leverage (DER), profitability (ROA), and financial distress.

Table 2. Descriptive Statistical Test

	Before Covid-19					After Covid-19				
	N	Min	Max	Mean	Std. Dev	N	Min	Max	Mean	Std. Dev
Liquidity	63	0,28	4,29	1,48	0,79	63	0,05	4,64	1,54	1,13
Leverage	63	0,11	4,29	1,47	1,13	63	-1,02	19,20	2,59	3,41
Profitability	63	-0,23	0,11	0,02	0,06	63	-1,59	0,10	-0,02	0,21
Financial Distress	63	-0,50	1,91	0,92	0,61	63	-11,94	1,86	0,54	1,69
Valid N (listwise)	63					63				

Source: SPSS Output (2024)

Based on the Descriptive statistical test in table 2 above, it can be explained as follows:

a. The liquidity variable before Covid-19 had a minimum value of 0,28, a maximum of 4,29, a statistical average of 1,48, and a standard deviation of 0,79. Meanwhile, liquidity after Covid-19 has a minimum value of 0,05, a maximum value of 4,64, a statistical average of 1,54, and a standard deviation of 1,13. This suggests that while some companies have managed to maintain high liquidity, others have experienced significant declines, indicating greater volatility in the market after the pandemic. Overall, the value of liquidity after Covid-19 has become more varied, with greater fluctuations, describing more unstable conditions than before the pandemic.
b. The leverage variable before Covid-19 had a minimum value of 0,11, a maximum value of 4,29, a statistical average of 1,47, and a standard deviation of 1,13. Meanwhile, leverage after Covid-19 has a minimum value of -1,02, a maximum value of 19,20, a statistical average of 2,59, and a standard deviation of 3,41. This shows that the range of leverage after the pandemic has become more extreme, with a negative minimum value (-1.02) and a very high maximum value (19.20), reflecting greater instability in the market and increased differences in financial conditions between firms.
c. The profitability variable before Covid-19 had a minimum value of -0,23, a maximum value of 0,11, a statistical average of 0,02, and a standard deviation of 0,06. Meanwhile, profitability after Covid-19 has a lower minimum value of -1,59, a maximum value of 0,10, a statistical average of -0,02, and a standard deviation of 0,21. Overall, it can be concluded that many companies have struggled with profitability after Covid-19, with more companies experiencing losses or very little profitability than before the pandemic.
d. The financial distress variable before Covid-19 had a minimum value of -0,50, a maximum value of 1,91, a statistical average of 0,92, and a standard deviation of 0,61. Meanwhile, financial distress after Covid-19 has a lower minimum value of -11,94, a maximum value of 1,86, a statistical average of 0,54, and a standard deviation of 1,69. Overall, financial distress is higher after pandemic, with increased volatility indicating greater irregularity and uncertainty in firms' financial conditions.

4.2. Classical Assumption Test

Table 3. Data Normality Test

	Before Covid-19	After Covid-19
N	63	63
Kolmogorov-Smirnov *Z*	0,684	0,757
Asymp. Sig. (2-tailed)	0,738	0,616

Source: SPSS Output (2024)

Based on the results of the data normality test in table 3 above, the value of Asymp. Sig. (2-tailed) before and after theCovid-19 pandemic was 0.738 and 0.616 respectively greater than 0.05. So it can be concluded that the residual data studied is normally distributed.

Table 4. Multicorrelation Test

Model		Before Covid-19		After Covid-19	
		Tolerance	VIF	Tolerance	VIF
1	(Constant)				
	X1_Likuiditas	0,559	1,790	0,775	1,290
	X2_Leverage	0,632	1,582	0,820	1,220
	X3_Profitabilitas	0,834	1,200	0,936	1,069

a. Dependent Variable: Y_Financial Distress

Source: SPSS Output (2024)

Based on the results of the multicolhererity test in table 4 above, thetolerance value> 0.10 and the VIF value < 10 both before the pandemic and after the Covid-19 pandemic. So it can be concluded that the data studied is free from symptoms of multicollinearity.

Table 5. Heteroscedasticity Test

Model		Before Covid-19		After Covid-19	
		T	Sig.	T	Sig.
1	(Constant)	4,695	0,000	5,231	0,000
	Liquidity	-1,805	0,076	-1,677	0,099
	Leverage	-1,734	0,088	-0,853	0,397
	Profitability	-0,829	0,410	0,399	0,691

a. Dependent Variable: ABS_RES

Source: SPSS Output (2024)

Based on the results of the heteroscedasticity test in table 5 above, the significance value of each variable was more than 0.05 both before the pandemic and after the Covid-19 pandemic. Therefore, it can be concluded that the data studied are free from the symptoms of heteroscedasticity.

Table 6. Autocorrelation Test

	Du	DW	4-dU
Before Covid-19	1,693	1,846	2,307
After Covid-19	1,693	1,913	2,307

Source: SPSS Output (2024)

Based on the results of the autocorrelation test in table 6 above, the Durbin-Watson value before and after theCovid-19 pandemic was 1.846 and 1.913 respectively, in the range between the dU value and the 4-dU value, which is greater than the dU value (1.693) and smaller than the 4-dU value (2.307). Therefore, it can be concluded that the data studied are free from autocorrelation symptoms.

From the results of the classical assumption test, it can be concluded that the data studied meets all the necessary assumptions. The normality test showed normal distributed residual data with the value of Asymp. Sig. (2-tailed) greater than 0.05. The multicollinearity test showed no signs of multicollinearity because the tolerance value > 0.10 and the VIF value < 10. The heteroscedasticity test also showed the absence of heteroscedasticity symptoms with a significance value greater than 0.05. Finally, the autocorrelation test showed no autocorrelation symptoms with the Durbin-Watson value being within the appropriate range. Thus, all classical assumption tests are declared passed and ready for further analysis.

4.3. Hypothesis Test

Table 7. Test t

Model	Before Covid-19			After Covid-19		
	T_{Count}	Sig.	T_{Table}	T_{Count}	Sig.	T_{Table}
X1_Likuiditas	2,807	0,007	2,001	0,898	0,373	2,001
X2_Leverage	1,412	0,163	2,001	0,633	0,529	2,001
X3_Profitabilitas	6,613	0,000	2,001	35,570	0,000	2,001

Source: SPSS Output (2024)

Based on the results of the t-test in table 7 above, it shows that the liquidity variable before Covid-19 has a significance value of 0.007 < 0.05 andt_{count} value of 2.807 > 2.001, it can be concluded that liquidity before Covid-19 has a significant effect on financial distress, while liquidity after Covid-19 has a significance value of 0.373 > 0.05 and t_{count} value of 0.898 < 2.001, It can be concluded that liquidity after Covid-19 has no significant effect on financial distress. The leverage variable before Covid-19 had a significance value of 0.163 > 0.05 andt_{count} value of 1.412 < 2.001, leverage after Covid-19 had a significance value of 0.529 > 0.05 andt_{count}value of 0.633 < 2.001, it can be concluded that leverage before and after Covid-19 did not have a significant effect on financial distress. The profitability variable before Covid-19 had a significance value of 0.000 < 0.05 andt_{count}value of 6.613 > 2.001, profitability after Covid-19 had a significance value of 0.000 < 0.05 and t_{count}value of 35.570 > 2.001, it can be concluded that profitability before and after Covid-19 had a significant effect on financial distress.

Table 8. Test F

Model		Before Covid-19			After Covid-19		
		F_{Count}	Sig.	F_{Table}	F_{Count}	Sig.	F_{Table}
1	Regression	25,901	0.000b	2,76	456,724	0.000b	2,76
	Residual						
	Total						

Source: SPSS Output (2024)

Based on the results of the F test in table 8 above, it shows that the significance value before Covid-19 has a value of 0.000 < 0.05 and f_{count} value of 25,901 > 2.76, and the significance value after Covid-19 has a value of 0.000 < 0.05 and f_{coumt} value of 456,724 > 2.76 so that it can be concluded that liquidity, leverage, and profitability before and after Covid-19 have a significant effect on financial distress Simultaneously.

Tabel 9. Uji Paired sample t-Test

		Sig. (2-tailed)
Pair 1	Liquidity Before - Liquidity After	0,703
Pair 2	Leverage Before - Leverage After	0,014
Pair 3	Profitability Before - Profitability After	0,205

Source: SPSS Output (2024)

Based on the results of the paired test of the t-test sample, the liquidity variable showed a sig value of 0.703 > 0.05, leverage showed a sig value of 0.014 < 0.05, and profitability had a sig value of 0.205 > 0.05. Therefore, it can be concluded that there is a significant difference between leverage against financial distress before and after Covid-19, while liquidity and profitability there is no significant difference between financial distress before and after Covid-19.

H_1: Liquidity has a significant effect on Financial Distress before and after the Covid-19 pandemic

Lower liquidity values are a clear indication of a company's inability to meet its short-term obligations. Based on the t-test above, liquidity before the Covid-19 pandemic had a significance value of 0.007 less than 0.05 and t_{count} value of 2.807 more than 2.001, which means that liquidity had an effect on financial distressbefore the Covid-19 pandemic. Therefore, the H_1 hypothesis before Covid-19 was accepted. This shows that the company's ability to meet liquidity is closely related to the company's financial health before the Covid-19 pandemic. Meanwhile, liquidity after the Covid-19 pandemic has a significance value of 0.373 greater than 0.05 and t_{count} value of 0.898 is smaller than 2.001, which means that liquidity has no effect on financial distress after the Covid-19 pandemic. Therefore, the H_1 hypothesis after Covid-19 was rejected. Based on research that shows changes in the impact of liquidity on financial difficulties before and after the Covid-19 pandemic, companies need to conduct a more comprehensive assessment of the financial factors that affect their performance.

Before the pandemic, liquidity was the most important factor affecting a company's ability to avoid financial difficulties, but after the pandemic, other external factors such as market changes and government policies became more influential. Therefore, companies are advised to pay attention to potential economic policy uncertainties and strengthen risk management. Although liquidity is no longer an important factor after the pandemic, companies still need to manage their liquidity appropriately to ensure smooth business operations and the ability to meet short-term obligations. In addition, companies also need greater flexibility in their financial decisions so that they can adapt quickly to changing conditions, such as new regulations or changing market demand patterns. This is done so that companies are better prepared to face economic uncertainty and maintain financial stability in the future. This finding is in line with the results of research (Amalia & Sasongko, 2024) which obtained liquidity results that have no effect on financial distress, during the pandemic companies are trying to maintain the financial health of their companies and maintain liquidity to avoid financial difficulties.

H_2: Leverage has a significant effect on Financial Distress before and after the Covid-19 pandemic

The leverage ratio can be used to assess company's ability to meet its financial obligations, where the higher the leverage value, the higher the risk of bankruptcy faced. Leverage before the Covid-19 pandemic had a significance value of 0.163 more than 0.05 with t_{count} value of 1.412 less than 2.001 and leverage after the Covid-19 pandemic had a significance value of 0.529 more than 0.05 with t_{count} value of 0.633 less than 2.001, which means that leverage has no effect on financial distressbefore and after the Covid-19 pandemic. Therefore, the H_2 hypothesis was rejected. This shows that there has been no significant change through the use of debt capital and debt financing both before and after the Covid-19 pandemic. The results of this study are in line with research conducted by (Destiani et al., 2023) which found that leverage has no effect on financial distress, where the size or size of the leverage value does not affect whether the company experiences financial difficulties or not.

Research has shown that companies should reconsider their debt financing strategies due to the lack of a significant impact on financial performance by leverage ratios before and after the Covid-19 pandemic. While debt ratio is an important indicator for assessing bankruptcy risk, the results of this study show that an increase or decrease in debt ratio does not have a direct impact on a company's financial situation if it experiences financial difficulties. Therefore, companies need to focus on comprehensive risk management rather than relying solely on debt structures to maintain financial stability. Financing strategies that rely too heavily on leverage can increase interest expense and reduce financial flexibility, especially during times of economic uncertainty such as the pandemic. In addition, companies must also consider other factors that have a significant impact on their finances, such as operational management, market changes, and government policies that can affect financial performance. While debt financing is important, more comprehensive financial risk management can help companies avoid financial difficulties.

H_3: Profitability has a significant effect on Financial Distress before and after the Covid-19 pandemic

Profitability is used to measure the company's ability to generate profits. The higher the profitability value, the more efficiently a company can utilize assets to generate profits. Profitability before the Covid-19 pandemic has a significance value of 0.000 less than 0.05 with t_{count}value of 6,613 more than 2,001 and profitability after the Covid-19 pandemic has a significance value of 0.000 less than 0.05 with t_{count}value of 35,570 more than 2.001, which means that profitability has an effect on financial distress before and after the Covid-19 pandemic. Therefore, the H_3 hypothesis is accepted. This shows that the company's ability to generate profits has a significant impact on its financial stability, both before and after the Covid-19 pandemic. The results of this study are in line with research conducted by (Efek et al., 2024) which obtained profitability results that affect financial distress during the Covid-19 pandemic.

Based on research showing that profitability has a significant impact on financial performance both before and after the Covid-19 pandemic, companies must continue to focus on improving operational efficiency and profitability. This is because high profitability reflects the company's ability to make optimal use of its assets, which in turn improves financial stability and reduces the risk of financial difficulties. Despite the dramatic changes in the economic landscape caused by the pandemic, businesses with stable profitability will be better able to survive and adapt to new challenges. Therefore, to maintain its financial health in the long term, companies need to continue to innovate, improve cost efficiency, and manage resources carefully. The results also show that profitability plays an important role not only under normal circumstances but also during crises. In times of crisis, profitable companies tend to be better able to face emerging external and internal challenges.

H_4: Liquidity, Leverage, and Profitability simultaneously affect Financial Distress before and after the Covid-19 pandemic

The results of the F test show that the significance value before Covid-19 has a value of 0.000 < 0.05 and f_{count}value of 25,901 > 2.76, and the significance value after Covid-19 has a value of 0.000 < 0.05 and f_{count} value of 456,724 > 2.76, so it can be concluded that liquidity, leverage, and profitability simultaneously have a significant effect on financial distress before and after Covid-19. Therefore, the H_4 hypothesis is accepted. This shows that a company's ability to pay its debt (liquidity), its debt level (leverage), and ability to generate profits (profitability) have a significant impact on whether the company will experience financial difficulties or not.

Based on research that shows that liquidity, leverage, and profitability together have a significant influence on financial distress, companies are urged to manage these three factors carefully and integrally. First, companies need to have enough liquidity to meet their short-term obligations, especially during times of economic instability. Second, leverage management must be done carefully. To avoid the risk of bankruptcy due to large amounts of debt, companies need to regulate the use of debt capital by considering the repayment capacity. Third, companies must focus on increasing profitability through optimizing operational efficiency and innovation to increase revenue and profit and strengthen financial stability. These three factors are interrelated and must be managed together because they affect each other in determining whether a company will experience financial difficulties. In addition, businesses need to be ready to adapt to rapidly changing economic conditions by ensuring they have flexible financial plans and risk mitigation strategies that can mitigate the impact of uncertainty. In this way, companies can be better prepared to face challenges and maintain the continuity of their business activities in the long term.

H_5: There is a difference between Liquidity, Leverage, and Profitability against Financial Distress before and after the Covid-19 pandemic

The results of the paired sample t test of liquidity variables showed a sig value of 0.703 > 0.05, leverage showed a sig value of 0.014 < 0.05, and profitability had a sig value of 0.205 > 0.05. Therefore, it can be concluded that there is a significant difference between leverage against financial distress before and after Covid-19, while liquidity and profitability there is no

significant difference between financial distress before and after Covid-19. This shows that the pandemic can affect the ability of companies to pay debts or manage financial risks, causing an increase in financial distress, while the liquidity and profitability changes are not significant enough to affect financial distress before and after the Covid-19 pandemic.

Based on the findings that the Covid-19 pandemic has affected leverage but has not significantly affected liquidity or profitability in terms of financial difficulties, companies are advised to pay more attention to debt management, especially in times of uncertainty such as the pandemic. High levels of leverage can increase financial risk and exacerbate financial difficulties during major market or economic changes. Therefore, companies need to carefully manage their financing structure to ensure that the debt they take on is commensurate with the company's ability to pay it back in uncertain times. Even if there is no significant change in liquidity and profitability, companies need to ensure that both are in good health to ensure business continuity. Improving operational efficiency and ensuring sufficient liquidity can help companies deal with challenging market conditions. Overall, companies need to have more sophisticated risk management strategies in place to anticipate economic changes and maintain financial stability in the future.

5. CONCLUSION AND SUGGESTION

CONCLUSION

The purpose of this study is to determine the liquidity, leverage, and profitability that affect financial distress before and after the Covid-19 pandemic. The object used in this study is retail companies listed on the Indonesia Stock Exchange (IDX) from 2016 to 2023, with a sample of 22 companies and a total of 63 observations.

From the results and discussions that have been explained, the conclusions in this study are: 1) Liquidity has a significant effect on financial distressbefore the Covid-19 pandemic, but does not have a significant effect on financial distressafter the Covid-19 pandemic in the retail subsector listed on the IDX. 2) Leverage does not have a significant effect on financial distress before and after the Covid-19 pandemic, the retail subsector listed on the IDX. 3) Profitability had a significant effect on financial distress before and after the Covid-19 pandemic in the retail subsector listed on the IDX. 4) Liquidity, leverage, and profitability simultaneously had a significant effect on thefinancial distress before and after the Covid-19 pandemic in the retail subsector listed on the IDX. 5) There was a significant difference between leverage and the financial distress before and after the Covid-19 pandemic, but there was no significant difference between liquidity and profitability towards financial distress before and after the Covid-19 pandemic in the retail sub-sector listed on the Indonesia Stock Exchange.

SUGGESTION

The limitation of this study is that it only uses three independent variables to be researched and only focuses on retail subsector companies listed on the Indonesia Stock Exchange (IDX), so that the findings of this study cannot be widely applied to all industrial sectors or companies that are not listed on the stock exchange. Due to some limitations, there are also some suggestions that can be given for further research, namely using other financial ratio variables so that they can be compared with the financial ratios that have been analyzed in this study, as well as using samples of other companies so that they can get a broader picture of the condition of financial distress in companies in different sectors or industries.

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