INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE, IT & MANAGEMENT

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FINANCIAL DISTRESS AND ITS IMPACT ON STOCK PRICES OF MINING SECTOR FIRMS IN INDONESIA STOCK EXCHANGE

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ABSTRACT

The stock price is one of the factors considered by investors because it related to the company's prospects. Additionally, the analysis of financial distress are also other important factors that influence investors' assessment on the firm. The purpose of this paper is to identify the occurrence of financial distress as well as empirically examine the impact of financial distress, financial characteristics and macroeconomic on stock prices of mining firms as listed on Indonesia Stock Exchange. This paper uses data sourced from seven mining firms listed on Indonesia Stock Exchange (IDX) during the period of 2005 - 2015. Data analysis used panel data regression with fixed effect model. The findings of the research show that there are some firms that have experienced financial difficulties. In addition, the empirical test result shows that financial distress, financial characteristics, and inflation are significantly affecting stock prices. This research examined the impact of stock prices of the mining firms listed on Indonesia Stock Exchange which was assessed from both internal and external factors of the firm.

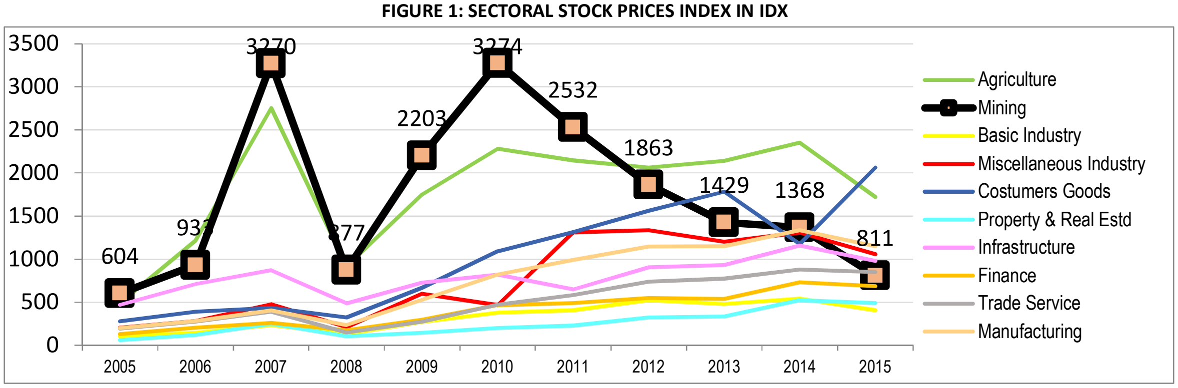
KEYWORDS

financial characteristics, financial distress, macroeconomic, panel data regression, stock prices.

INTRODUCTION

The development of Indonesia capital market throughout 2015 showed a positive achievement accompanied by a number of new records. It can be seen from the increasing number of issuers who enlisting themselves in Indonesia Stock Exchange (IDX), reaching 521 numbers of issuers enlisted on 9 sectors of IDX. The composite stock prices were also reportedly increased by 295 percent in 2015, compared to the stock prices of 2005. The increasing of IDX composite is not regardless of the role of each sector in IDX. Figure 1 shows the stock prices index in all sectors as listed in IDX during the period of 2005 to 2015.

FIGURE 1: SECTORAL STOCK PRICES INDEX IN IDX



Source: Indonesia Stock Exchange Annual Report 2005 – 2015

The development of sectoral stock prices moves quite fluctuating, but the sector that showed a highly fluctuating level occurred in mining and excavation sector. The stock prices index of mining sector continued to decline since the year of 2010 to 2015. Mining sector is considered to be one of the sectors that have an important role in both IDX composite and Indonesia economic growth. This indication is seen from the contribution of the state revenue that is annually increasing. Besides, the mining sector also provides 1.6 to 1.9 multipliers that gives the positive impact to the growth of other sectors and provides employment opportunities for around 34 thousand direct labor. However, the recent stock prices were reportedly continued to decline in each year.

Stock development is one of the things taken notice by external parties including investors and potential investors. This happens because the share prices have a big impact for the firm capability in defraying new investment (Leitner, 2007). Brealey et al (2007) states that firms' performance that makes up firms value is sometimes shaped in accordance with the stock prices. Therefore, a firm should be able to maintain its stock prices at the level which attracts investors' interest, which means that the firm's prospect in generating future profits for the potential investors is promising.

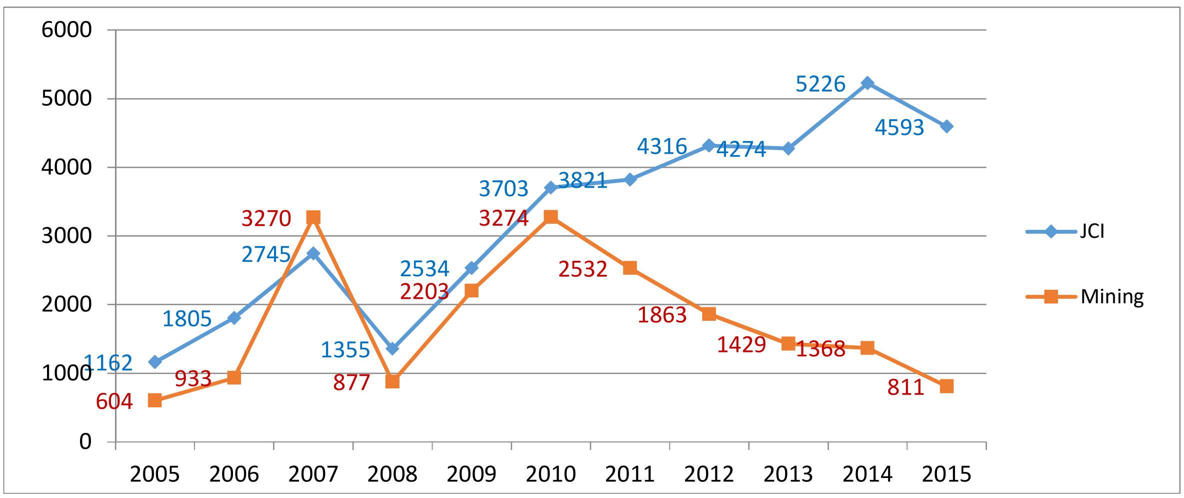
Based on the previous research, there are many factors that could affect stock prices from both internal and external firm. On the internal side, one of the causes of the declined stock prices is the corporate performance that is continually to decline. Firm performance can be assessed from both financial and non financial

aspects. The decline of financial performance or commonly referred to financial distress is one of the aspects that affect the stock prices. Platt and Platt in Fahmi (2012) define financial distress as a stage of declined financial conditions that occurs prior to the onset of bankruptcy or liquidation.
Firms that are experiencing financial distress and are unable to cope with the situation appropriately could potentially terminate their business activities. The information of firm's financial performance, more importantly from firms that are experiencing financial distress, will give impact on the stock prices of those firms. This happens due to the declined investors' confidence on the potential profits to be earned in the future due to the poor financial performance of the firm. However, studies on the impact of financial distress on the stock prices, especially the z score value as the financial distress predictor, is still relatively limited and has not been found in Indonesia. In general, the factors that affect stock prices are examined from either firm's internal or external aspect only.
Research that examined the company's external and internal factors financial distress and its effects on the firm's stock prices is relatively limited. Meanwhile, there are numbers of researches that analyze the impact of macroeconomic variable and financial characteristic on stock prices. Unfortunately, the results are mixed. Research conducted by Dadrasmoghadam and Akbari (2015), Aktas and Unal (2015), Menike and Prabath (2015), revealed that the characteristics of financial profitability share a positive impact towards the stock prices. In contrast, the research result conducted by Supriadi and Arifin (2012) revealed that profitability does not share any impact towards stock prices. On macroeconomic side, Safitri and Kumar (2014) and Chukwudum and Akpan (2014) examined the impact of macroeconomic factors towards the stock prices and revealed that the inflation level does not share any significant impact towards stock prices index. Meanwhile, Khumalo (2013) found that inflation poses a negative significant impact towards the stock prices in South Africa.
This study aims to examine not only the impact of firms' internal factors, firm's characteristics on stock prices, but also the impact of firms' external factors especially the macroeconomic factor towards firms' stock prices. The firms analyzed in this study are mining sector firms as listed in Indonesia Stock Exchange in the period of 2005-2015 which met the criteria to never being indicated on sector-switching or delisting during the period of the study. The data used in this study are secondary data in the form of firm's financial statements and Indonesia macroeconomic data from 2005 to 2015 which were obtained from Indonesia Data Exchange (IDX) and Bank of Indonesia.
This research is expected to give an overview related to factors that are able to be controlled by firms to maintain their stock prices so financial distress can be avoided. The overview is aimed to become an input for investors in understanding the firm's financial condition that varies between firms and changing from time to time, thus it can be taken as a consideration in funds investment. The results of this research is also expected to be the subject of consideration for regulators in determining the policy direction to support the growth of mining business, and more importantly, to support for the better Indonesia capital market development.

REVIEW OF LITERATURE

Capital markets according to the Capital Market Law No. 8 of 1995 is concerned with the activities of the Public Offering and Trading of Securities, Public Company relating to securities issuance, as well as institutions and professions related to the securities. Capital market has an important role for the Indonesian economy. Capital markets functions as business funding or a means for companies to raise funds from the public. Besides the capital market is also a means for people to invest their money. The capital market also has a strategic role as a tool in order to collect and allocate the funds from domestic and overseas. The role of capital markets as a vehicle for the mobilization of these funds is increasingly important given the need for a source of financing a substantial investment in the context of economic development. With the above roles, the capital market presence as one of the non-bank financial institutions which is becoming increasingly important for the development of the overall economy.
There are nine sectors listed in Indonesian capital market or commonly known as Indonesian Stock Exchange, such as Agriculture, Mining, Basic Industry and Chemical, Miscellaneous Industry, Customer Goods, Property Real Estate and Building Construction, Infrastructure Utilities and Transportation, Finance, and Trade Service and Investment.
Figure 2 showed stock price in mining sector ramped up in 2007 and fell in the middle of 2008 as the impact of local financial crisis. This can be conclude from the mining index which surged from 933 in the end of 2006 into 3.270 in the end of 2007 and plummeted into 877 in the end of 2008. During 2009- 2010, stock price in mining sector reflected such parallel trend with Composite Index, of which the occurrence of such increase that led into strong stock index in mining sector by 3.274 in the end of 2010.
But in the beginning 2011, stock index in mining sector continuously dropped, which rose a decline in stock index in mining sector into 811 in the end of 2015. While composite index tended to show an increase during period 2008- 2012 even it should experience one more fall out in 2013, not significant though, in which it started to rise again in 2014. However, the composite index was back to drop into 4.593 in 2015.

FIGURE 2 COMPOSITE INDEX AND STOCK INDEX IN MINING SECTOR



Source: Indonesian Stock Exchange

Mining sector itself consists of 4 (four) subsector, namely: Coal Mining, Oil and Natural Gas Mining, Metals and Other Minerals Mining, Hard core mining. But basically mining is a capital intensive industry, has a long enough period of time, and very thick with risk, it requires that mining companies take advantage of the capital market as a source to obtain funds to finance its operations.
The mining sector (mining) is one sector that is quite attractive for business players. There is growing number of issuers who list themselves in mining sector. This increase occurs because of the new mining stock to be listed in Indonesian Stock Exchange or there are many issuers who move from other sectors into the mining sector, until September 2015, there were 41 companies listed running its business in mining sector.

OBJECTIVES

The main objectives of this paper are:

1. To analyze the financial characteristics of mining sector firms in IDX.
2. To identify the occurrence of financial distress and non-distress of mining sector firms in IDX.
3. To analyze the effect of financial distress, financial characteristics, as well as macroeconomics to the stock price mining sector firms in IDX.

HYPOTHESES

Based on the previous research, the hypothesis of this research are:

1. The z score has positive effect on stock prices of mining sector firms in IDX.
2. The current ratio has positive effect on stock prices of mining sector firms in IDX.
3. The debt ratio has negative effect the share price of mining sector firms in IDX.
4. The earning per share has positive effect on stock prices of mining sector firms in IDX.
5. The return on asset has positive effect on stock prices of mining sector firms in IDX.
6. The inflation has negative effect on stock prices of mining sector firms in IDX.
7. The GDP growth has positive influence on stock prices of mining sector firms in IDX.

RESEARCH METHODOLOGY

DATA DESCRIPTION

The study uses a secondary data quarterly time series from 2005 to 2015. The data used is shows in Table 1.

TABLE 1: TYPE AND SOURCE OF DATA

Variable	Unit	Data Source
Stock Price	Rupiah	Bloomberg
Working Capital / Total Assets	Rasio	Bank Central of Indonesia
Retained Earnings / Total Assets	Rasio	Bank Central of Indonesia
Earnings Before Interest and Taxes / Total Assets	Rasio	Bank Central of Indonesia
Capital Market Value / Total Liabilities	Rasio	Bank Central of Indonesia
Current Ratio	Rasio	Bank Central of Indonesia
Debt ratio	Rasio	Bank Central of Indonesia
Return On Asset	Rasio	Bank Central of Indonesia
Earning Per Share	Rupiah	Bank Central of Indonesia
Inflation	Percent (%)	Bank Central of Indonesia
GDP *growth*	Percent (%)	Bank Central of Indonesia

METHODOLOGY

The object researched are firms in the mining sector in IDX since 2005 to 2015, that published complete financial statements, never experiencing delisting, and never experiencing sector switching during the period of 2005-2015. The numbers of researched firms were seven issuers, i.e. Aneka Tambang Tbk (ANTM), Bumi Resources Tbk (BUMI), Energi Mega Persada Tbk (ENRG), International Nickel Indonesia (INCO),Medco Energi International (MEDC), Tambang Batubara Bukit Asam Tbk (PTBA) and Timah Tbk (TINS).

The research is conducted to analyze financial characteristics, identify the occurrence of financial distress condition and empirically test the impact of financial distress condition, financial characteristics, and macroeconomic towards the stock prices.

1. The financial characteristics analysis method used is the financial ratio, which is obtained from the financial reports of each issuer, i.e. current ratio, debt ratio, return on asset, as well as earning per share.

a. **liquidity ratio value (current ratio)**

(1) $$Current\ Ratio\ = \frac{Current\ Assets}{Current\ Liabilities}$$

b. **leverage ratio value (debt ratio)**

(2) $$Debt\ Ratio\ = \frac{Total\ Liabilities}{Total\ Assets}$$

c. **profitability ratio value (return on asset, earning per share)**

(3) $$Return\ On\ Asset\ = \frac{Net\ Profits}{Total\ Assets}$$

(4) $$Earning\ Per\ Share = \frac{Net\ Profits}{Amount\ of\ Composite\ Stocks}$$

2. Financial distress condition analysis method used was z score Altman model in Kumar dan Kumar (2012), which is formulated as follows:

Z"= 6.56X_1 + 3.26X_2 + 6.72X_3+ 1.05X_4 (5)

In which:

X_1 = *working capital/total assets*,

X_2 = *retained earnings/total assets*,

X_3 = *earnings before interest and taxes/total assets*,

X_4 = *market value equity/book value of total liabilities*

The classifications of a healthy and broken firm based on the value of the modified z score Altman model are

a. If the value of Z"< 1,1, a firm is seen to be bankrupt;
b. If the value of1,1< Z" < 2,6, a firm is seen to be in grey zone (is not able to be determined whether the firm is healthy or suffering from bankruptcy); and
c. If the value of Z">2.6, a firm is seen to be in a good condition (not in a bankrupt condition)

3. The research model used in this study was panel data regression which refers to several studies including researches conducted by Dadrasmoghadam & Akbari (2015), Apergis et al (2011), and Alam & Uddin (2009), conducted to examine firms' internal and external factors that affect stock prices. Thus, the research model is formulated as follows:

$$HS_{it} = \beta_0 + \beta_1 ZSCORE_{it} + \beta_2\, CR_{it} + \beta_3\, DR_{it} + \beta_4\, ROA_{it} + \beta_5 EPS_{it} + \beta_6\, INF_{it} + \beta_7 GDP_{it} + e_{it} \quad (6)$$

Description:

HS are stock price, $_i$ means the order of the observed firm, $_t$ means period (timeline), β_0 are *intercept* (constant), $\beta_1 - \beta_7$ are coefficient regression, e means *error,* CR are for ratio of current assets against current liabilities, DR are for ratio of total liabilities against total assets, ROA are for ratio of net income against total assets, EPS are for earnings per share (rupiah), INF are for inflation rate (%), GDP are for economic growth (%)

RESULT & DISCUSSION

FINANCIAL CHARACTERISTICS ANALYSIS

Table 2 shows that issuer with the highest current ratio (CR) value is ANTM with the level of 11.13 in the period of 2012, while issuer with the lowest value is BUMI, in the level of 0.13. The low CR value experienced by BUMI shows that BUMI's ability in meeting its short-term liabilities is relatively low. This could share a bad impact on the failure in paying liabilities and in the future may cause harm to the firm. The low CR value resulted from the increased current liabilities which is greater than the current assets of the firm. The CR average value for all issuers is 2.77, however if seen from the average value between issuer, BUMI and ENRG are issuers with the average value far below the average value of the overall issuers.

Debt Ratio (DR) is a comparison of the total assets and debts. Based on the calculations result, it is revealed that issuers with relatively low debt usage are INCO and ANTM, with debt level of 0.14 and 0.15. Meanwhile, issuer with gradually increased DR is experienced by BUMI which reached the level of 1.36 in the period of 2015. The increasing DR number experienced by BUMI is caused by the depreciation of the firm assets and also the increasing firm's total liabilities. Increasing liabilities level experienced by BUMI also includes the increasing of issuers' current liabilities that also lowers the CR ability. The increasing of overall liability experienced by BUMI occurred in 2010-2015, this due to the increasing of substantial business debt for third parties and related parties.

Financial characteristics observed based on the return on assets (ROA) and earnings per share (EPS), each have the average value of 9.64 and 281.48 for overall issuers. Whereas, if observed based on the average value of each issuer, BUMI, ENRG and MEDC are issuers with the average ROA acquisition below the average value of the overall issuers. This condition occurred due to the ROA of the three issuers tended to decline, due to the declined firm's net profit. Aligned with this finding, according to the annual report of the respective issuers, this decline occurred due to the declining sales revenue, declining coal demand since the last few years causes the decline in average sales prices, weak exchange rate, as well as the rising production costs.

Issuers that were able to maintain the ROA value to be relatively stable are PTBA, though in the period of 2012-2015 the firm's ROA value tended to show a decline. This due to the firm's records that showed a decreasing firm's net profit throughout the years of 2012-2015, while the total assets of the firm was increased. It is in an accordance with the information served in the annual reports that the decline in net profit was caused by a decrease in the average both domestic and export selling price of the firm's coal. INCO is also issuer with a higher ROA and EPS values, compared to other issuers that were also experiencing a decline in the late period. The ROA decline was caused by the declined firms' net income, compared to the continually increased total assets. Besides, the INCO annual report revealed that the decline of the net income is the reflection of the lowering sales margin per unit nickel in matte, along with the lowering average sales price and the sales volume. Meanwhile, the INCO earning per share tended to decline due to the number of the composite stocks that were experiencing a significant increase.

TABLE 2: DESCRIPTIVE STATISTICS OF THE FINANCIAL CHARACTERISTICS OF THE RESPECTIVE ISSUERS

No.	Firm Code	CR	DR	ROA	EPS
1	ANTM	4.35	0.34	12.87	139.73
2	BUMI	0.93	0.85	2.72	37.73
3	ENRG	1.16	0.66	0.04	2.22
4	INCO	4.16	0.23	16.03	867.36
5	MEDC	2.16	0.64	2.92	92.71
6	PTBA	4.13	0.31	21.29	492.62
7	TINS	2.56	0.36	11.59	338.04
Average		2.77	0.48	9.64	281.48
Deviation Std.		1.84499	0.24074	12.56416	801.56726

FINANCIAL DISTRESS CONDITION ANALYSIS

Based on the data analysis results as served in table 3, it is seen tha the z score maximum value is generated by INCO in the number of 37.96 while the z score minimum value (10.00) is generated by BUMI in the period of 2015 that indicates that BUMI was experiencing financial distress condition. The average zscore value of the overall issuers is 6.97 with deviation standard of 7.28 that indicates that there is significant diversity between the z score value of each issuer. BUMI and ENRG are firms that were most frequently experiencing financial distress during the period of 2005-2015. This due to the significant decline of the stock market value of the composite stocks compared to the amount of the liabilities that are continually increased. The increase of the liabilities includes the increase of the current liabilities as well as the long-term liabilities.

In addition, BUMI and ENRG are issuers with a never-suspend history in Indonesia Stock Exchange. BUMI was experiencing four times of suspend conditions on October 7– November 6 2008, October 10-18 2013, June 11-12 2014, and September 25–October 7 2014. BUMI tended to experience financial distress condition since June 2012 to 2015. Meanwhile, ENRG was experiencing two times of suspend conditions, on October 8–November 18 2008 and May 14–15 2009. In line with that, the ENRG financial distress condition tended to perform in a higher frequency since late 2008 until 2015.

Financial distress condition experienced by BUMI and ENRG are mainly caused by the company's total liabilities that are continually increasing in each period. Besides, the z score value of each firm that shows the distress or non distress condition could also affect other financial characteristics aspects. It is seen that issuers with lower z score value potentially lead to experience financial distress. It is due to the relatively low CR value and the relatively high DR value condition, in which it is influenced by debt issuers themselves.

TABLE 3: DESCRIPTIVE STATISTICS OF THE Z SCORE VALUE OF THE RESPECTIVE ISSUERS

No.	Firm Code	Z – Score
1	ANTM	8.64
2	BUMI	0.95
3	ENRG	0.76
4	INCO	10.07
5	MEDC	3.11
6	PTBA	17.78
7	TINS	7.49
Average		6.97
Deviation Std.		7.28767

THE ANALYSIS OF THE IMPACT OF FINANCIAL DISTRESS CONDITION, FINANCIAL CHARACTERISTICS AND MACROECONOMIC TOWARDS SHARE PRICES

The feasibility (goodness of fit) of the employed regression model was first assessed before examining the impact of each independent variable towards the dependent variable. The result of data processing with e views 9 shows that the R-squared value is 0.805046, indicates that the independent model used (financial distress, financial characteristics and macroeconomic) are able to explain the dependent variables (stock prices) amounted to 80.5%. The assessment of each impact of financial distress, financial characteristics and macroeconomic towards stock prices is served in Table 4.

TABLE 4: THE IMPACT OF FINANCIAL DISTRESS CONDITION, FINANCIAL CHARACTERISTICS AND MACROECONOMIC TOWARDS STOCK PRICES

	Variable	Coefficient	Prob.
Constant	C	6.906177	0.0000
Financial Distress Condition	ZSCORE	0.084519	0.0000***
Financial Characteristics	CR	-0.000545	0.0302**
	DR	-0.008890	0.0891*
	ROA	0.012987	0.0025***
	EPS	0.077153	0.0590*
Macroeconomic	INFLASI	-0.023466	0.0120**
	GDP	0.068274	0.2123

Description: ***= significant at (∝) = 1%, **= significant at (∝) = 5%, *= significant at (∝) = 10%

Source: Data processing result with Eviews 9

Table 4 shows that the financial distress condition (zscore) and profitability (return on asset) share a significant impact towards stock prices of mining sectors with the error tolerance level (α) of 1%. While liquidity (current ratio) and inflation share a significant impact towards stock prices of mining sectors with the error tolerance level (α) of 5%. While solvency (debt ratio) and profitability (earning per share) share a significant impact towards stock prices of mining sectors with the error tolerance level (α) of 10%.

The financial distress condition variable (zscore) share a significant impact and have a positive coefficient towards stock prices of mining sectors. The zscore value which is a combination of number of financial ratios in the financial statements is considered to be able to serve as one of information for assessing the financial condition of issuers that is useful for investors, before eventually going to affect investors' decisions thus causing changes in stock prices. The better the issuers' financial condition (high zscore) indicates a positive signal to investors to invest in the form of shares to the issuer. Signaling theory also suggests that the quality of investor decisions is influenced by the quality of the information disclosed by the firm in their financial statements.

The current ratio variable shares a negative significant impact towards stock prices. The negative impact between current ratio towards stock prices is rarely found, yet this condition may occur since a prudence process is required in interpreting the issuer's CR value. The low CR level is commonly seen as a condition where the firm is experiencing liquidity problems. However, the CR value that is too high does not always be considered as good, because the too-high CR value can also be interpreted by investors as a sign that:

1. The cash value within the firm is relatively too high, that the issuer is seen to not perform a good investment.
2. The firm's accounts receivable value is too high, yet most of them are not collectible.
3. The supplies value is not saleable.

Debt ratio variable shares a negative significant impact towards stock prices of mining sector. Debt Ratio (DR) is used to measure the extent of firm's total assets that are financed with debt. The higher the ratio, the greater the amount of capital loans that is used for investment in assets to generate profits for the firm. The higher the debt is, the higher the risks tendency will be. According to Brigham Houston (2010), the lower the risk issued by the issuer is, the higher the stock prices will be. This also corresponds to the pecking order theory that suggests that the order of preference of the funds usage is from internal to external parties so that the increasing debt ratio is not in line with the rise in issuers' stock prices.

Return on assets shares a positive significant impact towards the stock prices. The research result is in line with the theory of Modligani and Miller which suggests that the value of a firm is determined by the earning power of the firm's assets. The positive ROA value indicates the more efficient the asset turnover so that the profits earned by the issuers are increased thus attract investors' interest that finally raise the stock prices. Moreover, based on the random walk theory, the information about the high level of return on asset indicates an efficient assets management thus it will be able to maximize the firm's value and also raise their stock prices. Brigham and Houston (2010) stated that firms with good performance lead to a good profit and a continually rising stock price.

Earning per share variable shares a positive significant impact towards the stock prices of the mining sectors. One reason for the investors to make stocks investments to certain issuer is related to the potentially obtained benefits, including dividends. If the earning per share value is small, the possibility for issuers to distribute dividends on investors will be small. Investors will tend to choose stocks option with high earning per share than those with the low one. Low earning per share will likely tend to make the share prices to decline. This is in accordance with Brigham Houston (2010) statement that suggests that if the presented earning per share is high, it will cause the firm's stock price to be high.

Inflation variable shares a negative significant impact towards the stock prices of mining sectors. This because, when the inflation begin to raise uncontrollably, the impact is that the operational costs of the firms became increasingly rising. As a result, net income of the issuers will potentially decline, thus the stock prices flow follows to decline. This relates to the decision of each investor in making investment to gain profits either in the long term or short term.

RECOMMENDATION / SUGGESTION

According to analysis carried out on the variables that affect the price of mining stocks can be formulated several managerial implications that can be done by the management company, investors and regulators or the government to continue to encourage investments in the mining sector in BEI.

a. For firm's management

In order to increase the stock price or maintain the stock price at a good level, the companies are required to consider the factors that affect stock prices. All factors that affect the stock price should be able to be managed well by the company to the company's goals for the prosperity of shareholders can be achieved. Accordingly, based on the findings of the study, the company should be able to maintain financial condition in order to avoid financial distress. BUMI and ENRG as issuers who often experience financial distress are expected to manage the debt policy better. It is associated with a relatively low value indicating zscore issuers experiencing financial distress.

b. For investor

Based on the results of research and analysis of financial distress influence on stock prices has been done, it is known that the variables that affect the stock price significantly is the z score, debt ratio, current ratio, return on assets, and earnings per share as an internal indicator. While external factors are inflation that is capable of affecting the stock price significantly. With so for investors who invest in the short term and long term can be taken into consideration in making investment decisions by looking at the indicators that exist in the financial statements in order to assist investors in realizing the expectations on the investment made. Those indicators include financial characteristics including ROA and EPS are able to be created by the issuer. In addition zscore high value indicates that did not happen on the issuer's financial distress can also be used as a reference in the decision of investors.

c. For regulator

Based on the research results show that the issuer with financial distress in a sustainable manner is BUMI and ENRG. Moreover, if viewed by history of stock trading at the Indonesian Stock Exchange, both companies are also a couple of times to get suspended from the Exchange. Therefore, the regulator is expected to provide the right policy for trade creation effect an orderly, fair and efficient sustainable as the mining sector to be one of the driving economics sectors in

Indonesia. Seeing the financial distress that keeps experienced by both issuers, regulators may consider delisting policy to both issuers. In addition, regulators may also consider the policy to suspend both companies.

CONCLUSIONS
This study presents an analysis of financial ratios and empirical examination of whether the condition of financial distress is able to affect the stock prices of mining sector firms listed in Indonesia Stock Exchange in the period of 2005-2015. This research employed current ratio, debt ratio, return on asset, and earnings per share models. In addition, this research also employed z score Altman ratio model to identify the financial distress condition which further being examined to see its impact towards the stock prices.

The findings of this research show that BUMI and ENRG are firms with relatively less good performance proven by the financial characteristics (current ratio, debt ratio, return on asset, and earnings per share). In corresponds with that, in the analysis of financial distress condition, PTBA, TINS, and INCO are indicated as firms that were never experiencing financial distress condition during the period of the study. Meanwhile, BUMI and ENRG are firms that were frequently experiencing financial distress condition. The empirical test results revealed that z score, return on assets, and earnings per share have a positive and significant impact towards stock prices. Meanwhile, current ratio, debt ratio, and inflation, share a negative significant impact towards the stock prices. The suggestion to investor is to use z score as one consideration on investment decision.

LIMITATIONS
The research was limited to a few companies in the mining sector listed on the Indonesia Stock Exchange 2005-2015 period and measurement of financial distress only use the modification of Altman z score models.

SCOPE FOR FURTHER RESEARCH
In future research to do the following things:

a. Conduct research using other models of financial distress.
b. Re-do some research on each sector, so that can know the factors that affect stock prices associated with the characteristics or the uniqueness of each sector.
c. Moreover, it can also do research that separates mining company based on capital ownership (foreign capital enterprise / FDI and domestic investment / domestic) so as to provide clearer inputs to the government related to the determination of policy on mining or energy sectors.

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