Review of Accounting, Finance and Governance

Journal homepage: https://akuntansi.pnp.ac.id/rafgo

The Effect of Covid-19 in The Year 2 on Financial Ratio Analysis: Evidence From Companies Listed on Indonesia Stock Exchange

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ARTICLE INFO

Keywords:
Assets
Liabilities
Equity
Sales
Earning Before Tax

Received : 10 July 2021
Accepted : 22 July 2021
Published : 29 July 2021

ABSTRACT

The purpose of this research is to describe how companies in Indonesia handling the situation in the year 2 of covid-19. Period used in this study is in 2021. Component in financial statement is processed to have better understanding whether companies manages operating situation by analyzing informations of assets, liabilities, equity, sales and earning before tax. The results show that companies in Indonesia still manage to provide good operating situation by utilizing their assets to gain profit in year 2 of covid-19.

Introduction

Covid-19 has changed the way human interact each other. People need to adapt to survive in this pandamic situation. Large portion of population lose their job. Some who did not loose their job most of the occupation by supporting lives of people by supporting physical distancing. One of example is telecommunication servie. These type of companies supporting indonesian people to live by keeping safe distance one to another. In Indonesia there are only six companies which run telecommunication service.

In January 2021, restrictions on community activities related to the discipline of civil servants will be enforced. This circular was issued so that the pandemic that occurred in Indonesia, which had entered its second year, could reduce the impact of deaths due to the pandemic. This circular was issued to regulate all ASN to be able to work from home or work from office. This regulation results in some people who are affected by this regulation being required to use information technology facilities by using the internet to return to work in the office by prioritizing occupational health and safety. Companies in the telecommunications sector that have provided internet provision services to support work from home in 2020. Will companies in this sector be able to increase company value after the implementation of restrictions on community activities. Therefore, the researcher wishes to see a picture of the financial performance of an increase in debt or the use of assets to gain profits in the telecommunications sector.

By using the inforamation of financial statement, they are assets, liabilites, equity, sales and earning befor tax, researchers will take profitability ratios, liquidity ratios, and solvency ratios. The selection of these three financial ratios to estimate the level of financial distress of the company, results of operations, current and future financial conditions, describes the results of management performance, and as a measure of the effectiveness of investments by investors. The financial ratio variables used are ROA, ROE, CR, and DER. Fitra (2016) uses financial performance and macroeconomic factors that affect stock returns and Fitra (2019) uses profitability ratios, liquidity ratios and solvency ratios in his research on Analysis of the Impact of Bureaucratic Reform Circular Letter Number 34 of 2020 on Company Financial Performance. The research method used in this research is descriptive quantitative where the variables used are debt to equity ratio, total asset turnover, and return on assets. Of the three ratios, changes that occur in 2021 will be measured using the sampling time limit, namely before and after.

Literature Review

The objectives of measuring the company's financial performance (Munawir, 2012) are:

1. Knowing the level of liquidity. Liquidity shows the ability of a company to meet financial obligations that must be settled immediately when billed.
2. Knowing the level of solvency. Solvency shows the company's ability to meet its financial obligations if the company is liquidated, both short-term and long-term.
3. Knowing the level of profitability. Profitability or what is often referred to as profitability shows the company's ability to generate profits during a certain period.
4. Knowing the level of stability. Stability shows the company's ability to carry out its business in a stable manner, which is measured by considering the company's ability to pay its debts and pay interest on its debts on time.

For investors, information regarding the company's financial performance can be used to determine whether to maintain investment in a company that has invested in the previous capital, or need to find another company as an alternative. If the company's performance is good, then the value of the company will increase. With the increase in the value of the company, investors should be interested in providing their capital which will end up with an increase in stock prices.

For companies, knowledge of financial performance can be used for the following purposes:

1. Measuring the achievement of the company in a period that reflects the level of success of the company's activities
2. Financial performance can be used to measure the level of the company's contribution in achieving its goals.
3. Can be used as a basis for determining the company's future strategy.
4. Become a tool in making decisions in general organizational activities and several other divisions within the company.
5. As the basis for investment policies to increase company efficiency and productivity.

The company's health level is an illustration of financial performance (Sutrisno, 2009). Financial performance is the financial condition of the period in the field of raising funds, distributing funds which are usually measured through indicators of capital adequacy, liquidity, and profitability (Jumingan, 2006). The analysis that can be applied to see how far the company has implemented financial regulations is financial performance. This is a must to implement, the company's resources can be used optimally in the face of dynamic environmental changes (Fahmi, 2011).

Data Collection

The sample of this paper consists of 6 companies listing in indonesia stock exchange in the year of 2021 and run in telecommunication sector, the emited code for these compnies are BTEL, EXCL, FREN, ISAT, JAST, and TLKM.

Table 1. Variable datas in quarter 1

No.	Code	Assets	Liabilities	Equity	Sales	EBT
1	BTEL	4.54	9,673.00	(9,668.00)	8.10	(62.00)
2	EXCL	67,745.00	48,607.00	19,137.00	26,009.00	146.00
3	FREN	38,684.00	26,318.00	12,366.00	9,408.00	(1,597.00)
4	ISAT	62,779.00	49,865.00	12,913.00	27,926.00	(600.00)
5	JAST	132.00	66.00	66.00	43.00	(0.52)
6	TLKM	233,219.00	115,330.00	117,889.00	99,941.00	29,754.00

Table 2. Variable datas in quarter 2

No.	Code	Assets	Liabilities	Equity	Sales	EBT
1	BTEL	3.82	11,335.00	(11,331.00)	2.68	(27.00)
2	EXCL	65,932.00	46,462.00	19,469.00	6,247.00	389.00
3	FREN	38,746.00	26,776.00	11,969.00	2,406.00	(496.00)
4	ISAT	62,891.00	49,745.00	13,146.00	7,345.00	300.00
5	JAST	109.00	56.00	53.00	12.00	(4.42)
6	TLKM	257,848.00	129,950.00	127,898.00	33,945.00	10,816.00

Data Processing

Data is collected is processed to be debt to equity Ratio, return on assets and total assets turnover. Debt to equtiy ratio ratio is used to evaluate a company's financial leverage and is calculated by dividing a company's total liabilities by its shareholder equity. Debt to equity ratio is an important metric used in corporate finance. It is a measure of the degree to which a company is financing its operations through debt versus wholly owned funds. More specifically, it reflects the ability of shareholder equity to cover all outstanding debts in the event of a business downturn.

The term return on assets refers to a financial ratio that indicates how profitable a company is in relation to its total assets. Corporate management, analysts, and investors can use return on assets to determine how efficiently a company uses its assets to generate a profit. The metric is commonly expressed as a percentage by using a company's net income and its average assets. A higher return on assets means a company is more efficient and productive at managing its balance sheet to generate profits while a lower return on assets indicates there is room for improvement.

Total assets turnover measures the value of a company's sales or revenues relative to the value of its assets. The asset turnover ratio can be used as an indicator of the efficiency with which a company is using its assets to generate revenue. The higher the asset turnover ratio, the more efficient a company is at generating revenue from its assets. Conversely, if a company has a low asset turnover ratio, it indicates it is not efficiently using its assets to generate sales.

Results

Skewness ratio is sought in Debt to equtiy ratio, return on asset and total assets turn over. After that different test is applied to those variables. Which further results that for debt to equity ratio, return on assets, they have Asymp, Sig (2-tailed) more than 0.05 but not for Total Assets turnover Here is the result:

Table 3. Assymp Sig (2-tailed)

Variables	Assymp Sig (2-tailed)
Debt to equity ratio	0.810
Return on assets	0.917
Total assets turnover	0.009

As for more information here is Mean Variable for each variable:

Table 4. Mean Rank

Variables	Quarter 1	Quarter 2
Debt to equity ratio	6.25	6.75
Return on assets	5.6	5.4
Total assets turnover	8	3

After all datas analyzed, debt to equity ratio and return on assets does not have significant results. Total assets turnover has significant result. In mean rank, there is fining that total assets turnover is significantly lower in quater 2.

Conclusion

In the year 2 of covid-19, there is up and down running business during the outbreak. However, companies that run telecommunication service has steady built in pandemic of covid-19. In data collection, there is finding that their sales significanty dropped in quater 2 of 2021. However the debt and net income is stable. We can conclude that companies have more sales because they have less margin contribution. This will make more sales but less profit and higher income.

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