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Solvency Analysis of PT Aneka Tambang Tbk. Before and During the Covid-19 Pandemic

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ABSTRACT

This study aims to analyze the increase or decrease in the solvency ability of PT Aneka Tambang Tbk. This research is important to know the impact of the Covid-19 pandemic. The solvency ability of this study was measured by the Debt to Assets Ratio (DAR), Debt to Equity Ratio (DER), and Long-Term Debt to Equity Ratio (LTDER). This research is included in a descriptive study with secondary data in the form of company financial statements for 2017-2021 which were obtained by literature and documentation studies. The analytical technique used in this research is a comparative descriptive analysis between years and also compares the average achievements of the industry. The results showed that there was an increase in the company's solvency ability during the Covid-19 pandemic when compared to the value of the DAR, DER, and LTDER ratios before the Covid-19 pandemic, this indicates that the company is able to improve financial performance in the midst of a pandemic which has been considered the cause occurrence of a financial crisis. In addition, referring to the industry average, the company's DAR value is poor because it is above the average, while the DER and LTDER values are classified as good because they are below the industry average. The results of this study are expected to be developed by further researchers and used as consideration for related parties.

Keywords: Covid-19, DAR, DER, LTDER, Ratio Analysis, Solvency

INTRODUCTION

It is known that Covid-19 started entering Indonesia on March 2, 2020, then was declared by the World Health Organization (WHO) as a pandemic on March 9, 2020 because its spread was not only in one geographical area but almost throughout the world. The existence of the Covid-19 pandemic in the midst of life has had various impacts, both directly and indirectly, in all fields, one of which is the business sector. The Covid-19 pandemic has caused business actors to experience financial difficulties which are enough to threaten the continuity (going concern) of their business according to Kusniawanti et al. (2021), Nada et al. (2021), and Suwadji et al. (2021). This is proven by the list of names of large companies that had to close their businesses in the midst of the pandemic.

From the various types of businesses that exist, mining is one of the businesses affected by the pandemic. According to the Special Staff of the Minister of Energy and Mineral Resources for Mineral and Coal Governance, one of the impacts of the pandemic on mining businesses is causing a significant decline in investment due to the cessation of various projects (Mulyana, 2020). Apart from that, according to Kurniawan (2020), based on an APBI study, Indonesia is one of the coal supplier countries that experiences losses of an estimated 52% and is in the top third. The Intermediate Policy Analyst of the Directorate General of Mineral and Coal at the Ministry of Energy and Mineral Resources stated that the Covid-19 pandemic caused a decrease in demand, a decrease in coal prices.

PT Aneka Tambang Tbk. is one of the State-Owned Enterprises (BUMN) listed on the Indonesia Stock Exchange with the main business sector being Metal and Mineral Mining. As a mining company, ANTAM also experienced the same impact as other mining companies. Based on the 2020 ANTAM Annual Report, the policy issued by the government to avoid crowds caused a crisis in the mining and commodity processing industry, production operations, shipping and project completion, because mining is a labor-intensive activity so of course it will cause crowds. This condition then raises the question “is the company experiencing an increase or decrease in its solvency capabilities amidst the crisis that occurred during the Covid-19 pandemic?”.

As one of the companies listed on the Indonesian Stock Exchange, questions regarding the company’s solvency are very important and determine the decisions that investors will take. Therefore, this research is important and the aim of determining the decline or increase in the company’s solvency ability during the Covid-19 pandemic by comparing it to the Company’s solvency ability before the Covid-19 pandemic occurred. It is hoped that the results of this research can become a reference and be developed by future researchers, as well as being used as material for consideration by internal and external parties related to the company.

LITERATURE REVIEW

Financial Report (Financial Statement)

Reffers to PSAK No. 1 (Institute of Indonesia Chartered Accountants [IAI], 2009), Lumenta et al. (2021) explained financial reports can be defined as a structured presentation of the financial position and performance of an entity with the aim of providing useful information for users in making economic decisions.

Financial reports consist of five types, namely: (1) A statement of financial position or balance sheet (Jusup, 2011); (2) An income statement is a financial report that provides information related to the balance of income, expenses and profit or loss owned by a company in a certain period (Weygandt et al., 2019); (3) Report of changes in equity or capital (Jusup, 2011); (4) Cash flow report (statement of cash flows) (Weygandt et al., 2019); and (5) Notes to financial statements (notes of financial statements), are narrative explanations of the accounts contained in the financial statements.

According to Prihadi (2019), the main targets in forming financial reports are investors and creditors. Investors and creditors will generally analyze the financial statements of a company to obtain information so that appropriate decisions can be made and it is hoped that this will provide benefits for them in the future. The information in question relates to achieving company targets (Kusniawanti et al., 2021).

Financial Performance

Financial performance functions as a benchmark for management's success in making decisions and therefore financial performance can influence the decisions of investors and creditors (Tyas, 2020; Wahyuni & Suryakusuma, 2018). According to Kusniawanti et al. (2021), financial performance assessment is quite important to gain an understanding of the level of effectiveness and efficiency of a company. Financial performance measurement can be done by utilizing various analytical tools, such as comparative analysis, common-size analysis, ratio analysis, cash flow analysis, and assessment (Sumbramanyam, 2018). The use of ratio analysis as a tool for measuring financial performance is in line with previous research, including those conducted by Anggraini & Handarani (2017), Tyas (2020), Lumenta et al. (2021), Shintia (2017), and Aringga et al. (2017).

Financial Ratios

According to Tyas (2020), financial ratios have a close relationship with financial performance and have different uses for each type of ratio. Financial ratios consist of four groups, namely liquidity ratio, solvency ratio, activity ratio, and profitability ratio.

Solvency

Solvency is one of the ratios that can be used in measuring the financial performance of a company, this is in line with the research carried out on financial performance by calculating solvency which has been carried out previously, among others, by Anggraini & Handarani (2017), Shintia, (2017), Trianto (2017), Wahyuni & Suryakusuma (2018), Tyas (2020), and Riduan et al (2021). Information related to solvency ratios is quite important for both internal and external parties of the company. According to (Shintia, 2017) calculating the solvency ratio provides information regarding the proportion of use of personal capital or loans and the ability to fulfill obligations held.

RESEARCH METHOD

Research Design

Based on the problem formulation and research objectives described previously, it can be seen that this research is included in a descriptive study. In this research, a descriptive study was carried out by collecting data related to the solvency of PT Aneka Tambang Tbk. to explain whether there are differences in company solvency due to an event, namely the Covid-19 pandemic.

Operational Definition and Variable Measurement

Based on the problems that will be raised in this research, the variables used are the three types of solvency ratios, namely Debt to Assets Ratio (DAR), Debt to Equity Ratio (DER), and Long-Term Debt to Equity Ratio (LTDER). This is in line with Kasmir in Anggraini and Handarani (2017) who states that solvency consists of 3 types of ratios, namely as follows.

Debt to Assets Ratio (DAR)

According to Shintia (2017), DAR is a ratio used to measure the proportion of debt in financing assets owned by the company.

***Debt to Equity Ratio* (DER)**

According to Kasmir in Trianto (2017), DER is a ratio used to measure the ratio between the company's debt and the company’s capital so that information can be obtained regarding the proportion of capital used as collateral for the company's debt in both the short and long term.

Long Term Debt to Equity Ratio

According to Shintia (2017), LTDER is a ratio calculated to obtain information regarding the proportion of capital used as collateral for the company’s long-term debt.

Research Sample

Based on the problems that will be raised in this research, the sample for this research is PT Aneka Tambang Tbk as one of the mining companies established in Indonesia and listed on the Indonesian Stock Exchange (BEI) so that its financial information can be obtained publicly.

Data Collection Technique

In this research the data used is secondary data. Secondary data can be interpreted as information collected by someone, in this case not the researcher who is currently conducting the research (Bougie & Sekaran, 2019). The data is in the form of PT Aneka Tambang Tbk’s financial reports. 2017 – 2021, which was obtained through the official website of the Indonesia Stock Exchange (BEI), namely www.idx.co.id and the official website managed by the company.

The data collection technique used is literature study and documentation.

Data Analysis Technique

The data analysis technique used is descriptive analysis. In this research, the thoughts expressed are based on the theory of solvency ratio analysis of PT Aneka Tambang Tbk’s financial report data and then compare the solvency ratio before and during the pandemic to determine whether there has been an increase or decrease in the company’s solvency ability as an illustration of the company’s performance.

RESULTS

Description of Financial Data

The data required is the balance of asset accounts, long-term debt, debt and equity of PT Aneka Tambang Tbk. to carry out calculations on DAR, DER, and LTDER obtained via the company's official website, with detailed data as follows:

Table 1. Financial Data of PT Aneka Tambang Tbk. 2017 – 2021 (Expressed in Millions of Rupiah)

Account	2017	2018	2019	2020	2021
Asset	28,798,635	32,195,351	30,194,908	31,729,513	32,916,154
Long-term debt	6,086,901	8,185,053	6,768,250	5,136,803	5,516,673
Debt	11,635,517	13,746,985	12,061,489	12,690,064	12,079,056
Equity	17,163,119	18,448,366	18,133,419	19,039,449	20,837,098

Source: Processed Data (2022).

Data for 2017 is included in the ratio calculation as a comparison to find out whether in 2018 there was an increase or decrease, so that every year (2018 - 2021) we can know the movement of the solvency ratios that are being observed. Financial data for 2018 and 2019 illustrates the company's solvency capabilities before the Covid-19 pandemic, while 2020 and 2021 illustrate the company's solvency capabilities after the Covid-19 pandemic.

Debt to Assets Ratio (DAR)

The following are the results of calculating the DAR value based on the data available in the company's financial statements for 2017 - 2021, complete with status in the form of an increase or decrease in DAR as a result of comparison with the previous year, and the difference between the increase or decrease that occurred as follows.

Table 2. DAR PT Aneka Tambang Tbk. 2017 – 2021

Information	2017	2018	2019	2020	Year 2021
DAR	40.40%	42.70%	39.95%	39.99%	36.70%
Status	-	Increase	Decrease	Increase	Decrease
Difference	-	2.30%	-2.75%	0.05%	-3.30%

Source: Processed Data (2022).

Based on table 2, PT Aneka Tambang's DAR experienced an increase in 2018 (> 2.30%) and 2020 (> 0.05%), while a decrease occurred in 2019 (< 2.75%) and 2021 (< 3.30%). According to Kasmir in Anggraini and Handarani (2017) the industry standard for Debt to Assets Ratio (DAR) is 35%. Meanwhile, based on table 2, the DAR for 2018, 2019, 2020, and 2021 has values above the industry average (> 7.70%, > 4.95%, > 4.99%, and > 1.70%).

The results above show that the company had a smaller DAR value during the Covid-19 pandemic, although there was an increase in 2020, the value was still lower compared to 2018 (before the pandemic). This shows that the company has experienced an increase in its solvency ability, although its solvency ability cannot yet be categorized as good because until 2021 the company's DAR value is still above the industry average.

Long term debt to equity is a comparison the amount of long-term debt to equity. The LTDE ratio is a ratio which is used to measure size small long-term debt compared to own capital. Long the Term Debt to Equity Ratio is the ratio between long-term debt and own capital, the purpose of which is used for measure how much ability own capital that can be used for meet long-term debt.

Debt to Equity Ratio (DER)
The using a current ratio measuring instrument. The current ratio or current ratio is the ratio used to measure the company's ability to fulfill short-term debt with using its current assets (Hanafi & Halim, 2012). Current ratio can be measured by comparing between the amount of current assets its current debt following are the results of calculating the DER value based on the data available in the company's financial reports for 2017 - 2021, complete with the status in the form of an increase or decrease in the DER as a result of comparison with the previous year, and the difference between the increase or decrease that occurred as follows.

Table 3. DER of PT Aneka Tambang Tbk. 2017 – 2021

Information	2017	2018	2019	2020	Year 2021
DER	67.79%	74.52%	66.52%	66.65%	57.97%
Status	-	Increase	Decrease	Increase	Decrease
Difference	-	6.72%	-8.00%	0.14%	-8.68%

Source: Processed Data (2022).

Based on table 3, PT Aneka Tambang's DER experienced an increase in 2018 (> 6.72%) and 2020 (> 0.14%), while a decrease occurred in 2019 (< 8.00%) and 2021 (< 8.68%). According to Anggraini and Handarani (2017), the industry standard for Debt to Equity Ratio (DER) is 90%. Table 3 shows that the Company's DER in 2018, 2019, 2020, and 2021 has values below the industry average (< 15.48%, < 23.48%, < 23.35%, and < 32.03%).

The results above show that the company had a smaller DER value during the Covid-19 pandemic, although there was an increase in 2020, the value was still lower compared to 2018 (before the pandemic). This shows that the company has good solvency values and experienced an increase in solvency during the Covid-19 pandemic.

Solvency ratios measure the extent to which a company is financed with debt. This solvency ratio has several implications. First, creditor expect funds provided by the company owner as a margin of safety, If the owner only provides a small portion of the capital, the business risks most of it is borne by creditors. Second, even though funding is procured through debt, the owner can still control the company. Third, if the company earn more profit from what they borrow than the interest costs that must be paid then the return to the owner can be increased. Companies that have a low solvency ratio have a risk of loss which is smaller when the economy declines, but has a level of return which is low when the economy is high. In contrast, companies with ratios. High solvency has a large risk of loss but is an opportunity get high profits too.

Long Term Debt to Equity Ratio (LTDER)
The following are the results of calculating the LTDER value based on the data available in the company's financial reports for 2017 - 2021, complete with status in the form of an increase or decrease in LTDER as a result of comparison with the previous year, and the difference between the increase or decrease that occurred as follows.

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Table 4. LTDER PT Aneka Tambang Tbk. 2017 – 2021

Information	2017	2018	2019	2020	Year 2021
LTDER	0.355 times	0.444 times	0.373 times	0.270 times	0.265 times
Status	-	Increase	Decrease	Decrease	Decrease
Difference	-	0.089 times	-0.070 times	-0.103 times	-0.005 times

Source: Processed Data (2022).

Based on table 4, PT Aneka Tambang's LTDER increased in 2018 (> 0.089 times), while a decrease occurred in 2019 (< 0.070 times), 2020 (< 0.103 times), and 2021 (< 0.005 times). According to Kasmir in Anggraini and Handarani (2017), the average industry standard for the Long Term Debt to Equity Ratio (LTDER) is 10 times. Table 4 shows that the Company's LTDER in 2018, 2019, 2020, and 2021 has values below the industry average (< 9.56, < 9.63, < 9.73, and < 9.74).

The results above show that the company had a smaller LTDER value during the Covid-19 pandemic, which was confirmed by a decrease in LTDER from 2019 to 2021 respectively. This shows that the company has good solvency values and experienced an increase in solvency during the Covid-19 pandemic.

Long term debt to equity is a comparison the amount of long-term debt to equity. The LTDE ratio is a ratio which is used to measure size mall long-term debt compared to own capital. Long The Term Debt to Equity Ratio the ratio between long-term debt and own capital, the purpose of which is used for measure how much ability own capital that can be used for meet long-term debt. Liquidity ratio in this research using a current ratio measuring instrument. The current ratio or current ratio is the ratio used to measure the company's ability to fulfill short-term debt with using its current assets (Hanafi & Halim, 2012). Current ratio can be measured by comparison between the amount of current assets with current debt.

DISCUSSION

This research was carried out at the beginning of 2022, the data used was data from 2017 to 2021. In 2022 the Covid-19 pandemic was declared to have begun to cease, but in mid-2023 there was news that exposure to Covid was widespread again, especially in Europe and began to spread to Singapore, even though the virus has mutated to weaken. This condition is certainly an uncertainty that might affect the economy. Of course, our hope is that there will be no more Covid pandemics.

CONCLUSION

Based on the results and discussion of this research, in relation to the solvency of PT Aneka Tambang Tbk., it can be concluded that based on financial data for the last 5 years, the Debt to Equity Ratio (DER) and Long Term Debt to Equity Ratio (LTDER) values are below the industry average. Meaning the company's financial performance is classified as good, meanwhile the Debt to Assets Ratio (DAR) value is above the industry average, meaning the Company's financial performance is classified as poor. Apart from that, it was also found that the company's DAR, DER and LTDER values during the Covid-19 pandemic were lower than before the Covid-19 pandemic. This shows that the Covid-19 pandemic has not had a negative impact on the Company's financial performance.

Based on the conclusions provided, researchers have suggestions that are expected to be useful for both future researchers and related companies. It is recommended for future researchers to expand the discussion to include various other financial ratios, such as profitability, liquidity and activity. Meanwhile, suggestions for related companies can maintain their performance by maintaining low DER and LTDER ratio values, as well as making efforts to reduce the DAR ratio value so that it can be below the industry average.

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