Estimated Financial Distress in Manufacturing Companies Listed on the Indonesian Stock Exchange

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Abstrak

This study aims to analyze the possibility of financial distress in several manufacturing companies listed on the Indonesia Stock Exchange. This research uses 3 manufacturing companies. The data used was from 2018 to 2020. The analysis technique used to predict the tendency of financial distress is the Alant's Z-score. According to the analysis that has been carried out, it was found Based on the results of Almant's Z-score analysis, it was found that PT Asiaplas Industries (APLI) had different conditions from 2018 to 2020. In 2018 APLI is predicted to experience financial distress, in 2019 APLI is in a gray area position, while in 2010 APLI shows better conditions, because they are able to escape from bankruptcy symptoms, A different thing happened to SIPD in 2018 and 2019 which was predicted to be far from bankruptcy, but in 2020 SIPD experienced a decline in financial performance and is predicted to experience bankruptcy in the near future. The same thing happened to LPIN, in 2018 the company was predicted to escape bankruptcy, but in 2019 and 2020 LPIN actually experienced a decline in the company's performance and was predicted to experience financial distress in the coming years.

Kata Kunci: *Financial Distress, Z-score Almant, Working Capital to Assets, Retaining Earning to Assets, Earning Before Interest and Tax to Total Assets, & Market Value of Equity to Book Value of Debt*

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INTRODUCTION

Bagian In recent years, global economic conditions have been very difficult to predict, the high risk of uncertainty due to the Covid 19 pandemic that occurred at the end of 2019, has resulted in the paralysis of various business fields. The pandemic has fundamentally changed human lifestyles, during the pandemic there were restrictions on social activities, including in business activities . In addition, the limited space for human movement and the paralysis of various business sectors have reduced people's purchasing power in various industrial products. One of the industrial sectors that has been affected by the Covid 19 pandemic is the manufacturing sector (Mufida, 2020).

Research conducted by Saad & Abdillah (2019) states that financial distress partially has a positive and significant effect on the integrity of financial reports. This is caused by the lower the financial distress experienced by a company, the lower the integrity of the company's financial reports. Financial Distress can be proxied from negative EPS, but also proxied from negative operating profit, negative net income and/or not paying dividends for one year(Lau, 2021).

Research conducted by Yani & Putri Gami (2022) states that companies with high profit values can have the potential to experience financial distress, this could be because management cannot manage the company's profits to run its business or the existing company profits obtained by the company come from debt.

The manufacturing sector is one of the largest business sectors on the Indonesia Stock Exchange. The sector is supported by 21 sub-sectors. Changes in the performance of companies in the manufacturing sector will have a significant impact on changes in the performance of the capital market. According to Bismark (2017) The Covid 19 pandemic has caused many companies to suffer losses which encourages them to be very risky to experience Financial distress. Weak sales, as well as high operational costs and the amount of obligations that must be fulfilled by the company are problems that occur during the pandemic. In addition, there are a number of companies that have begun to lay off to reduce expenses. This phenomenon certainly shows a high risk for companies to experience Financial distress during the pandemic (Susanto Salim, 2020).

One of the companies that continues to experience a decline in performance and is in danger of bankruptcy on the Indonesia Stock Exchange is PT Tiga Pilar Sejahtera Tbk. Companies located in the food and beverages sub-sector are considered by the OJK to be unable to meet daily operational costs and twice defaulted to meet due obligations, as a result of which the OJK sanctioned in the form of suspension of trading activities on PT Tiga Pilar Sejahtera Tbk, and require the company's management to quickly take corrective action before the company is actually declared bankrupt. The situation that occurs at PT Tiga Pilar Sejahtera Tbk can certainly harm a number of parties, especially investors.

According to Mufida (2020) Indications that the company is experiencing bankruptcy can be observed from several indicators such as the continued decline in the company's profit for several consecutive years, the company's inability to fulfill its dividend obligations to shareholders, and the occurrence of difficulties for the company to fulfill its obligations to the company. When these symptoms have occurred, management must be sensitive and strive for various ways that are considered effective to improve the condition (Wahyu Rahmantika et al., 2019).

Efforts to detect or predict the possibility of bankruptcy or distress in each company can certainly be done early, namely by using Z-score Altman. Bankruptcy analysis does not fully provide an accurate prediction in determining the condition of a company, but it can describe the worst possible scenario for a company (Weston & Copeland, 1999). Z-score We can determine the company's financial condition, so that this information can certainly encourage investors to make the right decisions in investing.

In this paper, the author tries to predict the conditions owned by three companies in two different sub-sectors, namely Asiaplast Industries Tbk which is in the basic and chemical

industry sub-sector, PT Siered Produce Tbk which is in the Basic and Chemical Industry sub-sector. Considering that during the pandemic there was a decrease in sales of chemical products and basic industries so that during the pandemic the risk for companies to experience Financial distress or the symptoms of bankruptcy are also high, while PT Multi Prima Sejahtera Tbk is in the Automotive and Component sub-sector group. As we all know during the pandemic, people's purchasing power is very weak and many automotive sales carried out on credit experience a number of problems, which also increases the risk for companies to experience Financial distress. Based on the description of the problem that has been explained above, the author tries to conduct a bankruptcy analysis by referring to the model Z-score Alman for manufacturing companies, especially in the three companies.

METODOLOGI

Measurement Financial Distress with Z-score Altman. Analysis Z-score as an evaluation tool to predict the bankruptcy of companies, especially manufacturing sector companies on the Indonesia Stock Exchange. Altman was the first person to apply multiple discriminant analysis (MDA). This discrimination analysis is a statistical technique that identifies several important forms of ratios that drive changes in a company's financial condition. Several research on discrimination analysis has been carried out, one of which is called Z-score which is a linear model where the shaping variable is a weighted financial ratio to maximize the model's ability to predict the likelihood of bankruptcy of a company (Meckling, 1976).

This model basically wants to find the Z value, which is a value that shows the condition of the company which at the same time reflects the company's future prospects. Equations that show the model Z-score Altman for manufacturing companies is:

$Z = ZX\neg1 + ZX2 + ZX3 + ZX4 + ZX5$
Information:
  $Z1$ = Net working model / total assets
  $Z2$ = Retained earnings / total assets
  $Z3$ = Earnings before interest and taxes (EBIT) / total assets
  $Z4$ = Equity market value / debt book value
  $Z5$ = Sales / total total assets

The companies studied were then classified into three groups, namely companies that are not bankrupt, companies that are prone to bankruptcy and companies that have the potential to go bankrupt. The classification is based on the Z value which is the overall index of the multiple discriminant analysis function, namely with the following criteria:

a. A Z-score > 2.99 is categorized as a very healthy company so that it can be categorized in a condition that is not bankrupt
b. A Z-score of 1.81 < < 2.99 is in a vulnerable area where the company cannot be determined whether it will go bankrupt or vice versa.
c. A Z-score < 1.81 is categorized as having a high risk of experiencing financial difficulties or a high risk of bankruptcy.

HASIL DAN PEMBAHASAN

The bankruptcy analysis was carried out using Altman's Z-score aimed at manufacturing companies, where to conduct the analysis the equation model and weighting of the coefficient value set by Altman was used as follows:

$Z = 1.2X1 + 1.4X2 + 3.3X3 + 0.6X4 + 1.0X5$
In the equation, it can be seen that each variable is given a different weight, so the author only needs to find the value of each independent variabe that is derived from Working capital

to assets, retained earning to assets, earning before interest and tax to total assets, market value of equity to book value of debt and sales to total assets (Ross et al., 2015). Each company will provide a different variable coefficient so that it will affect the risk for the company to experience the possibility of bankruptcy. With bankruptcy analysis, it will certainly be an alarm for management to immediately take corrective action to maintain the company's existence in the long term.

Working Capital to Assets

Working capital to assets is one way to find out the company's liquidity position that can be searched by comparing the value of working capital with total assets. Where to get working capital, there is a discrepancy between current assets and current liabilities. Based on the calculations that have been made, a summary of the results can be seen in Table 1 below:

Table 1 Calculation of Working Capital to Assets in Units (Times)

Information	PATENT CODE		
	APLI	SIPD	LPIN
Year 2018			
Current Assets	201,923,603,048	1,154,203,000,000	137,578,748,642
Current Debt	201,327,226,691	1,047,350,000,000	17,360,517,147
Working Capital	596.376,357	106,853,000,000	120,218,231,495
Total Assets	503,177,499,144	2,187,879,000,000	301,596,448,818
Working Capital / Total Assets	0.0012	0.0488	0.3986
Year 2019			
Current Assets	123,669,639,380	1,481,676,000,000	151,757,194,700
Current Debt	87,957,256,576	1,251,213,000,000	16,764,338,143
Working Capital	35,712,382,804	230,463,000,000	134,992,856,557
Total Assets	419,264,529,448	2,470,793,000,000	337,792,393,010
Working Capital / Total Assets	0.0852	0.0933	0.3996

Information	PATENT CODE		
	APLI	SIPD	LPIN
Year 2020			
Current Assets	136,743,918,865	1,604,213,000,000	684,007,219,503
Current Debt	86,215,948,917	1,483,479,000,000	362,127,923,921
Working Capital	50,527,969,948	120,734,000,000	321,879,295,582
Total Assets	406,440,895,710	2,592,850,000,000	1,068,940,700,530

Working Capital / Total Assets	0.1243	0.0466	0.3011

Source: processed data (2021)

According to the results of the calculation of working capital to assets, it can be seen that each company has a different portion ratio from 2018 to 2020. The closer to 1 value the ratio shows the greater the working capital owned by the company, as well as hinting at the smooth operation of a company.

Retained Earning to Assets

Retained earnings to assets shows the ratio between retained earnings and the amount of assets financed by the company. The greater the value of retained earnings obtained by a company, the better the condition of a company. Based on the calculations that have been made, a summary of the results is seen below:

Table 2 Calculation of Retained Earning to Total Assets in Units (Times)

Information	PATENT CODE		
	APLI	SIPD	LPIN
Year 2018			
Retained Earnings	83,315,163,945	527,269,000,000	177,272,193,010
Total Assets	503,177,499,144	2,187,879,000,000	301,596,448,818
Retained Earning / Total Assets	0.1656	0.2409	0.5878
Year 2019			
Retained Earnings	107,776,449,940	546,335,000,000	213,923,351,786
Total Assets	419,264,529,448	2,470,793,000,000	337,792,393,010
Retained Earning / Total Assets	0.2571	0.2211	0.6332
Year 2020			
Current Assets	13,861,457,635	546,335,000,000	71,349,204,475
Total Assets	406,440,895,710	2,592,850,000,000	1,068,940,700,530
Retained Earning / Total Assets	0.0341	0.2107	0.0668

Source: processed data (2021)

In table 2, it can be seen that the position of retained earnings relative to the total assets owned by each company fluctuated relatively from 2018 to 2020. The trend that occurs is that every company experiences a decrease in the ratio of retained earnings per total assets in 2020, this situation shows that in that year the company experienced a decrease in sales and profit. This is allegedly caused by an economic recession that affects the performance of the industrial sector due to market panic in the face of the Covid 19 pandemic which is still happening today.

Earning Before Interest and Tax to Total Assets

Third variable to calculate Z-score Altman is comparing the value of gross profit (EBIT) with total assets. When the ratio position is higher, it shows the higher the company's sales value and provides an opportunity for the company to get a higher profit position. Based on the calculations that have been made, a summary of the results can be seen in Table 3 below:

Table 3 Calculation of EBIT to Total Assets in Units (Times)

Information	PATENT CODE		
	APLI	SIPD	LPIN
Year 2018			
Gross Profit	9,378,792,436	128,315,000,000	31,357,178,512
Total Assets	503,177,499,144	2,187,879,000,000	301,596,448,818
EBIT / Total Assets	0.01864	0.0952	0.1040
Year 2019			
Gross Profit	42,946,080,909	207,539,000,000	8,385,696,968
Total Assets	419,264,529,448	2,470,793,000,000	337,792,393,010
EBIT / Total Assets	0.1024	0.0839	0.02483
Year 2020			
Gross Profit	108,287,876,040	46,806,000,000	11,884,360,558
Total Assets	406,440,895,710	2,592,850,000,000	1,068,940,700,530
EBIT/ Total Assets	0.2664	0.0181	0.0111

Source: processed data (2021)

In accordance with the results of the calculations that have been made, it can be seen that there is one company that has experienced a tendency to increase the value of gross profit compared to total assets, namely APLI, the company experienced a significant increase in gross profit position in 2020 this is because many people buy various chemical products as medicinal ingredients to increase immunity in the midst of a pandemic while the other two companies show a decrease in sales So that as a result, the position of the gross profit ratio to the total assets they produce has also decreased quite drastically.

Market Value of Equity to Book Value of Debt

Market value of equity to book value of debt is a comparison between the market value of the company's shares and the book value of the company's debt. Based on the calculations that have been made, a summary of the results can be seen in Table 4 below:

Table 4 Calculation of EBIT to Total Assets in Units (Times)

Information	PATENT CODE		
	APLI	SIPD	LPIN
Year 2018			
Haga Equity Markets	72	1025	246
Book Value of Accounts Payable	298,992,622,457	1,347,391,000,000	28,026,041,147
MVE to Book Value of Debt	0.1950	0.6336	0.0788

Year 2019			
Equity Market Price	84	850	284
Book Value of Accounts Payable	206,523,459,012	1,554,580,000,000	27,828,564,143
MVE to Book Value of Debt	0.2730	0.4653	0.0812
Year 2020			
Equity Market Price	179	1500	244
Book Value of Accounts Payable	200,450,080,044	1,662,175,000,000	424,244,191,110
MVE to Book Value of Debt	0.6001	0.7824	0.0221

Source: processed data (2021)

In accordance with the results of the calculations that have been carried out, it can be seen that companies with the APLI and SIPD codes are equally able to experience an increase in stock market value from 2018 to 2020. This condition occurs because investors are still optimistic that companies in the basic and chemical industry sub-sectors will experience performance progress in the long term, while companies with LPIN codes tend to decline in line with the decline in sales of automotive products in Indonesia in the midst of the Covid 19 pandemic in the last two years.

Sales to Total Assets

Sales to total assets is a ratio that shows the company's ability to generate sales value to finance the maintenance of the total assets they own. Based on the results of the calculations that have been carried out, a summary of the results can be seen in Table 5 below:

Table 5 Calculation of Sales to Total Assets in Units (Times)

Information	PATENT CODE		
	APLI	**SIPD**	**LPIN**
Year 2018			
Sales	438,050,805,734	3,120,459,000,000	95,212,682,098
Total Assets	503,177,499,144	2,187,879,000,000	301,596,448,818
Sales / Total Assets	0.8705	1.4262	0.3157
Year 2019			
Sales	360,577,446,990	4,105,991,000,000	103,066,288,012
Total Assets	419,264,529,448	2,470,793,000,000	337,792,393,010
Sales / Total Assets	0.8601	1.6618	0.3051
Year 2020			

Sales	325,538,152,468	4,341,295,000,000	1,141,269,765,789
Total Assets	406,440,895,710	2,592,850,000,000	1,068,940,700,530
Sales / Total Assets	0.8009	1.6743	1.0677

Source: processed data (2021)

In accordance with the results of the calculations that have been made, it can be seen that the comparison of the sales value with the total assets owned by the analyzed companies is different. The results of the ratio calculation show that there are different sales conditions between each company. Where when the sales value is getting higher, it shows that there is a possibility for the company to generate better profits so as to reduce the possibility for the company to experience Financial distress.

Calculation of Altman's Z-score Score
Z-score analysis of PT Asiaplast Industries Tbk (APLI)

Based on the calculation of each variable that supports the variable of the equation Z-score then calculations and conclusions can be made for each company as seen in the sub-chapter below:

Table 6 Calculation of Altman Z-score Value of PT Asiaplast Industries Tbk (APLI) in 2018 – 2020

Year	Account
2018	$Z = 1.2X1 + 1.4X2 + 3.3X3 + 0.6X4 + 1.0X5$ $Z = 1.2(0.0012) + 1.4(0.1656) + 3.3(0.0186) + 0.6(0.1950) + 1.0(0.8705) = 1.2823$ (Bankrut's Prediction)
2019	$Z = 1.2X1 + 1.4X2 + 3.3X3 + 0.6X4 + 1.0X5$ $Z = 1.2(0.0852) + 1.4(0.2571) + 3.3(0.1024) + 0.6(0.2730) + 1.0(0.8600) = 1.8239$ (Gray Area Prediction)
2020	$Z = 1.2X1 + 1.4X2 + 3.3X3 + 0.6X4 + 1.0X5$ $Z = 1.2(0.1243) + 1.4(0.0341) + 3.3(0.2664) + 0.6(0.6001) + 1.0(0.8009) = 2.2371$ (Prediction Far from Bankruptcy)

Source: processed data (2021)

Based on the results of the bankruptcy analysis using Z-score Altman seen in 2018 value Z-score obtained is 1.2813. The value is in the category Z-score < 1.81 thus it can be concluded that in 2018 PT Asiaplast Industries Tbk (APLI) is predicted to have a relatively high risk of bankruptcy. However, thanks to the improvement after improvement made by the management, in 2019 the value of Z-score obtained by PT Asiaplast Industries Tbk (APLI) is 1.8239. Thus the value of Z-score obtained in the category of 1.81 < Z-score < 2.99 can thus be concluded that the possibility of the company to be predicted to experience bankruptcy symptoms is relatively vulnerable, but the condition is still relatively better than the value of the Z-score in 2018 while in 2020 Niai Z-score obtained by PT Asiaplast Industries Tbk (APLI) has improved, namely to 2.2371. Value Z-score that are melted in the main categories, namely Z-score > 2.99 where it can be concluded that PT Asiaplast Industries Tbk (APLI) in 2020 is predicted to be in good health or small from the possibility of bankruptcy.

Z-score analysis of PT Sreeya Sewu Indonesia Tbk (SIPD)

According to the calculation results Z-score Altman PT Sreeya Sewu Indonesia Tbk (SIPD) from 2018 to 2020 that has been carried out obtained a summary of the results as seen in Table 7 below:

Table 7 Value Calculation Z-score Altman PT Sreeya Sewu Indonesia Tbk (SIPD) Year 2018 – 2020

Year	Account
2018	$Z = 1.2X1 + 1.4X2 + 3.3X3 + 0.6X4 + 1.0X5$ $Z = 1.2 (0.0489) + 1.4 (0.2409) + 3.3 (0.0952) + 0.6 (0.6336) + 1.0 (1.4625)$ = 2.5167 (Prediction Away from Bankrut)
2019	$Z = 1.2X1 + 1.4X2 + 3.3X3 + 0.6X4 + 1.0X5$ $Z = 1.2 (0.0933) + 1.4 (0.2211) + 3.3 (0.0840) + 0.6 (0.4653) + 1.0 (1.6618)$ = 2.6397 (Prediction Away from Bankrut)
2020	$Z = 1.2X1 + 1.4X2 + 3.3X3 + 0.6X4 + 1.0X5$ $Z = 1.2 (0.0465) + 1.4 (0.2107) + 3.3 (0.0181) + 0.6 (0.7824) + 1.0 (0.6743)$ = 1.6097 (Bankruptcy Prediction)

Source: processed data (2021)

In accordance with the results of the calculations that have been carried out, it can be seen that in 2018 PT Sreeya Sewu Indonesia Tbk (SIPD) has a value of Z-score amounted to 2.5187. Thus the value of Z-score obtained in the first category, namely Z-score > 2.99 where it can be concluded that PT Sreeya Sewu Tbk (SIPD) in 2018 is predicted to be in good health or small from the possibility of bankruptcy. In 2019, the value of Z-score amounting to 2.6397. Value Z-score The tent obtained is still in the first category, namely score > 2.99 where it can be concluded that PT Sreeya Sewu Tbk (SIPD) in 2018 is predicted to be in good health or small from the possibility of bankruptcy. However, in 2020 there was a decrease in value Z-score amounted to 1.6097. Thus the value of Z-score which was produced decreased, namely at the Z criterion < 1.81. Thus, the risk of bankruptcy at PT Sreeya Sewu Tbk (SIPD) is higher. This is suspected to be due to a decline in the company's value and sales due to the impact of the Covid 19 pandemic which is still happening today.

Z-score analysis of PT Multi Prima Sejahtera Tbk (LPIN)

According to the calculation results Z-score Altman at PT Multi Prima Sejahtera Tbk from 2018 to 2020 obtained a summary of the results as seen in Table 8 below:

Table 8 Calculation of Altman Z-score Score of PT Multi Prima Sejahtera Tbk LPINTahun 2018 – 2020

Year	Account
2018	$Z = 1.2X1 + 1.4X2 + 3.3X3 + 0.6X4 + 1.0X5$ $Z = 1.2 (0.3986) + 1.4 (0.5878) + 3.3 (0.1040) + 0.6 (0.0788) + 1.0 (0.3157)$ = 2,007 (Prediction Far from Bankrut)

	Z = 1.2X1 + 1.4X2 + 3.3X3 + 0.6X4 + 1.0X5
2019	Z = 1.2(0.3996) + 1.4(0.6334) + 3.3(0.0248) + 0.6(0.0812) + 1.0(0.3051) = 1.8019 (Bankruptcy Prediction)
	Z = 1.2X1 + 1.4X2 + 3.3X3 + 0.6X4 + 1.0X5
2020	Z = 1.2(0.3011) + 1.4(0.2107) + 3.3(0.0111) + 0.6(0.0221) + 1.0(1.0677) = 1.5723 (Bankruptcy Prediction)

Source: processed data (2021)

According to the calculations Z-score In 2018 Niai was obtained Z-score 2,007. Thus in 2018 PT Multi Prima Sejahtera is in the category of Z-score > 2.99 so it can be concluded that the possibility of PT Multi Prima Sejahtera Tbk going bankrupt is very small where the company is considered to be in a very healthy category. In 2019 value Z-score obtained is 1.8019 so that in 2019 PT Prima Multi Sejahtera Tbk experienced a downgrade, namely Z-score < 1.81 thus in 2019 the company is predicted to have a high risk of bankruptcy. The same condition occurred in 2020 where tilapia Z-score obtained is 1.5723 so it can be concluded Z-score < the coefficient value of 1.81 shows that the risk of PT Prima Multi Sejahtera Tbk experiencing bankruptcy is getting greater, and this condition is exacerbated by the storm of the Covid 19 pandemic which has resulted in a decline in the economy and people's purchasing power in various industrial products.

CONCLUSION

Based on the results of bankruptcy analysis using Altman's Z-score, it can be seen that in 2018 PT Asiaplast Industries Tbk (APLI) obtained a Z-score of 1.2813. This value is in the Z-score category < 1.81, thus it can be concluded that in 2018 PT Asiaplast Industries Tbk (APLI) is predicted to have a relatively high risk of bankruptcy. However, thanks to the improvement after improvement made by the management, in 2019 the Z-score obtained by PT Asiaplast Industries Tbk (APLI) was 1.8239. Thus, the Z-score obtained is in the category of 1.81 < Z-score < 2.99, thus it can be concluded that in the possibility of the company to be predicted to experience relatively vulnerable bankruptcy symptoms, in 2020 the Z-score obtained by PT Asiaplast Industries Tbk (APLI) has improved, namely to 2.2371. The Z-score value is in the main category, namely a Z-score > 2.99 where it can be concluded that PT Asiaplast Industries Tbk (APLI) in 2020 is predicted to be in good health or small from the possibility of bankruptcy.

Based on the results of the bankruptcy analysis of PT Sreeya Sewu Indonesia Tbk (SIPD) in 2018, the value of Z-score amounted to 2.5187. Thus the value of Z-score obtained in the first category, namely Z-score > 2.99 where it can be concluded that PT Sreeya Sewu Tbk (SIPD) in 2018 is predicted to be in good health or small from the possibility of bankruptcy. In 2019, the value of Z-score amounting to 2.6397. Value Z-score The tent obtained is still in the first category, namely score > 2.99 where it can be concluded that PT Sreeya Sewu Tbk (SIPD) in 2018 is predicted to be in good health or small from the possibility of bankruptcy. However, in 2020 there was a decrease in value Z-score amounted to 1.6097. Thus the value of Z-score which was produced decreased, namely at the Z criterion < 1.81. Thus, the risk of bankruptcy at PT Sreeya Sewu Tbk (SIPD) is higher. This is suspected to be due to a decline in the company's value and sales due to the impact of the Covid 19 pandemic which is still happening today.

According to the calculations Z-score In 2018 Niai was obtained Z-score 2,007. Thus in 2018 PT Multi Prima Sejahtera is in the category of Z-score > 2.99 so it can be concluded that the possibility of PT Multi Prima Sejahtera Tbk going bankrupt is very small where the

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