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What Is Wrong With The Financial Performance Of PT Waskita Karya Tbk?

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ABSTRAK

This research aims to understand the financial performance of PT. Waskita Karya, Tbk, based on observations over the past five years. The financial performance in this study utilized three aspects of financial performance indicators: profitability, liquidity, and leverage. The observation period for this research was from 2018 to 2022, and the data used were secondary data obtained directly from the annual reports of PT. Waskita Karya, Tbk. The research employed the Return on Asset (ROA) and Return on Equity (ROE) ratios as indicators of profitability, current ratio, and operating cash flow ratio for liquidity measurement, and Debt-to-Asset (DTA) and Debt-to-Equity (DTE) ratios for leverage measurement. The analysis method used in this study was descriptive. The research results indicated that the financial performance of PT. Waskita Karya, Tbk, based on the description of profitability, liquidity, and leverage indicators over the past five years, was in an unfavorable condition.

INTRODUCTION

Every entity, particularly a company, must have goals or objectives to achieve. One indicator of goal or objective achievement is the company's ability to generate favorable financial performance (Bhunia et al., 2011). Good financial performance positively impacts companies, including increased investor and creditor confidence (Yuniningsih et al., 2018). This statement is consistent with Fama's (1969) capital market efficiency theory, which states that the market responds quickly to information, as evidenced by changes in stock prices in the capital market. Financial performance refers to financial information that investors can freely access via published financial reports (Eliza et al., 2022). Improved investor confidence in a company leads to a positive perception of the company, which increases its value from the perspective of investors (Hamid et al., 2021; Ibrahim, 2020). Increased company value will cause a reaction in the stock market, resulting in changes and movements in stock prices (Nadyayani & Suarjaya, 2021). However, achieving company performance directly relates to its success in managing its business operations. Therefore, not all businesses can achieve or obtain good financial results.

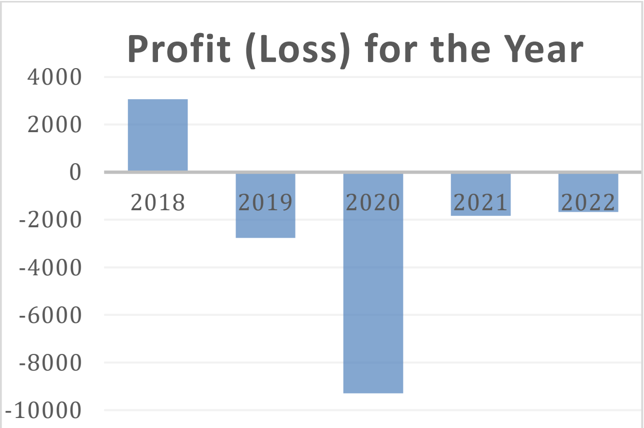
PT Waskita Karya, Tbk, is the only State-Owned Enterprise (BUMN) whose performance has received media or public attention. PT Waskita Karya is a state-owned company that plays an important role in Indonesian infrastructure development. Founded on January 1, 1961, the company provides construction contractor services for buildings, highways, airports, bridges, waste treatment plants, cement plants, and other industrial facilities (Waskitakarya, 2022). Despite its status as a state-owned enterprise, PT. Waskita Karaya, Tbk's performance over the past five years has been notably unsatisfactory, as evidenced by the profit and loss statements for the same period presented in the table and bar chart below:

Table 1
Profit (Loss) Information for the Year

Financial Statement	2018	2019	2020	2021	2022
Profit (Loss) (In billion Rupiah)	Rp. 3068,46	Rp. - 2768,51	Rp. - 9287,79	Rp. - 1838,73	Rp .- 1672,73

Source: Annual Report of PT. Waskita Karya in 2022

Figure 1
The Diagram of Profit (Loss) for the Year



The figure and table depict the state of profit (loss) of PT. Waskita Karya, Tbk for the period of 2018 to 2022. The presented information indicates that the company sustained losses from 2019 to 2022, with the most significant loss occurring in 2020. The company did not generate a profit performance until 2018. Acknowledging that the losses merely represent one indication of the company's poor financial performance is imperative. A thorough analysis encompassing additional conditions is required to ascertain whether PT Waskita Karya, Tbk, is enduring poor financial performance.

Regarding the issues mentioned previously, this study aims to conduct a comprehensive analysis of PT Waskita Karya, Tbk's financial performance by assessing financial performance indicators. The indicators comprise aspects related to profitability. Profitability indicators comprise financial ratio information, including Return on Asset (ROA) and Return on Equity (ROE), which serve as metrics for evaluating a company's capacity to generate profits (A. Zhang et al., 2002; B. Zhang et al., 2017; Maeenuddin et al., 2020; Nina & Adela, 2020;)

The second indicator is liquidity, which demonstrates financial performance by describing the company's ability to provide cash funds and meet all of its short-term obligations through current ratio information and operating cash flow (B.N. Lalithchandra., 2021; Nasution & Yusleny, 2023; Rashid, 2018).

The third indicator is leverage, a financial performance that describes the company's capital position and financing risks. In this study, leverage will be described using the debt-to-asset (DTA) and debt-to-equity (DTE) ratios (Ghasemi & Hisyam Ab Razak, 2016; Harrison et al., 2014; Kahl et al, 2012; Stelk et al, 2018). This study fills a gap in previous research by examining more specific financial performance in the state-owned work or construction industry, which has not been done in previous studies. This study is an applied study that examines field issues encountered by PT Waskita Karya, Tbk. The findings of this study are expected to describe PT. Waskita Karya, Tbk's estimated financial condition, allows stakeholders to develop steps and solutions to the company's problems.

Financial Performance

The agency theory by Jansen and Meckling (1976) explains how agents run or operate companies, in this case, management. The primary responsibility of management or agents is to run the company's business to increase the wealth of the principal or capital owner, so management must be capable of producing satisfactory financial performance.

Financial performance is a description of a company's financial position and achievements over a specific period (Bhunia et al., 2011). It encompasses the company's broad capabilities. Several dimensional indicators, including profitability, liquidity, and leverage, must be considered when assessing financial performance.

Profitability is a financial performance indicator that reflects a company's ability to generate profit (A. Zhang et al., 2002). The company's ability to generate profits can be seen in how it uses assets or economic resources to generate profits, allowing it to be determined how much profit is obtained from each Asset sacrificed, which is known as Return on Asset (ROA) (Menudin, 2020; Nina & Adela, 2020). The company's ability to generate profit can also be measured by the profit generated from the net capital deposited by investors, known as Return on Equity (ROE) (B. Zhang et al., 2017).

Liquidity is a company's financial performance demonstrating its ability to pay off short-term obligations, provide cash, and meet immediate needs (Nasution & Yusleny, 2023). To determine how much liquidity exists, compare the total amount of current assets owned by the company to all of its short-term liabilities, also known as the current ratio (Rashid, 2018). Additionally, the short-term financial adequacy of the company can be determined by the operating cash flow generated by the company over a given period (B.N. Lalithchandra., 2021).

Leverage is a company's financial condition that reflects the proportion of its capital and the capital risk borne by the company (Ghasemi & Hisyam Ab Razak, 2016). To comprehend and estimate how the company's capital conditions and risks can be defined by comparing the proportion of debt to total assets and capital, also known as the Debt-to-Asset (DTA) and Debt-to-Equity (DTE) ratios (Harrison et al., 2014). Debt-to-Asset (DTA) is a ratio that shows how much of a company's economic resources or assets are financed by debt, allowing one to see where most funding comes from (Stelk et al., 2018). Debt-to-Equity (DTE) is a ratio that indicates how many times the source of debt funds is compared to the capital owned by investors, allowing investors to understand the risk and the majority of the capital cost that the company will incur (Kahl et al., 2012)

The Impact of Financial Performance for the Company

A company's financial performance must be assessed and understood because it is one of the most important aspects and information required for decision-making and evaluation by investors and other stakeholders (Yuniningsih et al., 2018). The company must disclose financial performance to all stakeholders so that the impact of this information can be reflected in company value (Fajaria, 2018).

Fama (1969), using the theory of capital market efficiency, explains that a company's stock price in the market reflects all information obtained by investors and the market. Financial performance refers to the financial information disclosed by a company in publicly available financial reports (Mirgen et al., 2017; Ullah & Bagh, 2019). Investors will respond directly to information about the company's good or bad performance, assuming the market will quickly absorb existing information. According to Fama's capital market efficiency (1969) theory, the company's value will adjust independently. It demonstrates that the company's financial performance can impact its share price (Nadyayani & Suarjaya, 2021).

Aside from affecting the value and share price, financial performance can also affect the sustainability of the company's business, particularly if the company has poor financial performance, leading to financial distress. Dwiantari et al (2021) suggest that the financial performance of profitability, liquidity, and leverage affect financial distress. The company's poor ability to create profitability, poor liquidity levels, and the high risk of company debt financing cause the company to enter the zone of financial distress. Dirman (2020) argues that companies that can consistently generate low profits will decrease asset value because they cannot increase the capital generated by daily operational activities. Furthermore, this leads to poor revenue streams, particularly those caused by decreased cash flow, and worsens the company's liquidity, resulting in financial distress.

RESEARCH METHODS

Research Object

The company PT Waskita Karya, Tbk is the object of this study, with an observation period of five years per fiscal year beginning in 2018 and ending in 2022.

Research Data

This data collection technique is document analysis or documentation. This study used secondary data, including financial data from annual report documents obtained directly from PT Waskita Karya, Tbk's website.

Data Analysis Method

This study employs a descriptive analysis method to provide an overview of PT Waskita Karya, Tbk's financial performance. The financial performance indicators used in this study are profitability, liquidity, and leverage.

Measurement of Financial Performance Indicators

Based on research conducted by A. Zhang et al (2002); B. Zhang et al (2017); Maeenuddin et al (2020) ; Nina & Adela (2020) , profitability in this study uses the Return On Asset and Return On Equity ratios as indicators of profitability, each of which is measured by the following formula:

Referring to the research (Kusuma, 2021), Return on Asset is calculated using the following formula:

$$ROA = \frac{Net\ profit\ after\ tax}{Total\ Asset}$$

Referring to the research (Marchini & D'Este, 2015), Return on Equity can be measured using the following formula:

$$ROE = \frac{Net\ profit\ after\ tax}{Total\ Equity}$$

Referring to Rashid (2018); B.N. Lalithchandra (2021); Nasution & Yusleny (2023); liquidity indicators, the current rasio is calculated using the following formula:

$$Current\ Ratio = \frac{Current\ asset}{Short - term\ debt}$$

Untuk melihat aspek *leverage* penelitian ini menggunakan rasio *Debt-to-Asset* dan *Debt-to-Equity* sebagai indikator leverage, hal ini sejalan dengan beberapa penelitian sebelumnya yang dilakukan oleh Kahl et al (2012); Harrison et al (2014); Ghasemi & Hisyam Ab Razak (2016); Stelk et al (2018) dengan rumus rasio *Debt-to-Asset (DTA)* dan *Debt-to-Equity (DTE)* adalah sebagai berikut

$$Debt\ to\ Asset = \frac{Liability}{Total\ Asset}$$

$$Debt\ to\ equity = \frac{Liability}{Equity}$$

RESULTS AND DISCUSSION

Profitability Descriptive Analysis

Table 2

Profitability Ratio Calculation Results

Profitability	2018	2019	2020	2021	2022
ROA (%)	3,71	0,84	-9,22	-0,7	-0,15
ROE (%)	15,99	9,21	-81,26	-14,21	-15,11

Source: Annual Report of PT. Waskita Karya in 2022

Based on the results of the profitability ratio calculation in Table 2, the Return on Asset (ROA) ratio for 2020 to 2022 was negative: -9.22% in 2020, -0.70% in 2021, and -0.15% in 2022, in comparison to positive results of 3.71% in 2018 and 0.84% in 2019. The calculation of the Return on Equity (ROE) ratio from 2020 to 2022 yielded negative results of -81.26% in 2020, -14.21% in 2021, and -15.11% in 2022, compared to positive results of 15.99% in 2018 and 9.21% in 2019. Based on the ROA and ROE calculations, it is clear that PT Waskita Karya, Tbk, has not performed well over the last three years, as evidenced by the negative ROA and ROE values.

According to Jansen and Meckling's (1976) agency theory, the role of management in a company is to create wealth, which in this case means being able to generate profits. Profitability refers to a company's ability to generate profits through the use of assets or economic resources and investors' original capital. If negative profitability is allowed to continue, investor confidence in the company will decline, resulting in a decrease in company value (Fajaria, 2018; Ispriyahadi et al., 2021), and another domino effect will be a decline in the company's share price in the capital market (Mirgen et al., 2017; Nadyayani & Suarjaya, 2021; Ullah & Bagh, 2019). and another domino effect will be a decline in the company's share price in the capital market (Dirman, 2020; Dwiantari et al., 2021; Runis et al., 2021)

Liquidity Descriptive Analysis

Table 3

Liquidity Ratio Calculation Results

Liquidity	2018	2019	2020	2021	2022
Current Ratio (%)	118 %	109%	32%	157%	156%

Source: Annual Report of PT. Waskita Karya in 2022

The current ratio calculation results in Table 3 show that the company's current ratio was 118% in 2018, 109% in 2019, 32% in 2020, 157% in 2021, and

156% in 2022. These results show that, except for 2020, the company's current assets are still greater than its current liabilities because they exceed 100%, ensuring its ability to pay off its current liabilities.

Table 4
Operational Cash Flow Information

Financial Statement	2018	2019	2020	2021	2022
Operational Cash Flow (in billion Rupiah)	4.011,54	9.014,25	411,06	192,78	-106,58

Source: Annual Report of PT. Waskita Karya in 2022

Figure 2
Bar Chart of Operational Cash Flow

Table 4 and Figure 2 indicate that the cash flow generated by the company's operating activities was positive from 2018 to 2021, but it decreased year after year. Even in 2022, the cash flow from operating activities produced negative results.

Based on the liquidity aspect, PT Waskita Karya, Tbk has had a good current liquidity condition for the past five years because it can still pay off all of its short-term liabilities with its current assets. However, its ability to generate net cash from operating activities decreases until it actually reduces the company's cash value in 2022.

According to Jansen and Meckling's (1976) agency theory, the role of management in a company is to create wealth for the principal; however, if the company's cash flow and liquidity continue to deteriorate, the company's wealth will decrease. Liquidity is an indicator of a company's ability to provide funds in quick cash as well as its ability to pay off its short-term liabilities if this bad condition is allowed to hurt the company, namely making it difficult for the company to meet working capital (Quayyum, 1970) and pay off the company's financial performance (Demirgünes, 2016; Waswa et al., 2018).

Leverage Descriptive Analysis

Table 5
Solvency Ratio Calculation Results

Solvability	2018	2019	2020	2021	2022
Debt-to-Equity (times)	3,31	3,21	7,82	5,70	5,90
Debt-to-Asset %	78 %	76 %	88 %	85 %	85 %

Source: Annual Report of PT. Waskita Karya in 2022

Table 5 shows that the total debt-to-capital ratio was 3.31 times in 2018, 3.21 times in 2019, 7.82 times in 2020, 5.70 times in 2021, and 5.90 times in 2022. According to the calculation of the Company's debt-to-asset ratio in 2018, the proportion of debt funding sources to assets was 78% in 2018, 76% in 2019, 88% in 2020, 85% in 2021, and 85% in 2022.

Leverage is a measure of the condition of the company's capital. Based on the results of the calculation of the Debt-to-Equity and Debt-to-Asset ratios over the last five years, it is clear that on the capital or source of funds side, PT Waskita Karya, Tbk's debt is significantly greater than the total capital. The high debt composition can have an unfavorable impact on the company, namely the high-interest expense that the company will bear and the increased risk of default, thereby reducing investor confidence (Budiharjo, 2020; Ibrahim, 2020). Aside from that, high debt risk can lead to financial distress (Lucky & Michael, 2019; Wangsih et al., 2021). The poor condition of a company's leverage indicates the company's poor financial performance. It can have an impact on the company's wealth. If this condition exists, it can be concluded that management is unable to fulfill its duties and responsibilities, namely increasing the wealth of the principles or capital owners (Jansen & Meckling, 1976)

CONCLUSION

According to the research findings, PT Waskita Karya, Tbk's financial performance in terms of profitability has been unsatisfactory over the last five years. Regarding capital aspects based on leverage, the proportion of company debt is greater than that of its capital, which can create a risk of default and reduce company value for investors. Based on the liquidity aspect, PT Waskita Karya, Tbk, can still pay off its short-term liabilities by relying on all of its current assets. Unfortunately, this is not supported by the adequacy of the company's cash obtained purely from operational activities because, throughout the last three years (2020, 2021, and 2022), the company's ability to generate cash flow from operating activities decreased even in 2022, showing negative results.

RESEARCH IMPLICATION

The findings of this study are expected to be taken into account by the management of PT Waskita Karya, Tbk. If these conditions persist, they will hurt the company, particularly in terms of reduced company value, falling stock prices, and difficulty meeting working capital and obtaining capital, resulting in financial distress and bankruptcy. Management must conduct an evaluation and follow-up to determine the best solution for the company, such as improving efficiency to increase profitability and reconsidering the company's capital policy to avoid relying on debt financing.

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