

FINANCIAL PERFORMANCE ANALYSIS AND EVALUATION OF AIRLINE INDUSTRY INDONESIA: CASE STUDY OF PT GARUDA INDONESIA TO SUPPORT VISION 2020 “BEYOND THE SKY” FOR THE PERIOD OF 2014-2018

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ABSTRACT

The global airline industry provides services to probably every corner of the world and also proves to be an integral part of the global economy. To be a global airline, PT Garuda Indonesia Tbk (the Company) should grow bigger, profitable, and sustainable. The Vision 2020 theme "Beyond the Sky" was appointed as assessed in accordance with the continuous efforts of the Company to continue growing expansively but while maintaining a positive margin, in later life can be paralleled even exceed the global airline more developed countries. This situation requires an excellent performance of State-Owned Enterprises (SOEs) under airline industry, which is ruled by the Ministry of Transportation. This study aims to analyze and measure the financial health conditions of the SOEs under airline industry i.e PT Garuda Indonesia (Persero) Tbk in 2014-2018. The Decree No.KEP-100/MBU/2002 of Indonesia Ministry of SOEs on June 2002 provides the mandatory of measuring and rating the financial health condition of SOEs. The results of eight financial ratios investigating; 1) return on equity, 2) return on investment, 3) cash ratio, 4) current ratio, 5) collection period, 6) inventory turnover, 7) total asset turnover, 8) total equity to total asset, then be validated by the said Ministry of SOEs Decree to conclude the yearly financial health conditions of each SOEs and also compare with other global competitor (Singapore Airline)..

Keywords: financial performance, financial ratios, SOEs, airline industry.

I. INTRODUCTION

The airline industry is an innovative industry that able to support economic and social value. The industry could connect people, countries and cultures, providing access to global markets, facilitating trade and tourism as well as to improve the relationship between developed and developing countries. The industry also provides rapid transportation network worldwide is needed for global business and tourism as well as play an important role in facilitating economic growth, particularly in developing countries, which in turn will raise living standards and reduce poverty. Competitive conditions in the national aviation industry continues to increase and is very tight along with the addition of a low cost carrier operator capacity for both domestic and international routes and the application of open air space (open sky) ASEAN gradually.

The financial performance of airlines influences short and long term company decisions as well as shapes strategic planning (Teker, 2016). A better comprehensive financial performance measurement support to achieve strategic planning of airlines. The previous literature are also interested in the financial performance of airlines and almost all agreed that the financial performance of airlines needs to capture more extensive measures than solely total revenues and net income.

The Government of Indonesia decides mandatory to the company under the Ministry of Stated-Owned Enterprises of Indonesia that they should implement financial ratio analysis to measure the level of financial health. The previous research about financial performance has been discussed in many sectors such as hospital, bank, small business and palm oil industries. Edmister (1972) stated that financial ratio is really useful to measure the performance of small business and it can be used to predict the failure. Daryanto (2018) used financial ratio to analyze financial performance of Energy and Mineral Resources (EMR) industry. The finding shows that financial ratios are important indicators to analyse financial performance in the industry.

There are many of the previous empirical studies on financial ratio analysis around the world across industries (Halkos and Salamouris, 2004; Daryanto, 2018). There are several of the previous empirical studies on financial ratio analysis of SOEs in Construction industry, Aviation Industry, and Gas Industry. However, the literature about financial performance in the Airline Industry is very limited. Therefore, the purpose of this study is to measure the financial performance of the Airline industry which then be validated by the decree of the Ministry of State-Owned Enterprises (SOEs) No. KEP-100/MBU/2002 and to compare the financial performance of world class Airline Industry.

In view of this, the research questions are how was the ratio analysis of the world class airline industry for the periods of 2014 – 2018. This study is beneficial for academicians because it extends the knowledge of financial ratio in real practice. Besides that, it helps student and lecturer to understand financial ratio more effectively. In addition, this study is also important for the manager, because it can help them to analyze their company before making a decision.

This study is organized into seven sections. Section one captures the introduction, section two highlight the literature review, section three discuss the methodology, section four discuss the finding and analysis, section five discuss the validation testing, section six highlights the limitation, and section seven captures the conclusion and recommendation.

II. LITERATURE REVIEW

II.1 AIRLINE INDUSTRY

In 2018, the world's airline industry provided 4 billion passenger to travel of a global network of some 22,000 routes. The world's airline industry earned collective net profit of \$30 bio and reached revenues \$812bio in 2018. The US Domestic Market, where almost 590 mio passengers journey were undertaken in 2018, became the world's largest single origin-destination market (IATA Annual Review, 2019). China became the second largest with 515 mio, India became the third, and followed by Indonesia market in the fourth ranked.

Table 1: Air Passenger Marketation

MARKET	MARKET SIZE (MILLION PAX)
US DOM	590
CHINA DOM	515
INDIA DOM	116
INDONESIA DOM	95
JAPAN DOM	80
BRAZIL DOM	70
AUSTRALIA DOM	65
RUSSIA DOM	60
MEXICO DOM	55
SPAIN-UK	50
TURKEY DOM	45
SPAIN DOM	40

Source: IATA Annual Review 2019

Several airline were considered as the best airline in the world voted by passenger (World's Skytrax, 2019). In the first rank, Qatar Airways has grown to more than 140 destinations worldwide, offering levels of service excellence that helped the award-winning carrier to become best in the world. Next in the second rank, Singapore Airlines spanning a network spread over six continents. In 2019 Garuda Indonesia out of top 10 Skytrax, while in 2018 Garuda Indonesia in 9th ranked.

Table 2: SKYTRAX World Airline Award

WORLD SKYTRAX 2019	PREVIOUS RANK (2018)
1 QATAR AIRWAYS	2
2 SINGAPORE AIRLINES	1
3 ANA ALL NIPPON AIRWAYS	3
4 CATHAY PACIFIC AIRWAYS	6
5 EMIRATES	4
6 EVA AIRS	5
7 HAINAN AIRLINES	8
8 QANTAS AIRWAYS	11
9 LUFTHANSA	7
10 THAI AIRWAYS	10
11 JAPAN AIRLINES	13
12 GARUDA INDONESIA	9

Source: SKYTRAX World Airline Award 2019 and 2018

The world's airline industry, including in Indonesia, faced quite challenging year in 2018 due to the increase in operating cost. The increase in operating cost is mostly affected by the increase in oil and avtur price. The increase in 1 cent avtur prices would increase the operating cost by USD4.7 million per year. In the period 1990–1993, global airlines made a loss close to US\$25 billion, while in the period 2000–2005, losses may have been in the order of US\$30 billion (Doganis, 2006). The challenges on airline industry in international setting need support with low rate loan. Airline Etihad received US\$1 billion in interest free loans, and US\$1.2 billion in cash in 2013, as well as US\$3.504 billion in government shareholder funds in 2014 (Partnership for Open & Fair Skies, 2015). Qatar Airways was allegedly provided with loans by the government that exceeded US\$160 million in

the period 1998–2004, increased to US\$742 million in 2008, and the government continued to provide an estimated US\$6 billion in ‘shareholder advances’ to Qatar Airways in the years 2009–2014 (Partnership for Open & Fair Skies, 2015).

Indonesia airline industry was increasingly depressed by the weakening of rupiah exchange rate against US dollar, the exchange rate of the rupiah against the United States dollar has depreciated by an average of 6.05% throughout 2018. Moreover, the Indonesia airline industry also affected by the increase in the cost of aviation navigation services (PJNP) by the Ministry of Transportation through the Directorate General of Civil Aviation. PJNP costs increased by 133% in stages to improve national navigation services which are part of the airline’s flight operational safety system. In Indonesia, there are 22 commercial scheduled airlines with flights carrying than 30 passengers and 32 airlines that only operate flights with fewer than 30 passengers. Herewith Indonesian airlines with the biggest market share, include: Garuda Indonesia (the government-owned flag carrier of Indonesia), Citilink (the low-cost carrier subsidiary of Garuda Indonesia group), and Lion Air (currently the largest private low-cost carrier airline in Indonesia).

II.2 PREVIOUS RESEARCH ON FINANCIAL PERFORMANCE

Financial ratios are used for all kind of purposes, including assessment of the ability of a firm to pay its debt, the evaluation of business and managerial success and even the statutory regulation of a firm’s performance (Barnes, 1987). Feng and Wang (2000) indicates to analyse the financial performance of airlines by using metrics related to profitability, liquidity and solvency. Profitability shows the company’s ability of covering all costs and providing some returns relative to sales or investments (Gu, 2002). The logic behind profitability is that the higher the profitability the lower the probability of company failure (Logue and Merville, 1972). Liquidity refers to the ease and quickness with which assets can be converted to cash (Ross, Westerfield, Jaffe and Jordan, 2011). Liquidity is an important indicator of the company because it represents the company’s ability to meet its short-term liability. The more liquid a company’s assets, the less likely the company is to experience problems meeting short-term obligations. Activity performance illustrates how efficiently the company generates outputs by inputs, which is how efficiently the company is managing its assets. The company which has a high efficiency may be facing a small probability of loss or actual failure due to excellent management and therefore the company exhibits low risk (Borde, 1998). However, high efficiency may be because of implementing aggressive business strategy (Borde, 1998), for example, the company pursues fast sales growth without paying much attention to controlling the cost. In this situation, the company is facing a higher risk (Gu and Gao, 2000).

There are many of the literature review on Indonesian SOE financial performance. Daryanto (2018) found that the financial performance and health condition of the Indonesian SOE’s in cement industry are decreasing during the infrastructure development era for period 2011-2015. Daryanto (2017) found out the similar study result as well in three SOEs of Palm Oil Agroindustry for the period 2011-2015. Daryanto and Samidi (2018) also found the same result that the financial performance and health condition of the enterprises under the Indonesian Ministry of Energy and Mineral Resource decreasing for the period 2011-2015.

II.3 THE DECREE OF MINISTRY OF STATE-OWNED ENTERPRISES (SOEs)

Based on the Decree of Ministry SOEs No. KEP-100/MBU/2002 about financial health assessment of SOEs, the growth of business should be supported by good infrastructure and evaluation system to measure the efficiency and level of competition among SOEs. This financial evaluation applies to all state-owned enterprises in the financial and non-financial industry. In nonfinancial industry, the companies are divided into infrastructure and non-infrastructure. This evaluation method consists of three aspects which are financial, operational, and administration. In a financial aspect, total weight score for infrastructure is 50 and

non-infrastructure is 70. There are eight indicators to measure the financial health such as return on investment (ROI), return on equity (ROE), cash ratio, current ratio (CR), collections period (CP), inventory turnover (ITO), total asset turnover (TATO), and total equity to the total asset (TETA). PT. Garuda Indonesia Tbk (GIAA) are state-owned enterprises which listed in non-infrastructure industries and comply with the list of assessments score shows in Table 3.

Table 3: List Assessment Score

No.	Indicator	Weight Score
1.	ROE	20
2.	ROI	15
3.	CASH RATIO	5
4.	CURRENT RATIO	5
5.	COLLECTION PERIOD	5
6.	INVENTORY TURNOVER	5
7.	TOTAL ASSET TURNOVER	5
8.	TOTAL EQUITY TO TOTAL ASSET	10
	TOTAL WEIGHT SCORE	70

Source: The Decree of Ministry of SOE No.KEP-100/MBU/2002

There are three types level of the very healthy condition such as AAA (if the total score is > 95 points), AA (if the total score is > 80 and ≤ 95), and A (if the total score is > 65 and ≤ 80). Furthermore, there are three types level of the healthy condition such as BBB (if it is > 50 and ≤ 65), BB (if it is more than 40 and ≤ 50), and B (if it is > 30 and ≤ 40) and for the unhealthy condition, there are three types of levels such as CCC (if it is > 20 and ≤ 30), CC (if it is > 10 and ≤ 20), and C (if it is ≤ 10).

II.4 THE VARIABLE AND WEIGHT SCORE

A. PROFITABILITY PERFORMANCE

The profitability is the most common measure for the company's financial performance. Profitability performance can be expressed by Return on Equity (ROE) and Return on Investment (ROI). The equation for ROE and ROI are as follow:

$$\text{RETURN ON EQUITY (ROE)} = (\text{NET INCOME} / \text{SHAREHOLDER'S EQUITY}) \times 100\%$$

$$\text{RETURN ON INVESTMENT (ROI)} = ((\text{EBIT} / \text{DEPRECIATION}) / \text{CAPITAL EMPLOYED}) \times 100\%$$

Return on equity is an important ratio for investors to consider its profits. ROE measures how efficiently a company can use the money from shareholders to generate profits and grow the company. Table 4 shows the assessment score of ROE.

Table 4: List of ROE Assessment Score

No.	ROE (%)	Score
1.	15 < ROE	20
2.	13 < ROE ≤ 15	18
3.	11 < ROE ≤ 13	16
4.	9 < ROE ≤ 11	14
5.	7.9 < ROE ≤ 9	12
6.	6.6 < ROE ≤ 7.9	10
7.	5.3 < ROE ≤ 6.6	8,5
8.	4 < ROE ≤ 5,3	7
9.	2,5 < ROE ≤ 4	5,5
10.	1 < ROE ≤ 2,5	4
11.	0 < ROE ≤ 1	2
12.	ROE < 0	0

Source: The Decree of Ministry of SOE No.KEP-100/MBU/2002

Return on investment is to evaluate the efficiency of an investment used to generate return. Table 5 shows the assessment score of ROI.

Table 5: List of ROI Assessment Score

No.	ROI (%)	Score
1.	18 < ROI	15
2.	15 < ROI ≤ 18	13,5
3.	13 < ROI ≤ 15	12
4.	12 < ROI ≤ 13	10,5
5.	10.5 < ROI ≤ 12	9
6.	9 < ROI ≤ 10.5	7,5
7.	7 < ROI ≤ 9	6
8.	5 < ROI ≤ 7	5
9.	3 < ROI ≤ 5	4
10.	1 < ROI ≤ 3	3
11.	0 < ROI ≤ 1	2
12.	ROI < 0	1

Source: The Decree of Ministry of SOE No.KEP-100/MBU/2002

B. LIQUIDITY PERFORMANCE

Liquidity performance can be expressed by Cash Ratio, Current Ratio and Collection Period. The equation for the three ratios are as follow:

$$\text{CASH RATIO} = (\text{CASH} + \text{CASH EQUIVALENT} / \text{CURRENT LIABILITIES}) \times 100\%$$

$$\text{CURRENT RATIO} = (\text{CURRENT ASSET} / \text{CURRENT LIABILITIES}) \times 100\%$$

$$\text{COLLECTION PERIOD} = (\text{AVERAGE ACCOUNT RECEIVABLE} / \text{SALES REVENUE}) \times 100\%$$

Cash Ratio measures the company able to pay its short-term debt with readily and liquid cash resources. If the company has a cash ratio equal to one, it indicates that the company has the same amount of cash and its debt. If the value of cash ratio is more than 1, it indicates that the company has more cash to pay its debt. However, if the value is less than 1, it indicates that the company has less cash to pay its debt. Table 5 shows the assessment score for cash ratio. Table 6 shows the assessment score of Cash Ratio.

Table 6: List of Cash Ratio Assessment Score

No.	Cash Ratio=x (%)	Score
1.	$X \geq 35$	5
2.	$25 \leq X < 35$	4
3.	$15 \leq X < 25$	3
4.	$10 \leq X < 15$	2
5.	$5 \leq X < 10$	1
6.	$0 \leq X < 5$	0

Source: The Decree of Ministry of SOE No.KEP-100/MBU/2002

Current Ratio measures the company ability to repay its current liability with current asset. If the company has the current ratio below 1, it indicates that the company has a problem with its short-term debt. If the company has a too high current ratio, it indicates that a company has a problem in managing their current asset. Table 7 shows the assessment score for the current ratio.

Table 7: List of Current Ratio Assessment Score

No.	Current Ratio=x (%)	Score
1.	$125 \leq X$	5
2.	$110 \leq X < 125$	4
3.	$100 \leq X < 110$	3
4.	$95 \leq X < 100$	2
5.	$90 \leq X < 95$	1
6.	$X < 90$	0

Source: The Decree of Ministry of SOE No.KEP-100/MBU/2002

C. ACTIVITY PERFORMANCE

Activity Ratio could be expressed by Collection Period, Inventory Turnover and Total Asset Turnover. The equation for Collection Period, Inventory Turnover and Total Asset Turnover are as follow:

$$\text{COLLECTION PERIOD} = (\text{ACCOUNT RECEIVABLE} / \text{SALES REVENUE}) \times 365 \text{ DAYS}$$

$$\text{INVENTORY TURNOVER} = (\text{COST OF GOOD SOLD} / \text{AVERAGE INVENTORY}) \times 365 \text{ DAYS}$$

$$\text{TOTAL ASSET TURN OVER} = (\text{REVENUE} / \text{CAPITAL EMPLOYED}) \times 100\%$$

Collection Period measures the number of days that company takes to convert the receivable into cash. Table 8 shows the assessment score for Collection Period.

Table 8: List of Collection Period Assessment Score

No.	Collection Period=x (days)	Adjustment (days)	Score
1.	$X \leq 60$	$X > 35$	5
2.	$60 < X \leq 90$	$30 < X \leq 35$	4,5
3.	$90 < X \leq 120$	$25 < X \leq 30$	4
4.	$120 < X \leq 150$	$20 < X \leq 25$	3,5
5.	$150 < X \leq 180$	$15 < X \leq 20$	3
6.	$180 < X \leq 210$	$10 < X \leq 15$	2,4
7.	$210 < X \leq 240$	$6 < X \leq 10$	1,8
8.	$240 < X \leq 270$	$3 < X \leq 6$	1,2
9.	$270 < X \leq 300$	$1 < X \leq 3$	0,6
10.	$300 < X$	$0 < X \leq 1$	0

Source: The Decree of Ministry of SOE No.KEP-100/MBU/2002

Inventory Turnover measures how many time the inventory is being sold over a period of time. Table 9 shows the assessment score for Inventory Turnover.

Table 9: List of Inventory Turnover Assessment Score

No.	Inventory Turnover=x (days)	Adjustment (days)	Score
1.	$X \leq 60$	$X > 35$	5
2.	$60 < X \leq 90$	$30 < X \leq 35$	4,5
3.	$90 < X \leq 120$	$25 < X \leq 30$	4
4.	$120 < X \leq 150$	$20 < X \leq 25$	3,5
5.	$150 < X \leq 180$	$15 < X \leq 20$	3
6.	$180 < X \leq 210$	$10 < X \leq 15$	2,4
7.	$210 < X \leq 240$	$6 < X \leq 10$	1,8
8.	$240 < X \leq 270$	$3 < X \leq 6$	1,2
9.	$270 < X \leq 300$	$1 < X \leq 3$	0,6
10.	$300 < X$	$0 < X \leq 1$	0

Source: The Decree of Ministry of SOE No.KEP-100/MBU/2002

Total Asset Turnover measures the company ability to measure the efficiency to use its asset to generate sales. Table 10 shows the assessment score for Total Asset Turnover.

Table 10: List of Total Asset Turnover Assessment Score

No.	TATO =x (%)	Adjustment (%)	Score
1.	$120 < X$	$20 < X$	5
2.	$105 < X \leq 120$	$15 < X \leq 20$	4,5
3.	$90 < X \leq 105$	$10 < X \leq 15$	4
4.	$75 < X \leq 90$	$5 < X \leq 10$	3,5
5.	$60 < X \leq 75$	$0 < X \leq 5$	3
6.	$40 < X \leq 60$	$X \leq 0$	2,5
7.	$20 < X \leq 40$	$X < 0$	2
8.	$X \leq 20$	$X < 0$	1,5

Source: The Decree of Ministry of SOE No.KEP-100/MBU/2002

D. SOLVENCY PERFORMANCE

This ratio is similar with debt to equity ratio. The equation for the ratio can be expressed as:

$$\text{Total equity to total asset} = (\text{Total equity} / \text{Total asset}) \times 100 \%$$

If the company has less value, it indicates that company funding its asset inefficiently. In other words, the company has very low net value for the investor. Table 11 shows the assessment score for solvency assessment score.

Table 11: List of Total Equity Total Asset Assessment Score

No.	Total Equity Total Asset =x (%)	Score
1.	$X < 0$	0
2.	$0 \leq X < 10$	4
3.	$10 \leq X < 20$	6
4.	$20 \leq X < 30$	7,25
5.	$30 \leq X < 40$	10
6.	$40 \leq X < 50$	9
7.	$50 \leq X < 60$	8,5
8.	$60 \leq X < 70$	8
9.	$70 \leq X < 80$	7,5
10.	$80 \leq X < 90$	7
11.	$90 \leq X < 100$	6,5

Source: The Decree of Ministry of SOE No.KEP-100/MBU/2002

III. METHODOLOGY

The descriptive financial ratio was used to measure, describe, analyze, and evaluate the financial health condition of one stated owned gas enterprise under the Ministry of Transportation: PT Garuda Indonesia Tbk was selected because it is a state-owned enterprise in non-financial services which qualified in the decree of Ministry of State-Owned Enterprises No. KEP-100/MBU/2002 about financial health assessment of SOEs and it was a leading Airline company in Indonesia with their extensive experience in the industry. All variables used are ratio measurement scales were taken from the decree. Moreover, this SOEs financial health condition compared with other global competitor (Singapore Airline). The data were collected from their Annual Report (audited) between 2014 and 2018. Additionally, this decree was used to validate the financial health condition level of the company whether in the levels of a healthy level (AAA, AA, A), or less healthy level (BBB, BB, B), or unhealthy level (CCC, CC, C).

The level of financial assessment is divided into healthy (the highest level of financial literacy), less healthy (the middle level of financial literacy), and unhealthy (the lowest level of financial literacy). In the highest category, there are three types of levels such as AAA (if the total score is more than 95 points), AA (if the total score is more than 80 and less than 95), and A (if the total score is more than 65 and less than 80). In the middle category, there are three types of levels such as BBB (if it is more than 50 and less than 65), BB (if it is more than 40 and less than 50), and B (if it is more than 30 and less than 40). In the lowest category, there are three types of levels such as CCC (if it is more than 20 and less than 30), CC (if it is more than 10 and less than 20), and C (if it is less than 10).

IV. RESULT AND DISCUSSION

IV.1 PROFITABILITY ANALYSIS

Figure 1 gives information about the and returns on equity of PT Garuda Indonesia (GIAA) and Singapore Airlines (SIA) between 2014 and 2018. Overall, figure 1 below shows that the ROE percentage of GIAA decreased quite sharp, (-41%, 8%, 1%, -23%, and -24%, respectively) and ROE of SIA quite stable (3%, 6%, 8%, 3%, 10%, and 5%). The minimum standard of Decree is 15% for ROE, therefore for the last five years, GIAA and SIA ROE was also below the standard.

Figure 2 gives information about the and returns on investment of PT Garuda Indonesia (GIAA) and Singapore Airlines (SIA) between 2014 and 2018. Figure 2 also shows that the ROI percentages of GIAA also decreased (-7%, 10%, 7%, 2%, 1%, respectively) and ROI of SIA quite stable (9%, 11%, 9%, 11%, 8%). The minimum standard of Decree is 18% for ROI, therefore from 2014 until 2018 GIAA and SIA ROI is below the standard. There was a dramatic decrease both for ROI and ROE of GIAA percentages, especially for the last two years.

Figure 1: Profitability Ratio (ROE)

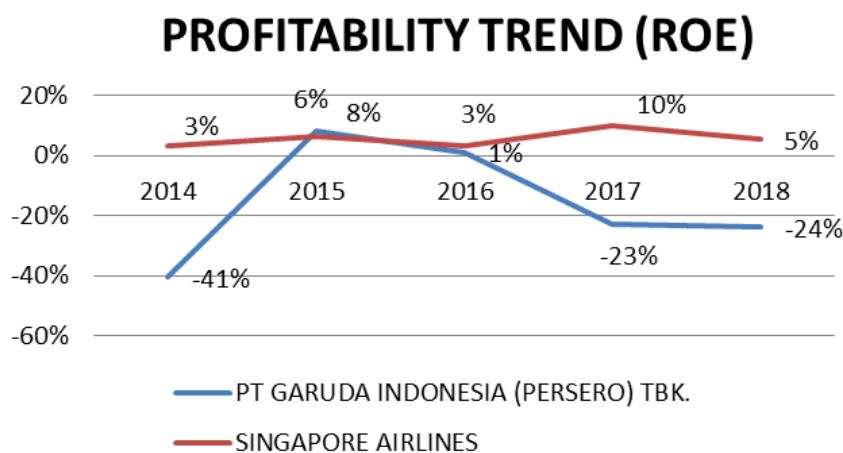
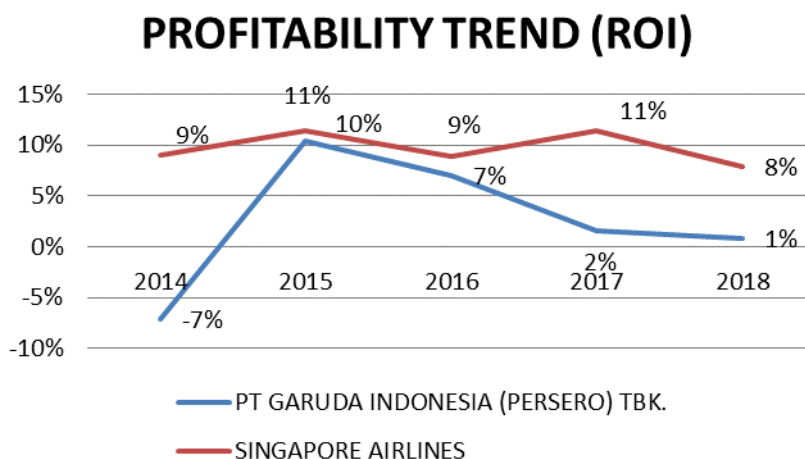


Figure 2: Profitability Ratio (ROI)



IV.2 LIQUIDITY ANALYSIS

Figure 3 gives information about the liquidity performance of Cash Ratio in GIAA and SIA between 2014 and 2018. Overall, figure 3 shows that there was a significant decrease in the percentage of GIAA Cash Ratio from the last five years (254%, 43%, 37%, 16%, 8%, respectively). In addition, SIA Cash Ratio are above the standard of decree above 35% from the last five years (77%, 61%, 54%, 39%, 40%, respectively).

Figure 4 gives information about the liquidity performance of Current Ratio in GIAA and SIA between 2014 and 2018. Overall, figure 4 shows that there was a decrease in the percentage of current ratio, and both ratios showed that GIAA and SIA was not in a liquid situation, all ratios were below 125%. The percentages of current ratios were far below the standard of liquidity for GIAA (66%, 84%, 91%, 51%, 37%, respectively) and SIA (110%, 105%, 91%, 76%, 75%).

Figure 3: Liquidity Ratio (Cash Ratio)

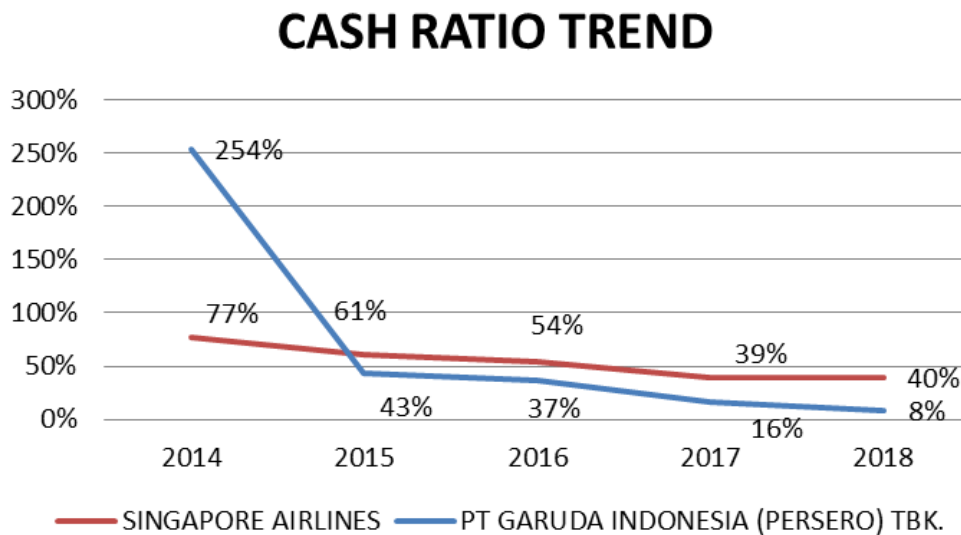
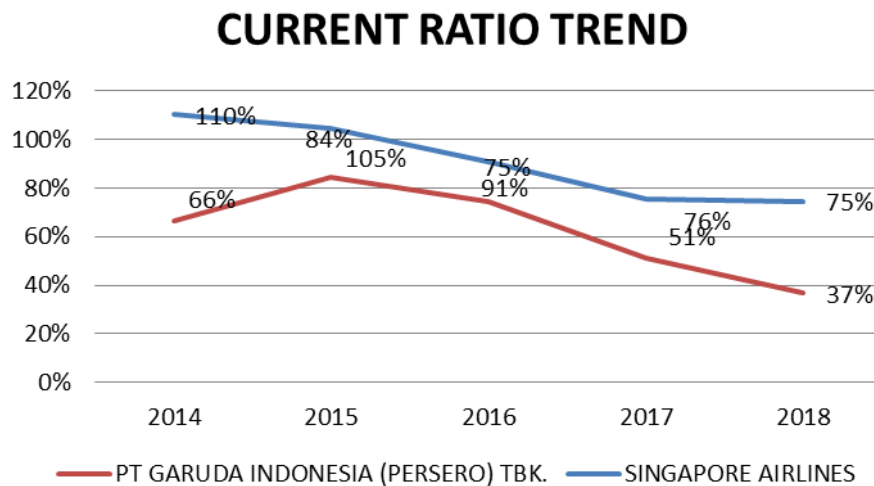


Figure 4: Liquidity Ratio (Current Ratio)



IV.3 ACTIVITY ANALYSIS

Figure 5 gives information of the trend collection period of GIAA and SIA in 2014-2018. Table 11 shows in detail of days' receivable of GIAA; 12, 13, 20, 24, and 36 days respectively. Table 13 shows in detail of days' receivable of SIA; 4, 11, 11, 8 and 4 days respectively. Both GIAA and SIA were already efficient in managing the collection of receivables.

Figure 6 shows the trend of ITO of GIAA and SIA in 2014-2018. Table 11 shows in detail of the ITO of GIAA; (8,9,10,22,17,5) days respectively. While the Table 13 shows in detail of the ITO of SIA; (5,4,4,4, and 5) days respectively. Both SOEs were very efficient in managing their inventory.

Figure 7 presents the trend of TATO of GIAA and SIA. In detail, the TATO ratios of GIAA were 127%, 115%, 103%, 111%, and 105%, as shown in Table 12. Table 13 shows the TATO ratios of SIA; 72%, 69%, 65%, 65%, and 57% respectively in 2014-2018. The ratios were decrease, in GIAA 127% in 2014 to 105% in 2018 and in SIA 72% in 2014 to 57% in 2018. It shows that the company less efficient in managing the asset employed to generate revenues.

Figure 5: Activity Ratio (Collection Period)

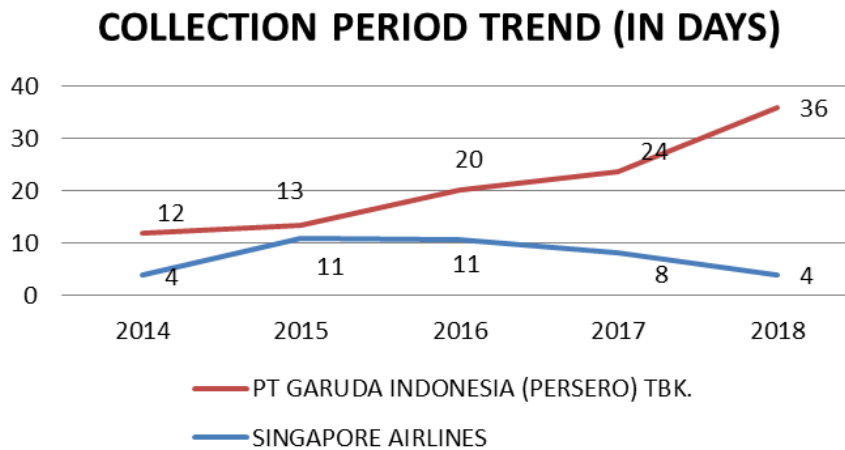
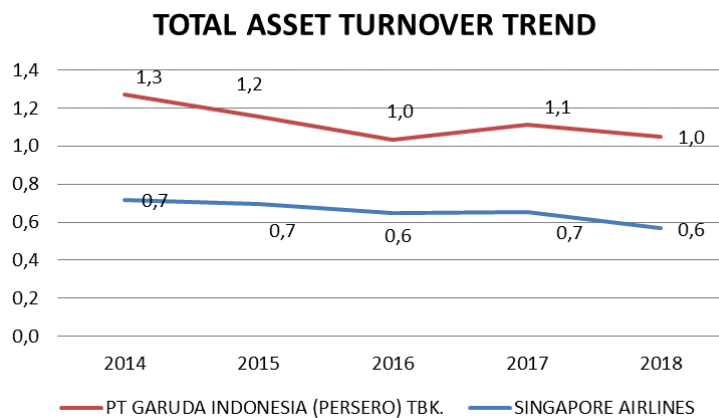


Figure 6: Activity Ratio (Inventory Turnover)



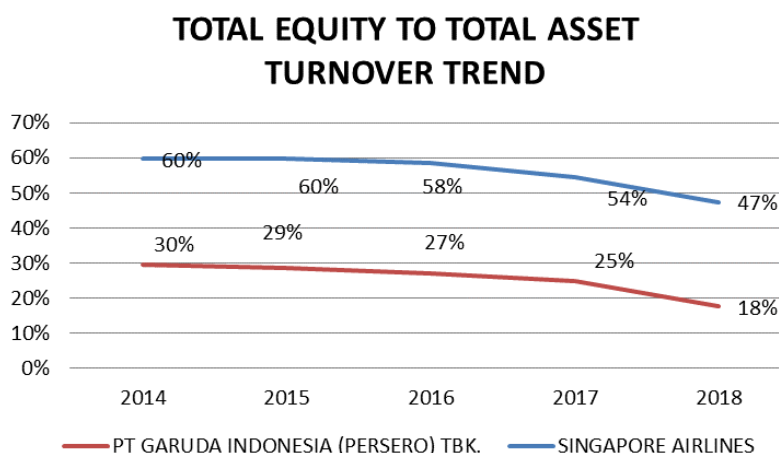
Figure 7: Activity Ratio (Total Asset Turnover)



IV.4 SOLVENCY ANALYSIS

Figure 8 shows the trend of TETA ratio in 2014-2018 of GIAA and SIA. Overall, there were decreases in the ratios GIAA, (30%, 29%, 27%, 25%, and 18%), as shown by Table 12. While Table 14 presents the percentage of TETA ratios in 2014-2018 of SIA. Overall, the TETA ratios were stable; 60%, 60%, 58%, 54%, and 47%. Both companies were in insolvent conditions, they have problem in repayment their long-term obligations, because all ratios were below the standard of 50%, or in high risks conditions.

Figure 8: Solvency Ratio (Total Equity to Total Asset Turnover)



V. VALIDATION TESTING

To examine the level of financial assessment for companies under airline industry whether in healthy or less healthy or unhealthy position for 2014-2018, the decree of Ministry of SOEs No. KEP- 100/MBU/2002 is employed to test the validation. Table 12 to 15 show the result during 2014 –2018 financial year for GIAA and SIA.

Table 12: Test Result of GIAA

	2014		2015		2016		2017		2018	
	RATIO	SCORE	RATIO	SCORE	RATIO	SCORE	RATIO	SCORE	RATIO	SCORE
ROE (%)	-41%	0	8%	0	1%	0	-23%	0	-24%	0
ROI (%)	-7%	1	10%	1	7%	1	2%	1	1%	1
CASH RATIO (%)	254%	5	43%	5	37%	5	16%	3	8%	1
CURRENT RATIO (%)	66%	0	84%	0	75%	0	51%	0	37%	0
COLLECTION PERIOD (DAYS)	12	5	13	5	20	5	24	5	36	5
INV. TURN OVER (DAYS)	8	5	9	5	10	5	22	5	17	5
TATO (%)	127%	1,20	115%	1,20	103%	1,20	111%	1,20	105%	1,20
TETO (%)	30%	4,00	29%	4,00	27%	4,00	25%	400%	0,18	4,00
TOTAL		21,2		21,2		21,2		19,2		17,2

Table 13: Summary of Test Result of GIAA

YEAR	TOTAL SCORE	WEIGHT	TOTAL WEIGHT	PERFORMANCE	CATEGORY
2014	21,2	70	30,28415451	B	Less Healthy
2015	21,2	70	30,28415451	B	Less Healthy
2016	21,2	70	30,28415451	B	Less Healthy
2017	19,2	70	27,4271588	CCC	Unhealthy
2018	17,2	70	24,57016309	CCC	Unhealthy

Overall, based on Table 12 above, there was a slight decrease in the total score of GIAA. It decreased slightly from 21,2 in 2014 to 17.2 in 2018. Next, the total score converted to the total weight with the calculation formula (total score/weight) multiplied by 100. The highest weight score was 30,2 in 2014-2016 with level B which consider as less healthy financial condition. The lowest weight score was 27,4 in 2018 with level CCC that consider as unhealthy financial condition, as shown in Table 13 above.

Table 14: Test Result of SIA

	2014		2015		2016		2017		2018	
	RATIO	SCORE	RATIO	SCORE	RATIO	SCORE	RATIO	SCORE	RATIO	SCORE
ROE (%)	3%	5,5	6%	8,5	3%	5,5	10%	14	5%	7
ROI (%)	9,04%	7,5	11%	9	9%	7,5	11%	9	8%	6
CASH RATIO (%)	77%	5	61%	5	54%	5	39%	5	40%	5
CURRENT RATIO (%)	110%	4	105%	3	91%	1	76%	0	75%	0
COLLECTION PERIOD (DAYS)	4	5	11	5	11	5	8	5	4	5
INV. TURN OVER (DAYS)	5	5	4	5	4	5	4	5	5	5
TATO (%)	72%	3,00	69%	3,00	65%	3,00	65%	3,00	57%	2,50
TETO (%)	60%	8,00	60%	8,00	58%	8,50	54%	8,50	0,47	9,00
TOTAL		43		46,5		40,5		49,5		39,5

Table 15: Summary of Test Result of SIA

YEAR	TOTAL SCORE	WEIGHT	TOTAL WEIGHT	PERFORMANCE	CATEGORY
2014	43	70	61,42540773	BBB	Less Healthy
2015	46,5	70	66,42515021	A	Healthy
2016	40,5	70	57,85416309	BBB	Less Healthy
2017	49,5	70	70,71064378	A	Healthy
2018	39,5	70	56,42566524	BBB	Less Healthy

As data shown on Tables 14 and 15, there were decreases in the total score in 2014-2018. It decreased slightly from 66 in 2015 to 57 in 2016, and 56 in 2018. Then, it increased to 66 in 2015, and 70 in 2017. Next, the total score was converted to the total weight with the calculation formula (total score/weight) multiplied by 100. SIA got financial healthy levels of BBB, A, BBB, A, and BBB respectively in 2014- 2018.

VI. LIMITATION

This study has expanded the literature about financial performance in the real working world. Since the focus is on one industry, it is worth to explore it on a wider scale and find out if different company yields the same result. In addition, the study only focuses on financial aspects. It is suggested to measure the financial performance of SOEs in other aspects such as operational and administration.

VII. CONCLUSION AND RECOMMENDATION

The study shows the financial performance of airline industry in 2014-2018, and was based on the decree of the Ministry of SOEs No. KEP-100/MBU/2002 about financial health assessment of SOEs. The study concerns about four classifications of ratio measurement that includes profitability, liquidity, solvency, and activity ratios. The result shows that during the five year period, 2014 to 2018, both company have achieved financial condition levels and rating as follows; GIAA (B, B, B, CCC and CCC); and SIA (BBB, A, BBB, A, and BBB). In the last two years, GIAA has achieved an lowest level of financial health, although in the first three years were only BBB, or less healthy levels respectively.

On the other hand, SIA has achieved excellent A level for several period, although it was decreased slightly during the last years, from A to single BBB only. It can be concluded that SIA has better performance compared to GIAA. This study has added the knowledge in the financial literature. It also gives a strong insight for managers in cement industry about the financial performance. Therefore, the managers can make a better decision with the purpose to increase the market share and the profitability.

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