COMPARATIVE STUDY: FINANCIAL PERFORMANCE OF INDONESIA STATE-OWNED ENTERPRISE AND PRIVATE ENTERPRISE IN STEEL PRODUCING INDUSTRY FOR THE PERIOD OF 2013-2018

Wiwiek Mardawiyah Daryanto
Setyo Okiviantoro
Tengku Ervan Naufal

ABSTRACT

Indonesia's steel industry is unlucrative due to high levels of imports. Steel import reaches 1,15 billion USD in 2018. The high level of imports are mainly caused by domestic production that focuses on construction needs while the needs of steel for non construction industry is greater. President Joko Widodo has publicly stated that the import of steel is one of the significant factors in the country's trade deficit. In assessing the industry, this study analyses the financial health of a state owned enterprise as well as a private enterprise of a steel producing firm. The company that is used from the state-owned enterprise (SOEs) is PT Krakatau Steel while from the private enterprise is PT Betonjaya Manunggal. The data used are collected from the published audited report. Financial ratios that are stated in the Decree of Indonesia Ministry of State-Owned Enterprises No.KEP-100/MBU/2002 are used to analyse the health of the companies. Specifically, the financial ratios that will be used are; 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. The results of the analysis from 2013-2018 are ; PT Krakatau Steel (BB, B, B, BB, B, BB) and for PT Betonjaya Manunggal (AA, BBB, BBB, BB, BBB, A). In conclusion, PT Krakatau Steel needs to improve on their liquidity and profitability while PT Betonjaya Manunggal needs to improve on their activity.

Key words: Decree of Indonesia ministry of state-owned enterprise, financial health of state-owned enterprise and private enterprise, financial ratio, steel industry

1. INTRODUCTION

Currently, Indonesia's domestic production steel industry is disturbed by imports. According to the Indonesia Central Bureau of Statistics (2019), import of steel reached 1,15 billion USD shown by the figure below with its biggest contribution from China, amounting to 414 million USD in 2018. This occurrence happened because Indonesia domestic production only focuses on construction needs while the needs of steel for non-construction industry is more significant, as announced by the Ministry of Industry (Hamdani, 2019). Indonesian companies from State Owned Enterprises (SOEs) which is PT Krakatau Steel and from private enterprises PT Betonjaya Manunggal are struggling to face the high influx of imports. Over the past six years PT Krakatau Steel condition has been concerning as they experience loss and high levels of debt. In January 2020 they had to be involved in a credit restructuring program in the amount of 30 trillion rupiah, the highest ever experienced by an Indonesian company (Rika, 2020). Due to this occurrence, analyzing the financial condition of the steel industry companies will provide more insight regarding the industry.

Figure 1. Indonesia Steel Import Spending

Source: Indonesia Central Bureau of Statistics, 2019

In measuring the financial condition of the industry, financial ratio analysis is one of the most effective tools. Previous research in financial ratio analysis has been used in different industries such as banking, oil, and also construction in Indonesia to measure financial condition. Myšková and Hájek (2017) stated that financial ratio is possible to analyze the evolution of financial condition of a company, cross sectional analysis, and also comparative analysis. It is mostly used by the company because of its clarity and added more valuable information. The government of Indonesia through the Ministry of State Owned Enterprise requires that financial ratio is used to measure and analyze the financial health condition of SOE. Specifically, The Decree of the

Ministry of SOEs No. KEP-100/MBU/2002 used in this study as comparative analysis between PT Krakatau Steel and PT Betonjaya Manunggal.

Therefore, this study focuses on two distinctive enterprises in Indonesia. The first, coming from the Stated Owned Enterprises is PT Krakatau Steel. The second is from the private sector, which is PT Betonjaya Manunggal. Analyzing the financial health conditions period 2013-2018 of both enterprises would be the main topic discussed. The Decree of the Ministry of SOEs No. KEP-100/MBU/2002 is used in assessing the state of the company's financial health. Hence, these are research problems that can be determined: 1) How healthy was the financial health of both companies during the period 2013-2018 by using the Decree of the Ministry of SOEs No. KEP-100/MBU/2002 2) What was the difference between the financial performance of the state-owned enterprise and the private enterprise? This study is beneficial for both student and lecturer on how financial ratio is applied in the real life situation. Other than that, this study provides further insight on how to see a company's condition based on their financial performance and recommendations on how to improve from the current situation.

2. LITERATURE REVIEW

A. Steel Industry in Indonesia

In examining the steel industry in Indonesia, the Asian steel industry should be described in defining Indonesia's role. As shown by Table 1, Indonesia is the fifth highest steel importing country in 2018 with 11.7 million tons (World Steel Association, 2019). Indonesia is only behind Thailand, South Korea, China and Vietnam. On the other hand, Indonesia is not among the top five steel exporting countries in Asia. China dominates the steel export markets in Asia with 68,8 million tons of steel imports in 2018. Due to the high influx of imports and lower level of exports, Indonesia's trade deficit for the year 2018 is 7.9 million tons, which is ranked the fourth highest in Asia (World Steel Association, 2019). Furthermore, Indonesia has proven to be a net importer of steel products and steel trade deficit has shown a 97 percent increase from 2009 to 2017 (International Trade Administration, 2018).

Table 1. Asia Countries Steel Export and Import

Top 5 Asia Steel Export			Top 5 Asia Steel Import		
Rank	Total Export	Million Ton	Rank	Total Import	Million Ton
1	China	68,8	1	Thailand	15,5
2	Japan	35,8	2	South Korea	14,9
3	South Korea	30,1	3	China	14,4
4	Taiwan	12,3	4	Vietnam	14,1
5	India	11,1	5	Indonesia	11,7

Source: World Steel Association, 2019

The Indonesian government imposed several policies in decreasing the high influx of imports. They have imposed the Ministry of Finance Regulation No. 12/PMK.010/2015 regarding custom fees for steel related products. The regulation was active from January 2015. Furthermore, the government also imposed the Ministry of Trade Regulation No. 110 2018 regarding the supervision and verification of steel imports. The regulation was active from 20 January 2019 and it is mainly constructed to reenact the import supervision through the logistics center for freshly imported steel instead of post border supervision in an attempt to decrease illegal steel imports. The government's main aim is to support the local producers of steel and reduce the high level of trade deficit.

B. PT Krakatau Steel

Trikora Steel Project which is today known as PT Krakatau Steel was established by President Soekarno in 1970. It has grown to be a prominent steel producer in Indonesia. The company has multiple steel production facilities from core facilities such as sponge iron plant, steel billet plant, wire rod plant, and also the supporting infrastructure such as power plant generators, water treatment plants, ports and telecommunication systems. All in all, PT Krakatau Steel is an integrated steel production company because they have a balance to produce steel as well as contributing to improvement of national industry.

C. PT Betonjaya Manunggal

PT Betonjaya Manunggal was established on February 27 1995 in Gresik, East Java. The company line of business produces round bars of steel with size ranging from 6mm to 12mm. Until today the company focuses on the domestic market especially in East Java which contributes a significant level of sales, amounting to 70%. Assetwise, PT Betonjaya Manunggal is the closest private enterprise compared to PT Krakatau Steel. Hence, the company is used for the base of comparison in this study.

D. Previous Research on Financial Performance

Financial ratio analysis is used to determine meaningful relationships between the components of financial statements (Needles et al., 1996). It provides a relative measure of performance as well as an underlying financial position of a company (Megaladevi, 2015). Ratios act as practical means or basis for the companies to monitor and improve their performance (Lucey, 1988). The reason ratios are used for analysis compared to absolute or definite values is that ratios are able to facilitate comparison for companies with different sizes (Barnes, 1987). Furthermore, companies usually use financial ratios to measure their performance against their competitors. Therefore, financial ratio is suitable in measuring the company's financial performance as well as health levels in measuring the two determined companies. Tugas (2012) stated that there are five key categories of financial ratios, which are liquidity, activity, solvency, profitability and market value ratios.

Research indicates that there have been many previous research on financial ratios in different industries (Tarawneh, 2006; Daryanto, 2017; Daryanto 2018; Brazer & Daryanto, 2019) including banking, oil, cement and construction industries. However there are only a few studies on the financial performance of the Indonesian steel industry.

E. The State Owned Enterprise Ministry Decree No. KEP-100/MBU/2002

The Decree of State Owned Enterprise (SOEs) No.KEP-100/MBU/2002 is used to analyze the health of the SOEs for a certain period of time. Especially in this period of decreasing barriers in economic activity, a thorough evaluation system is needed in measuring efficiency as well as competitiveness for SOEs. The evaluation system is applied to all SOEs in both the financial and non-financial industry. The evaluation consists of three aspects, which are the financial, operational and administrative aspects. The financial aspect is divided into two sectors which are the infrastructure and non-infrastructure sectors. The infrastructure sector carries a total weight out of 50 while the non-infrastructure sector has a total weight of 70. The evaluation measures eight financial ratios which are return on equity, return on investment, cash ratio, current ratio, collection period, inventory turnover, total asset turnover and total equity to total asset ratios. These eight indicators will measure four main categories of financial ratios, which are profitability, liquidity, activity and solvency.

This research will deep dive into the financial aspect of PT Krakatau Steel (SOEs) and PT Betonjaya Manunggal (Non SOEs). Although PT Betonjaya Manunggal is not a state owned enterprise, the The Decree of State Owned Enterprise (SOEs) No.KEP-100/MBU/2002 is still used in measuring the health of the company as a comparison for PT Krakatau Steel and to give further insight towards the steel industry. Furthermore, the Decree has been used to analyze SOEs in various types of industry before. Brazer and Daryanto (2019) analyzed the health of the SOEs in the property and construction industry. In addition to that, Pratama (2017) analyzes the health of PT Pos Indonesia during the period of high E-commerce growth. Another research by Daryanto (2018) measures the financial health performance of SOEs in the cement industry. It shows that the decree has been used in assessing the health of these companies multiple times previously.

3. RESEARCH METHOD

This research will utilize financial ratios that are stated in The Decree of State Owned Enterprise (SOEs) No.KEP-100/MBU/2002 to measure the company's financial health. The financial ratio analysis is used in measuring and analyzing primarily the health of PT Krakatau Steel and PT Betonjaya Manunggal. As stated before, even though the latter is not a state-owned enterprise, the analysis is done to gain further insights regarding the financial health of the companies in the steel industry. PT Krakatau Steel falls under the category of a non-financial and non-infrastructure state-owned enterprise. Their financial aspects can be analyzed by using the criteria's that have been determined by the Decree.

Table 2. Total Weighted Score

Classification	Indicator	Weight Non Infrastructure
Profitability	Return on Equity	20
	Return on Investment	15
Liquidity	Cash Ratio	5
	Current Ratio	5
Activity	Collection Period	5
	Inventory Turnover	5
	Total Asset Turnover	5
Solvency	Total Equity to Asset Ratio	10
Total Weight		70

Table 3. Health Indicator

Company Health Indicator		
Category	**Rating**	**Score**
Healthy	AAA	TS>95
Healthy	AA	80<TS≤ 95
Healthy	A	65<TS≤ 80
Less Healthy	BBB	50<TS≤ 65
Less Healthy	BB	40<TS≤ 50
Less Healthy	B	30<TS≤ 40
Unhealthy	CCC	20<TS≤ 30
Unhealthy	CC	10<TS≤ 20
Unhealthy	C	TS≤ 10

Source: The Ministry of State Owned Enterprise Decree No. KEP 100/MBU/2002

From all of the eight financial ratios that are used, the score of each indicator will be accumulated to gain the total score. Each indicator has their maximum score as explained in Table 2. The total score then will be weighted towards the maximum score (70) and compared to the criteria in determining the health of the companies. The criteria has three levels, which are healthy (AAA, AA, AA), less healthy (BBB, BB, B) and unhealthy (CCC, CC, C). The range of each level is detailed in Table 3.

The analysis will account for both PT Krakatau Steel and PT Betonjaya Manunggal ratio for the period of 2013 towards 2018. However, even though financial ratio is a good tool in measuring financial health of a company, there is a concern regarding its use. Financial ratio is measured from the financial reports of a company for which manipulation is common a. However, they are the only detailed information that can be acquired in evaluating performance (Kumbirai & Webb, 2010). The ratios are used to acquire the total score and analyzed by using the Decree of Ministry of State Owned Enterprises No. KEP-100/MBU/2002 will be explained in detail.

A. Profitability Ratio

Van Horne (2002) stated that there are two types of profitability ratio, which are the ratio to indicate the profitability of the sales or profitability of the investments. Combined, they measure the efficiency of the company's operation. The Decree uses return on investment and return on asset.

Return on equity indicates how much the firm has generated from the funds that are invested by the shareholders either directly or indirectly through retained earnings (Anthony et al., 2011). It is measured by:

$$\text{Return on Equity} = \frac{After\ Tax\ Income}{Shareholders\ Equity} \times 100\%$$

On the other hand, return on investment is a profitability ratio indicating the extent to which the invested amount in a particular company can generate returns (Anthony et al., 2011). It is calculated by:

$$\text{Return on Investment} = \frac{Earning\ Before\ Interest\ Tax + Depreciation}{Capital\ Employed} \times 100\%$$

Both of the ratios are assessed using the assessment score as shown in Tables 4 and 5.

Table 4. ROE Assessment Score

Return on Equity (%)	Non Infrastructure
15 < ROE	20
13 < ROE ≤ 15	18
11 < ROE ≤ 13	16
9 < ROE ≤ 11	14
7,9 < ROE ≤ 9	12
6,6 < ROE ≤ 7,9	10
5,3 < ROE ≤ 6,6	8,5
4 < ROE ≤ 5,3	7
2,5 <ROE ≤ 4	5,5
1< ROE ≤ 2,5	4
0< ROE ≤ 1	2
ROE < 0	0

Table 5. ROI Assessment Score

Return on Investment (%)	Non Infrastructure
18 < ROI	15
15 < ROI ≤ 18	13,5
13 < ROI ≤ 15	12
12 < ROI ≤ 13	10,5
10,5 < ROI ≤ 12	9
9 < ROI ≤ 10,5	7,5
7 < ROI ≤ 9	6
5 < ROI ≤ 7	5
3 < ROI ≤ 5	4
1 < ROI ≤ 3	3
0 < ROI ≤ 1	2
ROI < 0	1

Source: The Ministry of State Owned Enterprise Decree No. KEP 100/MBU/2002

B. Liquidity Ratio

Liquidity ratio relates towards the firm's ability to meet cash needs when it arises (Tugas, 2012). The Ministry of State Owned Enterprises No. KEP-100/MBU/2002 Decree uses cash and current ratio as liquidity measures.

Cash ratio measures the current assets only on short-term marketable investments and cash in comparison to current liabilities (Gibson, 2009). It is calculated by:

$$\text{Cash Ratio} = \frac{Cash + Cash\ Equivalents + Short\ Term\ Securities}{Current\ Liability} \times 100\%$$

Current ratio assesses ability for the company to pay its short-term liability with its current assets (Gibson, 2009). It is measured by:

$$\text{Current Ratio} = \frac{Current\ Asset}{Current\ Liability} \times 100\%$$

Both of the ratios are assessed using the assessment score as shown in Tables 6 and 7.

Table 6. Cash Ratio Assessment Score

Cash Ratio (%)	Non Infrastructure
Cash Ratio ≥ 35	5
25 ≤ Cash Ratio < 35	4
15 ≤ Cash Ratio< 25	3
10 ≤ Cash Ratio < 15	2
5 ≤ Cash Ratio <10	1
0 ≤ Cash Ratio < 5	0

Table 7. Current Ratio Assessment Score

Current Ratio (%)	Non Infrastructure
125 ≤ Current Ratio	5
110 ≤ Current Ratio < 125	4
100 ≤ Current Ratio < 110	3
95 ≤ Current Ratio <100	2
90 ≤ Current Ratio < 95	1
Current Ratio < 90	0

Source: The Ministry of State Owned Enterprise Decree No. KEP 100/MBU/2002

C. Activity Ratio

Activity ratio indicates a company's efficiency utilizing its funding source or commonly known as assets (Tugas, 2012). It specifically relates how the assets are used to generate revenues. The Ministry of State Owned Enterprises Decree No. KEP-100/MBU/2002 uses collection period, inventory turnover and total asset turnover in measuring activity ratio of a company.

Collection period relates to the collection of receivables from customers (Anthony et al., 2011). It is expressed in terms of days. It is acquired by:

$$\text{Collection Period} = \frac{Trade\ Receivable}{Revenue} \text{ x } 365$$

On the other hand, inventory turnover indicates the speed which merchandise inventory flows through a business (Anthony et al., 2011). It is expressed in terms of days. It is measured by:

$$\text{Inventory Turnover} = \frac{Inventory}{Revenue} \text{ x } 365$$

Total asset turnover measures the percentage of revenue generated from each asset or capital employed (Gibson, 2009). However, Fixed asset is emitted in the total asset turnover analysis. It is measured by:

$$\text{Total Asset Turnover} = \frac{Revenue}{Capital\ Employed}\ x\ 100\%$$

Both of the ratios are assessed using the assessment score as shown in Tables 8, 9 and 10.

Table 8. Collection Period Assessment Score

Collection Period (days)	Adjustment (days)	Non Infrastructure
CP ≤ 60	CP > 35	5
60 < CP ≤ 90	30 < CP≤ 35	4,5
90 < CP ≤ 120	25< CP ≤ 30	4
120 < CP ≤ 150	20 < CP ≤ 25	3,5
150 < CP ≤ 180	15< CP ≤ 20	3
180 < CP ≤ 210	10< CP ≤ 15	2,4
210 < CP ≤ 240	6 < CP ≤ 10	1,8
240 < CP ≤ 270	3 < CP ≤ 6	1,2
270 < CP ≤ 300	1 < CP ≤ 3	0,6
300 < CP	0 < CP ≤ 1	0

Table 9. Inventory Turnover Assessment Score

Inventory TO (days)	Adjustment (days)	Non Infrastructure
ITO ≤ 60	ITO >35	5
60 < ITO ≤ 90	30 < ITO ≤ 35	4,5
90 < ITO ≤ 120	25 < ITO ≤ 30	4
120 < ITO ≤ 150	20 < ITO ≤ 25	3,5
150 < ITO ≤ 180	15 < ITO ≤ 20	3
180 < ITO ≤ 210	10 < ITO ≤ 15	2,4
210 < ITO ≤ 240	6 < ITO ≤ 10	1,8
240 < ITO ≤ 270	3 < ITO ≤ 6	1,2
270 < ITO ≤ 300	1 < ITO ≤ 3	0,6
300 < ITO	0 < ITO ≤ 1	0

Table 10. Total Asset Turnover Assessment Score

Total Asset TO (%)	Adjustment (days)	Non Infrastructure
TATO > 120	TATO > 20	5
105 < TATO ≤ 120	15 < TATO ≤ 20	4,5
90 < TATO ≤ 105	10 < TATO ≤ 15	4
75 < TATO ≤ 90	5 < TATO ≤ 10	3,5
60 < TATO ≤ 75	0 < TATO ≤ 5	3
40 < TATO ≤ 60	TATO ≤ 0	2,5
20 < TATO ≤ 40	TATO < 0	2
TATO ≤ 20	TATO< 0	1,5

Source: The Ministry of State Owned Enterprise Decree No. KEP 100/MBU/2002

D. Solvency Ratio

Solvency ratio is used to evaluate the capability of the company in paying their long term liability (Kajananthan & Velnampy, 2014). The Decree uses total equity to total asset ratio in measuring solvency. Total equity to total asset ratio or commonly known as asset to equity ratio shows the scale of capital owned or shareholders equity which is utilized in funding the company's assets (Prabowo et al., 2018). It is measured by:

$$\text{Asset to Equity Ratio} = \frac{Total\ Equity}{Total\ Asset}\ x\ 100\%$$

The ratio is assessed using the assessment score as shown in Table 11.

Table 11. Equity to Asset Assessment Score

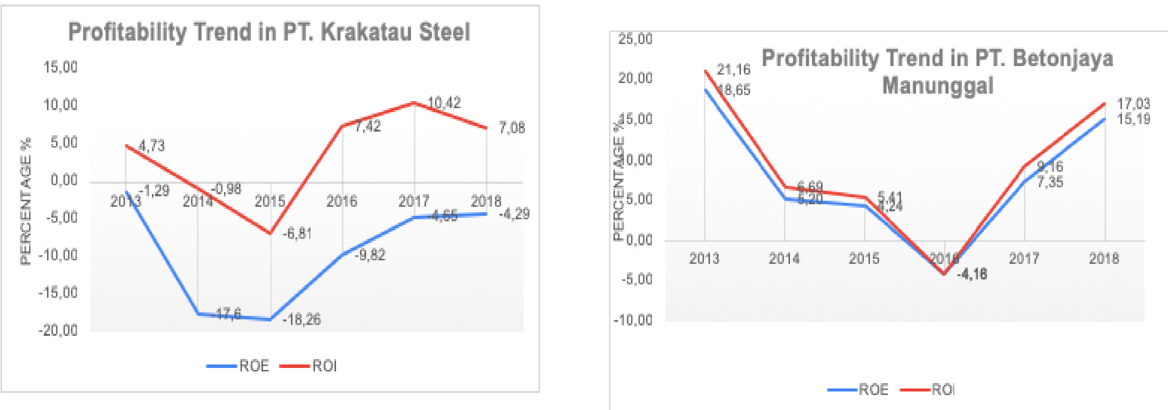
Equity to Asset (%)	Non Infrastructure
ETA < 0	0
0 ≤ ETA< 10	4
10 ≤ ETA< 20	6
20 ≤ ETA< 30	7,25
30 ≤ ETA< 40	10
40 ≤ ETA< 50	9
50≤ ETA< 60	8,5
60 ≤ ETA< 70	8
70 ≤ ETA< 80	7,5
80 ≤ ETA< 90	7
90 ≤ ETA < 100	6,5

Source : The Ministry of State Owned Enterprise Decree No. KEP 100/MBU/200

4. RESULT AND DISCUSSION

A. Profitability Performance

Figure 2. Profitability Trend of PT Krakatau Steel and of PT Betonjaya Manunggal

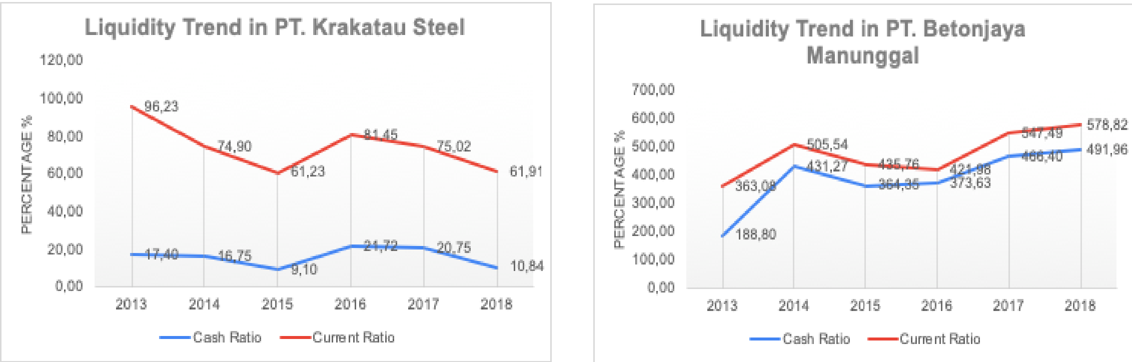


Graphics above illustrate profitability performance from PT Krakatau Steel as well as PT Betonjaya Manunggal based on ROE and ROI. Both companies indicated a declining pattern. The ROE of PT Krakatau Steel seen in Figure 2 started at -1,29% in 2013 while PT Betonjaya Manunggal started at 18,65% in the same year. The ROE for PT Betonjaya Manunggal is at their highest point over the six year period. In 2015, PT Krakatau Steel ROE reached their lowest point at -18,26% while for PT Betonjaya Manunggal reached their lowest point of -4,16% in 2016. However, the ROE of PT Krakatau Steel stayed below the zero level. The ROE percentage of PT Krakatau Steel stayed below zero because the company could not generate a positive after tax income unlike PT Betonjaya Manunggal.

While the ROI trend of both companies is similar to the ROE, PT Krakatau Steel indicated a less volatile trend. The figures indicate the highest percentage for PT Krakatau Steel was 7,08% in 2018 and lowest percentage was -6,81% in 2015. While for PT Betonjaya Manunggal, their highest percentage was in the year 2013 with 21,16% and their lowest was in 2016 which indicates a negative amount.

B. Liquidity Performance

Figure 3. Liquidity Trend of PT Krakatau Steel and PT Betonjaya Manunggal



The two figures above entails the liquidity performance from both companies. As can be seen, both of these companies have distinctive trends in terms of liquidity. Cash Ratio of PT Krakatau Steel shown in Figure 3 is relatively stable compared to Current Ratio throughout the year. The Cash Ratio started at 17,40% in 2013 which then declines in 2015 and 2018. The highest peak occurred in 2016 at 24,72%. Their Current Ratio started at 96,23% in 2013 and reached the lowest point in 2015 with 51,23%. It indicates that PT Krakatau Steel is not able to fulfill their current liabilities using their cash equivalents or current liabilities. It can furtherly be interpreted that they have problems in paying for their short term obligations.

PT Betonjaya Manunggal liquidity as shown in Figure 3 indicates a significantly better performance. Their Cash Ratio percentage is showing an increasing trend, started at 188,80% in 2013 and reached the peak in 2018 at 491,96%. The increasing trend is also evident in the Current Ratio. Their Current Ratio peaked at 578,82% in 2018. It indicates that PT Betonjaya is able to fulfill current liabilities with both its current asset or just its cash equivalents.

C. Activity Performance

Figure 4. Collection Period Trend of PT Krakatau Steel and PT Betonjaya Manunggal

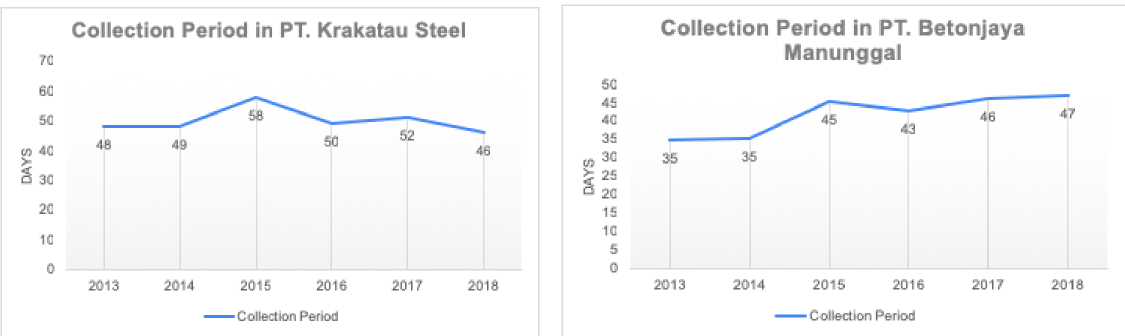


Figure 4 indicates the Collection Period for 2013 until 2018 of both companies. PT Krakatau Steel Collection Period indicated a relatively stable trend. Starting in 2013, the graph began to increase in 2015 and then directly declined the next year. The Collection Period deviated in the range of maximum 10 days until 2018. While PT Betonjaya Manunggal experienced the growing number of collection periods from the lowest point with 35 days in 2013 until the highest point in 2018 with 47 days. This indicates that PT Krakatau Steel is showing a better trend in collecting receivables from customers compared to PT Betonjaya Manunggal. However, the days to collect receivables is not significantly different between these two companies.

Figure 5. Inventory Turnover Trend

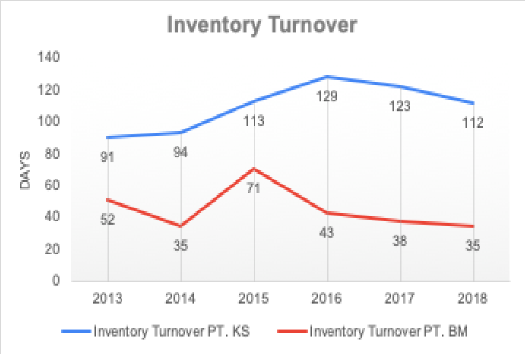


Figure 6. Total Asset Turnover Trend

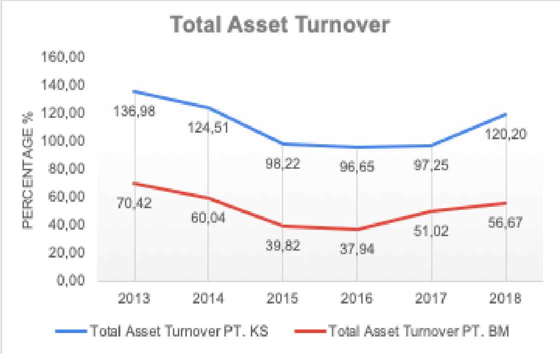


Figure 5 shows the Inventory Turnover trend between PT Krakatau Steel and PT Betonjaya Manunggal. Both companies indicated distinctive trends. PT Krakatau Steel had an increasing trend from 2013 towards 2016, reaching the highest peak 129 days then declined the next two years. On the other hand, PT Betonjaya Manunggal trend fluctuated through the year, starting 52 days in 2013 and declined to 35 days in 2014 and rose to their peak at 71 days in 2015. Their Inventory Turnover trend declined the rest of the year afterwards. The figure indicates that PT Betonjaya Manunggal is able to sell their inventory quicker and more efficiently compared to PT Krakatau Steel.

The Total Asset Turnover trend for both companies is shown on Figure 6. PT Krakatau Steel started at 136,98% in 2013 then declined reaching its lowest point at 96,65% in 2016. The percentage increased continuously for the rest of the year. When reaching the lowest peak, PT Krakatau Steel generated revenue USD 1,34 million and the capital employed was nearly USD 1,39 million, meaning that at the year they could not use assets to generate a significant amount of revenue. On the other hand PT Betonjaya Manunggal also started the year 2013 with a good total asset turnover number with 70,42% but declined reaching its lowest point at 37,94% in 2015. The number continues to rise to 56,67% in 2018. This indicated that the assets of PT Krakatau Steel are more efficiently generated into sales compared to PT Betonjaya Manunggal.

D. Solvency Performance

Figure 7. Solvency Trend

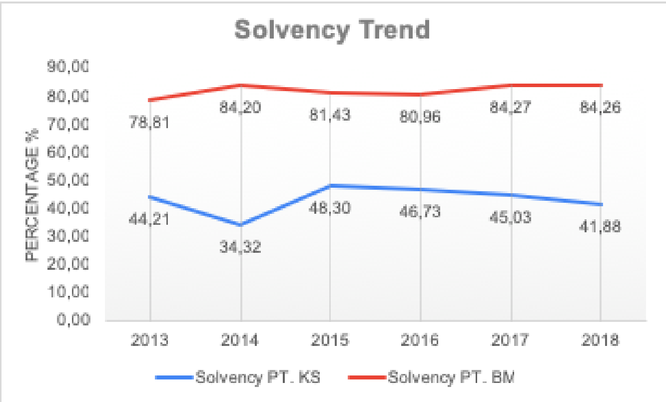


Figure 7 indicates Total Equity to Asset Ratio percentage for both companies. PT Krakatau Steel showed a fluctuated trend, starting at 44,21% in 2013, declined in 2014 at 34,32% and then reached their highest peak in 2015 at 48,30%. All of the percentage is marginally lower than 50%, which indicates that the company has a tendency of funding their assets inefficiently which mostly originates from debt.

On the other hand PT Betonjaya Manunggal shows a stable trend which averaged around 80% starting at 78,81% in 2013 and ended with 84,26% in 2018. It can be interpreted that the assets are funded primarily through equity. PT Betonjaya Manunggal is considered safe in terms of funding their assets because it is significantly more than 50%

E. Validation Testing

Table 12 indicates the assessment of PT Krakatau Steel. Based on the result, it can be interpreted that the company is categorized in the less healthy category. The highest score is in the year 2013 with a total score of 45,71. Based on the research result, the company excels in terms of activity ratio while they struggle in terms of liquidity and profitability. Specifically, their liquidity ratio is their main concern as the analysis indicated a low score from the liquidity aspect. Their solvency ratio also indicates a favourable rating as the percentage of their assets that are funded by their equity are in the range of 40-50%.

Table 12. Test Result for the period 2013-2018 of PT Krakatau Steel

Indicators	2013		2014		2015		2016		2017		2018	
	Ratio	Score	Ratio	Score	Ratio	Score	Ratio	Score	Ratio	Score	Ratio	Score
ROE (%)	-1,29	0	-17,6	0	-18,26	0	-9,82	0	-4,65	0	-4,29	0
ROI (%)	4,73	4	-0,98	0	-6,81	0	7,42	6	10,42	7,5	7,08	6
Cash Ratio (%)	17,40	3	16,75	3	9,10	1	21,72	3	20,75	3	1,.84	2
Current Ratio (%)	96,23	2	74,90	0	61,23	0	81,45	0	75,02	0	61,91	0
C. Period	48	5	49	5	58	5	50	5	52	5	46	5
ITO	91	4	94	4	113	4	129	3,5	123	3,5	112	4
TATO	136,98	5	124,51	5	98,22	4	96,65	4	97,25	4	120,20	5
Equity/Asset Ratio (%)	44,21	9	34,32	10	48,30	9	46,73	9	45,03	9	41,88	9
Total Score		32		27		23		30,5		24,5		31
Total Weight		45,71		38,57		32,86		44		35		44,29
Health Level		BB		B		B		BB		B		B
Status	Less Healthy		Less Healthy		Less Healthy		Less Healthy		Less Healthy		Less Healthy	

Table 13 indicates the assessment of PT Betonjaya Manunggal. Based on the result, it can be interpreted that the company is categorized in the healthy category for 2013 and 2018. On the other hand, the period of 2014-2017 indicates that the company is in the less healthy category. The highest score is in the year 2013 with a total score of 93,57. PT Betonjaya Manunggal excels in terms of liquidity as their short term assets are significantly larger than their short term debts. Furthermore, they excel in terms of activity except for their total asset turnover ratio which have not reached the maximum score. Their solvency ratio is not rated the highest score due to the equity to asset ratio being significantly higher than 40-50%.

Table 13. Test Result for the period 2013-2018 of PT Betonjaya Manunggal

Indicators	2013		2014		2015		2016		2017		2018	
	Ratio	Score	Ratio	Score	Ratio	Score	Ratio	Score	Ratio	Score	Ratio	Score
ROE (%)	18,65	20	5,20	7	4,24	7	-4,16	0	7,35	10	15,19	20
ROI (%)	21,16	15	6,69	5	5,41	5	-4,18	0	9,16	7,5	17,03	13,5
Cash Ratio (%)	188,80	5	431,27	5	364,35	5	373,63	5	466,40	5	491,96	5
Current Ratio (%)	363,08	5	505,54	5	435,76	5	421,98	5	547,49	5	578,82	5
C. Period	35	5	35	5	45	5	43	5	46	5	47	5
ITO	52	5	35	5	71	4,5	43	5	38	5	35	5
TATO	70,42	3	60,04	3	39,82	2	37,94	2	51,02	4	56,67	2,5
Equity/Asset Ratio (%)	78,81	7,5	84,20	7	81,43	7	80,96	7	84,27	7	84,26	7
Total Score		66		42		41		29		41		50
Total Weight		93,57		60		57,86		41,43		58,57		70,71
Health Level		AA		BBB		BBB		BB		BBB		A
Status	Healthy		Less Healthy		Less Healthy		Less Healthy		Less Healthy		Healthy	

5. CONCLUSION

A. Limitation

This study uses Decree of State Owned Enterprise (SOEs) No.KEP-100/MBU/2002 in analyzing financial health of companies in the steel industry. However, the study only uses the financial aspect of the Decree. Furthermore, the study compared both a state-owned enterprise with a private enterprise using measurements that are constructed only for the former. Additionally, the study uses financial statements that are stated in different currencies. PT Krakatau Steel uses United States Dollars while PT Betonjaya Manunggal uses Indonesian Rupiah in their annual reports.

B. Conclusion and Recommendation

The goal of the first problem which this study conducts is to answer regarding the financial health of PT Krakatau Steel and PT Betonjaya Manunggal by using the Decree of State Owned Enterprise (SOEs) No.KEP-100/MBU/2002. It can be concluded that

PT Krakatau Steel is categorized in the less healthy condition for the period of 2013 to 2018. On the other hand, PT Betonjaya Manunggal is categorized in both the healthy and less healthy condition. Their healthy condition was in 2013 and 2018 while their less healthy condition was in 2014, 2015, 2016 and 2017. The results indicated that they are on an upward trend from 2016 towards 2018, as shown by their shift of condition from less healthy towards the healthy category.

The second problem aimed is to analyze the difference in financial performance between the SOE and private firms in the steel industry. PT Krakatau Steel and PT Betonjaya Manunggal indicated different concerns. Specifically, PT Krakatau Steel's main problems are in the profitability and liquidity aspects. Their negative after tax income as well as having a higher level of current debt compared to current assets is their main concern. The analysis has furtherly proven that PT Krakatau Steel is having difficulty to pay their obligations which is the main reason in their credit restructuring program. In the future, the company can focus on decreasing their short term liabilities as well as acquiring more revenue sources.

On the other hand, PT Betonjaya Manunggal faces a constant issue in their activity ratio, specifically their total asset turnover. It can be interpreted that PT Betonjaya Manunggal have not utilized their assets fully and efficiently in generating sales. Their company has room for improvement in ensuring that all of the assets that they possess are able to be beneficial in generating sales. Furthermore, based on the Decree, their solvency ratio is rated not with the maximum score due to the funding of assets that are primarily generated from owners equity. On average, their assets are 80% generated from the shareholders equity. They also have an issue in their profitability ratio as indicated by their negative after tax income and earnings before interest, tax and depreciation in 2016. However, the data indicates that they are improving as shown by the upwards trend from 2017.

This study has given further insights towards the steel industry in Indonesia. As the state-owned steel producer of Indonesia, PT Krakatau Steel is financially unhealthier compared to its competitor in the private enterprise sector. Furthermore, the SOEs main concerns are in the liquidity and profitability aspects while the private enterprise is in the activity aspect. This study gives compelling insights for managers in the industry as well as other parties involved. All in all, both the companies have room to improve financially and the outcome of this study should give managers better insights for the future.

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Wiwiek Mardawiyah Daryanto
Sekolah Tinggi Manajemen IPMI
Email: wiwiek.daryanto@ipmi.ac.id

Setyo Okiviantoro
School of Business Management Institut Teknologi Bandung, Jakarta, 12950
Email: setyo_okiviantoro@sbm-itb.ac.id

Tengku Ervan Naufal
School of Business Management Institut Teknologi Bandung, Jakarta, 12950
Email: tengku_naufal@sbm-itb.ac.id