

CHAPTER I

INTRODUCTION

1.1 Background

A good company is a company that can realize its goals to maintain the life of the company. The purpose of establishing a company is to make a profit. To achieve this goal, the company must be able to attract consumers to the products it offers. Therefore, in this highly competitive business world, managers are required to have good skills and experience in managing the company to be able to continue to compete and survive in the long term. But in fact, many companies are experiencing various problems in their operations so that they are not able to survive in the long term and leads to company bankruptcy. Company bankruptcy is also often interpreted as a financial failure or the company's inability to pay its financial obligations when they fall due. The company's failure to pay off its financial obligations causes liquidity difficulties which are the beginning of bankruptcy. Therefore, if you constantly face liquidity problems, the company has the potential to go bankrupt, especially during this current covid-19 pandemic.

The first corona virus (COVID-19) cases appeared in Wuhan, China, and were reported in late December 2019 (WHO, 2020), caused by a corona virus (SARS-Cov-2), which causes respiratory diseases in humans. On 2nd March 2020, Joko Widodo,

Indonesian President, announced the first two cases of COVID-19 in Indonesia. On 11th March 2020, WHO announced that COVID19 was characterized as a pandemic (WHO, 2020). This pandemic has become a public health crisis and affected the global economy. The significant economic impact can already be seen, for instance to reduced productivity, loss of life, business closures, trade disruption, and a decrease in the tourism industry (Pak et al., 2020). Other negative impacts were also experienced by the tourism, hospitality, and aviation sectors. Indonesia is predicted to lose foreign exchange from the tourism sector of US \$ 1.3 billion as a result of the COVID-19 pandemic. For the tourism and hospitality sector, it only gets a turnover of approximately 20 percent, whereas on a normal day the turnover from hospitality is 70 percent. The aviation sector is predicted to lose a turnover of 207 billion rupiah, this is due to the number of flights being canceled and the number of airports being closed (Rohmah, 2020).

The impact of the covid-19 pandemic was also felt by several companies in Indonesia, namely PT. Air Asia Indonesia Tbk, PT. Panorama Sentrawisata Tbk, and PT. Hero Supermarket Tbk. These companies represent vulnerable companies that have felt the negative impact of covid-19 so that these companies are threatened with bankruptcy due to the drastic decline in sales during this covid-19 pandemic.

PT. Air Asia, Indonesia is one of the airlines that continues to develop and add fleets to meet the public's enthusiasm for the presence of an airline with a safe and

comfortable Low-Cost Carrier (LCC) concept in Indonesia. However, during the current pandemic PT. Air Asia Indonesia Tbk is one of the airlines that has been heavily affected by the Covid-19 outbreak. PT. Air Asia Indonesia Tbk management and all employees have agreed to take several initiatives to ensure the smooth operation of flights again as an effort to support the government in tackling covid-19 in the country. One of them is the adjustment of working hours for 533 employees which is converted into salary adjustments. This initiative was carried out by mutual agreement to support the company's agility in dealing with uncertain situations, including the potential for extension of travel restrictions in several regions and non-normal demand with the hope that this step is the best for all, especially to ensure the company can continue to contribute to society by providing affordable flight services in the future. It is estimated that in 2020 PT. Air Asia Indonesia experienced a decrease in total revenue by 51% - 75%.

The decline in the company's operating income was significantly affected by the non-operation of scheduled flights from April 1 to June 18, 2020, which coincided with the peak season for domestic and international flights. However, with the growth in the number of orders since the re-operation that has reached more than 400 percent, Air Asia Indonesia projects that the company's performance improvement can occur by the end of 2020 to coincide with the year-end holiday season which is compensation for the Eid holiday which was delayed in the middle of the year. In line with the

situation in 2020, the Company recorded a 76% decrease in revenue to Rp1.6 trillion. It saved operating costs by 34% (YoY), and EBITDA was negative at a level of Rp1.2 trillion. The company also reported an operating loss of Rp2.8 trillion. From the operational side, ASK (Available Seat Kilometer) was down by 71% (YoY) to 3,615 in 2020 compared to 12,629 in 2019 considering that the Company only served 17 domestic routes and 5 international routes compared to 17 domestic and 24 international routes in the previous year.

PT. Air Asia Indonesia Tbk continues to take various strategic steps to ensure performance optimization during this pandemic. The efforts that have been made by PT. Air Asia Indonesia Tbk include renegotiation with creditors, optimizing operations on certain routes, optimizing costs while prioritizing operational safety and security, relaxing obligations from regulators and stakeholders. Besides that, PT. Air Asia Indonesia Tbk with other aviation stakeholders are also working together to increase travel demand and ensure safe, comfortable, and healthy operations so that public confidence in air transportation can be restored.

In addition to airline companies that have the potential to go bankrupt as a result of the COVID-19 pandemic, tourism sector companies are also feeling the big impact of this pandemic. One of them is PT. Panorama Sentrawisata Tbk. This company is one of the most integrated companies that focus on tourism and hospitality, with 47 years of experience, and is well-positioned to move forward in the future of the Indonesian

tourism industry. However, this is not easy considering the current state of Indonesia's economy and tourism is deteriorating due to the covid-19 pandemic.

The business growth of companies providing tourism services in 2020 is predicted to experience a drastic decline in performance compared to previous years. PT. Panorama Sentrawisata Tbk operating income throughout the first semester of 2020 recorded a loss attributable to owners of the parent entity of Rp 76.01 billion. Meanwhile, revenue fell sharply from Rp 1.19 trillion to only Rp 432.13 billion during the first semester of 2020.

The next company that feels the impact of covid-19 is PT. Hero Supermarket Tbk. This company is one of the largest retail companies in Indonesia. PT Hero Supermarket Tbk compared to minus \$7 billion for nine months in 2019. This realization fell drastically compared to the company's achievements in the same year 2018, where the company was still able to earn a profit of up to Rp 86.18 billion. The decline in profit for the year reached minus 107.8 percent. One of the reasons for the decline in the company's profit was the decline in revenue by 3.7 percent. The company's net profit during the third quarter of 2019 was Rp 9.49 trillion compared to the same period in 2018 of Rp 9.85 trillion. Total sales dropped drastically due to changes made to optimize stores in the food business. In early 2019, the company closed 26 stores and terminated employment with 532 employees. The closure of

outlets is carried out for the sake of efficiency of business continuity which has been ongoing.

There are several factors that can affect the company's development during the COVID-19 pandemic, one of which is due to travel restrictions and social restrictions (PSBB) in several areas to prevent the spread of the COVID-19 virus (Wulansari, 2020). With the enactment of the PSBB, almost all sectors feel the impact. Based on a statement from Idx Channel in November 2020, there are nine business sectors most affected by the COVID-19 pandemic, three of which are the aviation, tourism, and hospitality, and retail sectors. In 2020, there is an indirect decline in the aviation sector, the hotel sector, and the retail sector. The occurrence of flight cancellations resulted in a decrease in revenue in the sector of aviation. The perceived loss reached Rp. 207 billion. As many as 12,703 flights were canceled at 15 airports in January-March 2020. At 6 thousand hotels, there has been a decrease in occupancy by up to 50%.

Previously, similar research has been conducted by (Kristina, Apriani, & Imanuel, 2020) regarding financial performance analysis to predict bankruptcy in manufacturing companies with a sample of 3 manufacturing companies in Indonesia, namely PT. Astra International, PT. Mandom Indonesia, PT. Gudang Garam and PT. Sri Fortune Isman. Based on the research results Altman Z-Score model can be implemented in detecting the possibility of bankruptcy in the company. PT. Astra International in 2016 to 2020 in the first quarter was in the predicate of potentially

bankrupt, while in the second quarter the company was in the gray area. While PT. Mandom Indonesia both in the first and second quarters was in the predicate of healthy or safe. Next PT. Gudang Garam in the first and second quarters was in the gray area. As for PT. Sri Rejeki Isman in the first and second quarters is classified as a company that has the potential to go bankrupt.

The thing that distinguishes this research from previous research is that previous research only conducted bankruptcy analysis on companies in the manufacturing sector. In this study, not only manufacturing companies, but from three different business sectors, namely the aviation, tourism and hospitality, and retail sectors. The reason the author chose the object of research on the three companies was that the aviation, tourism and hospitality, and retail sectors were the sectors that were heavily affected by the COVID-19 pandemic. This can be seen from the declining demand and public interest in travel using air transportation, lodging for holidays, and retail. This is because people tend to save more to buy basic goods and other main needs amid the COVID-19 pandemic as well as the implementation of large-scale social restrictions (PSBB) and the implementation of restrictions on community activities (PPKM). From this fact, the aviation, tourism and hospitality, and retail sectors are sectors that have the potential to be losers.

Although there are companies that can survive during the covid-19 pandemic, there are also many companies that have ended up going bankrupt during this

pandemic. To anticipate the occurrence of bankruptcy, a company is expected to know the strengths and weaknesses of its financial condition through analysis using analytical techniques or financial distress measurement methods. Analysis using the financial distress method can interpret, calculate and provide broader information on the company's financial condition in a certain period. In addition to conventional financial information, textual disclosures about companies have received major attention recently and be effective for predicting financial distress (Wang et al., 2020).

To find out the financial condition in maintaining business continuity, the company uses the data in the financial statements. The data obtained from the financial statements will be analyzed using the method of measuring bankruptcy prediction, namely the Altman Z-Score method. By combining several financial ratios, a Z-Score will be obtained which shows whether the company is in the bankrupt zone, not bankrupt, or prone to bankruptcy so that the company can make a better strategy in maintaining the company's survival. This research is conducted to analyze companies listed on the Indonesia Stock Exchange for the aviation sector, tourism and hospitality sector, and retail companies sector that were able to survive as well as those who experienced financial distress during the covid-19 pandemic.

1.2 Problem Formulation

Based on the background stated above, the problem formulation in this research is: what is the possibility of airlines, tourism, and hospitality company, and retail

company listed on the Indonesia Stock Exchange to potentially experience bankruptcy as a result of the covid-19 pandemic, and sector of company that has a high chance of going bankrupt in the future.

1.3 Research Purposes

Based on the formulation of the problem above, then the objective to be achieved in this study is to compare the possibility of PT. Air Asia Indonesia Tbk, PT. Panorama Sentrawisata Tbk, and PT. Hero Supermarket Tbk will be bankrupt in the future as a result of the covid-19 pandemic and find out of three different company sectors, which company has the greatest chance of going bankrupt.

1.4 Research Benefit

The benefits of this research are as follows:

1. For the author, it is useful as one of the requirements in completing studies at the Department of Accounting, Faculty of Economics, Andalas University.
2. For the readers, it is hoped could be a reference for further research that is more deeply and provide useful information regarding the indicators discussed in this study.
3. For the companies, it is hoped that this research can increase company awareness in preparing themselves to face financial distress by analyzing the company's financial performance.

4. For investors, it is expected to help assess the company and provide useful information in terms of assisting in making investment decisions.