

Financial Distress Analysis of Textile and Garment Companies Listed on the Indonesian Stock Exchange

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ABSTRACT

Results study this shows that several company textiles And garments are listed on the IDX with sound performance and bad. No, there is a company with good performance finance. A company that owns performance fewer finances Good in the category vulnerable is Sunson Textile Manufacture Tbk And Trisula International Tbk. This company, on average, on the position of Gray Area (prone) or is in between the range of 1.81 to 2.99. A company that owns bad performance finances (bankruptcy) or experience difficulty financially (financial distress) are PT Panasia Indo resources Tbk, Asia Pacific Investama Tbk, Ricky Putra Globalindo Tbk, and Star Petrochem Tbk. This company's average value is under 1.81, which is limited from the category performing company finance badly (broke). Furthermore, researchers can add or compare the author's analysis model use with other analytical models related to the method Altman Z-Score so that they can analyze giving problems results And input to the company.

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1. INTRODUCTION

In the business world, a company is a business entity established by specific individuals or institutions (1). Company manufacturing is a processing industry company that processes raw materials into finished goods (2). Generally, manufacturing companies are synonymous with factories for production processes. One of the manufacturing sector sectors listed on the Indonesia Stock Exchange is the textile and garment sub-sector.

Manufacturing companies in their operational activities generally aim to earn profit by managing various resources, including human, capital, raw materials, and so on. Companies are formed to achieve goals, and these goals include short-term and long-term. Earning profits is a short-term goal that the company must complete, and increasing the company's value is a long-term goal. The company's profit is obtained from the company's revenue or sales minus costs cost issued by the company. Usually, the company uses the profits earned to develop and maintain company continuity (3).

Textile and garment sector companies in Indonesia are currently experiencing an increase in textile imports which has caused the development of domestic textiles to weaken, making it difficult to compete with imported products, which has resulted in several textile and garment sector companies experiencing

huge losses, so they have to close their companies or go bankrupt.

The phenomenon occurs in textile and garment sector companies; many other countries compete with Indonesia in the textile and garment sector. Based on the Indonesian Textile Association (API), the circulation of imported textiles in Indonesia reaches 50-60%. So since 2011, the export growth target of 5% has never been achieved. The realization of growth is only in the range of one percent. It is at the zero point level of so many percent. This can threaten the existence of textile companies in Indonesia.

Another problem faced by textile and garment companies is that the global financial crisis that occurred in 2008 has disrupted the continuity of the company, including companies in Indonesia. The global financial crisis has reduced demand for exports. Manufacturing companies, especially textile and garment companies, were the companies that felt the most impact from the crisis. As a result, there were massive layoffs at textile companies in Indonesia.

2014 Indonesia Stock Exchange Factbook explained that there were eight textile and garment companies that experienced losses. The eight companies are Apac Citra Centertex Tbk, Argo Pantes Tbk, Asia Pacific Fibers Tbk, and Ever Shine Tex Tbk, Tifico fiber Indonesia Tbk, Polychem Indonesia Tbk, Sunson textile manufacturer Tbk, and Panasia Indo Resources Tbk. One example is the Apac Citra Centertex Tbk Company, which suffers losses annually. The most significant loss in 2014 reached Rp. 158,271,000,000 (4).

Looking at the condition that the company is experiencing a decline in profits in several textile and garment companies, management must evaluate the company's performance in order to avoid financial difficulties. Not only management investors who want to invest in textile and garment companies must also be able to predict the financial performance of textile and garment companies before investing. It is essential to know the possibilities that will occur in the future.

Since 2007 and 2019, Chinese textile and garment companies have expanded their business on a large scale which has had an extraordinary impact on local textile and garment companies. The impact of the entry of Chinese textile and garment companies into Indonesia continues to increase occasionally. According to APSyFI data (Association of Fiber and Filament Yarn Producers) processed by BPS, the growth rate of national textile imports in the last ten years has increased by 10.4% to reach US\$10.02 billion in 2018, while the export growth rate in the same period only grew 3% reached 13.22 billion US dollars, this resulted in Indonesia's textile and garment trade balance also decreasing by half from a surplus of 6.08 billion US dollars in 2008 to 3.2 billion US dollars last year. Judging from the APSyFI data, the performance of the textile trade in 2018 was the worst trade performance in history because exports only grew by 0.9% while imports grew by 13.9%. Hence, the textile trade balance experienced a deficit of 25.6% (5).

Competition in companies that are getting tougher in this era of globalization, requires companies to try harder to maintain the continuity of their business with various strategies designed to maintain consumers as a source of income. The intense competition requires companies to work extra hard to manage well. Company management must determine strategies to overcome increases, and not experience decreases to dominate a broad market and survive and develop unlimitedly. In practice, assumptions like the one above only sometimes come true, often companies that have been operating for a certain period of time are forced to disband due to bankruptcy.

A company's bankruptcy can also be caused by ambitions that want to continue operating in an unhealthy company. So if it is forced, it will trigger an increase in the company's debt. Bankruptcy analysis is essential for companies going public because companies can assess potential bankruptcy (6).

Bankruptcy prediction guides interested parties regarding the company's financial statements and whether it will experience difficulties or not in the future. For the owner of the company can be used to decide whether he will retain his ownership in the company or sell it and then invest elsewhere. As for parties outside the company, especially investors, to assess the current and past financial condition and operating results of the company as well as a guide regarding the company's performance and whether the company will have the potential to go bankrupt. Predicting the occurrence of bankruptcy can be done with a bankruptcy analysis of the company.

2. RESEARCH METHODS

The analytical tool used in this study is the Altman Z-Score, which can predict bankruptcy using financial ratios. The following is the Altman model formula (z-score) (7):

$$Z=1.2 X1 + 1.4 X2 + 3.3 X3 +0.6 X4 + 1.0 X5$$

Information:

Z = Bankruptcy Index

X1 = Working Capital / Total Assets

X2 = Retained Earnings / Total Assets

X3 = Profit before Interest and Tax / Total Assets

X4 = Market Value of Common and Preferred Stock / Book Value of Total Debt

X5 = Sales / Total Assets

The companies studied were then classified into three groups, namely, bankrupt companies prone to bankruptcy and companies with the potential to go bankrupt (8). The classification is based on the Z value, the overall index of the multiple discriminant functions (8). Analysis with the following assessment criteria: 1) Z-Score > 2.99 is categorized as a very healthy company, so that it can be categorized as non-bankrupt; 2) $1.81 < \text{Z-Score} < 2.99$ is in a vulnerable area where the company cannot be determined whether it is bankrupt; 3) Z-Score < 1.81 is categorized as a company with enormous financial difficulties and at risk of bankruptcy.

3. RESULTS AND DISCUSSION

Panasia Indo Resources Tbk (HDTX)

Table 1. The results of the bankruptcy calculation of PT Panasia Indo Resources Tbk with the First Altman Z-Score

	Coefficient	Altman Z score				
		2016	2017	2018	2019	2020
X1	1,2	-0,040	0,035	-0,337	-0,530	-0,585
X2	1,4	-0,233	-0,433	-3,084	-4,424	-5,007
X3	3,3	-0,107	-0,174	-0,606	-0,162	-0,151
X4	0,6	0,586	0,483	1,007	0,000	0,000
X5	1	0,347	0,321	0,900	0,020	0,028
Z Score		-0,029	-0,528	-5,217	-7,345	-8,181
Ket		Bangkrut	Bangkrut	Bangkrut	Bangkrut	Bangkrut

Data Source: Calculation results for 2022

In general, PT Panasia Indo Resources Tbk has a poor performance. Based on Table 1 above, PT Panasia Indo Resources Tbk was in a state of bankruptcy for five years. Where in 2016, 2017, 2018, 2019, and 2020, the performance of the company PT Panasia Indo Resources Tbk experienced a very drastic decline every year. Poor company performance is influenced by X 1, X 2, and X 3, which show negative numbers every year. This shows that poor company performance must be a concern for managers to improve the company's condition so that it is in a more favorable condition good.

Asia Pacific Investama Tbk (MYTX)

Table 2. Bankruptcy calculation results of Asia Pacific Investama Tbk (MYTX) With the First Altman Z-Score

	Coefficient	Altman Z score				
		2016	2017	2018	2019	2020
X1	1,2	-0,305	-0,254	-0,288	-0,249	-0,285
X2	1,4	-0,984	-0,500	-0,681	-0,758	-0,751
X3	3,3	-0,246	-0,090	-0,051	-0,072	-0,035
X4	0,6	0,031	0,058	0,044	0,129	0,101
X5	1	0,801	0,474	0,621	0,501	0,357
Z Score		-1,735	-0,791	-0,820	-1,020	-1,092
Ket		Bangkrut	Bangkrut	Bangkrut	Bangkrut	Bangkrut

Data Source: Calculation results for 2022

In general, Asia Pacific Investama Tbk has a poor performance. Based on Table 2 above, Asia Pacific Investama Tbk has been in a state of bankruptcy for five years. In 2016, 2017, 2018, 2019, and 2020, the performance of the Asia Pacific Investama Tbk company experienced a very drastic decline yearly. Poor company performance is influenced by X1, X2, and X3, which show negative numbers every year. This shows that poor company performance is something that should be a concern for managers in order to improve the company's condition so that it is in a better condition.

Ricky Putra Globalindo Tbk (RICY)

Table 3. Bankruptcy calculation results of Ricky Putra Globalindo Tbk (RICY) With the First Altman Z-Score

	Coefficient	Altman Z score				
		2016	2017	2018	2019	2020
X1	1,2	0,095	0,120	0,141	0,167	0,209
X2	1,4	0,049	0,053	0,053	0,058	0,007
X3	3,3	0,018	0,019	0,019	0,018	-0,043
X4	0,6	0,113	0,102	0,096	0,082	0,054
X5	1	0,948	1,164	1,369	1,328	0,740
Z Score		1,258	1,505	1,734	1,718	0,892
Ket		Bangkrut	Bangkrut	Bangkrut	Bangkrut	Bangkrut

In general, Ricky Putra Globalindo Tbk has a poor performance. Based on Table 3 above, Ricky Putra Globalindo Tbk has been in a state of bankruptcy for five years. In 2016, 2017, 2018, 2019, and 2020 the performance of Ricky Putra Globalindo Tbk's company experienced a drastic decline yearly. Poor company performance is influenced by X^2 , X^3 , and X^4 , which show a decrease each year. This shows that poor company performance is something that must be a concern for managers in order to improve the company's condition so that it is in a better condition.

Sunson Textile Manufacture Tbk (SSTM)

Table 4. Bankruptcy calculation results for Sunson Textile Manufacture Tbk (SSTM) With the First Altman Z-Score

		Altman Z score				
	Coefficient	2016	2017	2018	2019	2020
X1	1,2	0,111	0,213	0,289	0,189	0,169
X2	1,4	-0,111	-0,126	-0,133	-0,143	-0,149
X3	3,3	0,028	-0,051	0,003	-0,041	-0,040
X4	0,6	1,024	1,132	1,526	1,974	2,257
X5	1	1,344	0,737	0,999	1,388	1,117
Z Score		2,027	1,326	2,085	2,463	2,331
	Ket	Grey Area	Bangkrut	Grey Area	Grey Area	Grey Area

Data Source: Calculation results for 2022

In general, Sunson Textile Manufacture Tbk has a performance that is in a vulnerable condition. Based on Table 4 above, Sunson Textile Manufacture Tbk has been in a vulnerable condition for five years. Where in 2016, 2017, 2018, 2019, and 2020, the performance of the Sunson Textile Manufacture Tbk Company experienced a very drastic increase every year. This is illustrated by the z value, which shows a number below 2.99. The lowest z value was in 2017, 1.81, when the company went bankrupt. However, based on the table above, company managers are trying to improve company performance by increasing the z-value each year. Even if there is a z increase, Sunson Textile Manufacture Tbk is still in a vulnerable financial condition (bankrupt or not).

Star Petrochem Tbk (STAR)

Table 5. Star Petrochem Tbk (STAR) bankruptcy calculation results with the First Altman Z-Score

		Altman Z score				
	Coefficient	2016	2017	2018	2019	2020
X1	1,2	0,673	0,584	0,407	0,491	0,460
X2	1,4	-1,282	-1,848	-2,368	-2,962	-3,208
X3	3,3	-0,098	-0,208	-0,046	-0,015	-0,021
X4	0,6	0,200	0,370	0,334	0,862	0,633
X5	1	0,041	0,055	0,064	0,064	0,016
Z Score		-1,148	-2,297	-2,715	-3,025	-3,614
	Ket	Bangkrut	Bangkrut	Bangkrut	Bangkrut	Bangkrut

Data Source: Calculation results for 2022

Based on the calculation results of the Altman z-score method from 2016 to 2020. In 2016, 2017, 2018, 2019, and 2020 the performance of Star Petrochem Tbk experienced a drastic decline every year, so Star Petrochem Tbk was successively in the bankruptcy zone. This shows the company's poor performance for five years. Based on the resulting z-score, there is a decrease every year. Petrochem Tbk's Star score is below 1.88, so it is classified as a company with the potential to experience bankruptcy.

Trisula International Tbk (TRIS)

Table 6. Trisula International Tbk (TRIS) bankruptcy calculation results with the First Altman Z-Score

		Altman Z score				
	Coefficient	2016	2017	2018	2019	2020
X1	1,2	0,283	0,312	0,241	0,211	0,174
X2	1,4	0,069	0,179	0,063	0,152	0,134
X3	3,3	0,075	0,043	0,059	0,060	-0,025
X4	0,6	1,224	1,743	0,848	0,000	0,000
X5	1	1,410	0,957	1,090	1,209	0,971
Z Score		2,827	2,772	2,173	1,872	1,284
	Ket	Grey Area	Grey Area	Grey Area	Grey Area	Bangkrut

Data Source: Calculation results for 2022

Based on the calculation results of the Altman z-score method from 2016 to 2020, it can be seen that for almost 4 years Trisula International Tbk has been in the Gray Area zone; however, after one year, it went bankrupt. Based on the resulting Altman Z -score, there are fluctuations every year. Trisula International Tbk's score is above 1.81 so it is classified as a company that has no potential for bankruptcy.

4. CONCLUSION

This study concluded that several companies have poor financial performance and wrong. No company who have good financial performance. Companies that have poor financial performance in the vulnerable category are Sunson Textile Manufacture Tbk and Trisula International Tbk. These companies are, on average, in the Gray Area position or are in the range of 1.81 to 2.99. In contrast, companies with good financial performance bad (bankrupt) are PT Panasia Indo resources Tbk, Asia Pacific Investama Tbk, Ricky Putra Globalindo Tbk, and Star Petrochem Tbk. This company has an average value below 1.81, the upper limit of companies with poor financial performance (bankrupt).

5. SUGGESTION

The researcher realizes that this research still needs improvement. Researchers provide suggestions that can be used as material for consideration for parties interested in the performance of textile and garment companies. For this reason, based on the results of the research, the authors provide the following suggestions:

For the Muhammadiyah University of Palu this thesis can provide additional insight for readers, especially students at the Muhammadiyah University of Palu, especially students from the faculties of economics and business. Moreover, the author hopes the library's scientific books will be updated with the latest published yearbooks.

For company management, after knowing how much potential bankruptcy the company has, it is best to immediately evaluate and improve the performance and productivity of the company so that at least it can reduce the potential for bankruptcy or even avoid it. The company is expected to pay attention to the size of all financial aspects, both working capital, total assets, retained earnings, profit before tax, the market value of securities, book value of debt, and sales, because these can provide an overview of business continuity in the present and the future.

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