The Profitability Analysis of PT. Garuda Indonesia (Persero) Tbk. Before and After Privatization

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Abstract. This study purposes to determine differences in the profitability of PT. Garuda Indonesia (Persero) Tbk. before and after privatization using Net Profit Margin (NPM), Return on Investmen (ROI) and Return on Equity (ROE). This research used a case study method with a qualitative approach. The data used are secondary data from official financial statements of PT. Garuda Indonesia (Persero) Tbk. period 2008-2013, 3 years before privatization and 3 years after privatization. Data analysis was performed by reviewing the financial statement data, calculate & determine the value of profitability ratios before and after privatization, and determine the amount of the average difference before and after privatization. The result proved that the average ratio of profitability calculated by applying NPM, ROI and ROE in every year shows a decrease that caused imbalance components forming of NPM, ROI, ROE, where profit is getting down while the selling, total assets and equity increase more and more from the previous period. The implication for the next research is a research that focus on determine how long a company can emerged from the crisis by privatization decision.

1. Introduction
Badan Usaha Milik Negara (BUMN) or State-Owned Enterprises (SOEs) is a body set up by the government with the function of providing for the public and provide public services (public service obligation). BUMN or SOEs majority or even one hundred percent owned by the government is expected to become the driving (powerhouse) Indonesia's economy and the source of increased social welfare. Simply, BUMN or SOEs is expected to provide a valuable contribution to all interested parties (stakeholders) [1]. But it turns out the implementation of these functions do not always run smoothly. With the pretext to restore social mission, many BUMN or SOEs have ignored the efficiency in the processing of its core business. In fact, many studies have empirically evidence that shows that BUMN or SOEs had return rates of assets (return on assets), capital (return on equity) and profit are lower than similar companies are privately owned [2]. In addition the use of resources that are less effective and least efficient is also a source of less maximum performance of BUMN or SOEs. Mediocre performance will result in a lower level of profitability even up to a loss. BUMN/SOE’s losses would be the responsibility of the government. The government through the state budget allocates some funds to overcome these disadvantages and if this is allowed then the country would be burdened. One of the steps that can be taken to overcome this problem is privatization.
PT. Garuda Indonesia (Persero) Tbk. is the Indonesia national airline of the concept as a full service airline (airline with full service) in 2004 and 2006, the company suffered losses each Rp197 billion in 2006, Rp 688.4 billion in 2005 and Rp 811.3 billion in 2004 [3]. Due to the global crisis that hit the world in 2008 Garuda Indonesia experiencing uncertainty in terms of revenue because of world oil price uncertainty and the passengers affected by the global crisis, resulting in a decline in demand. The global crisis continues to 2009. Airline association, International Air Transport Association (IATA) reported a decline in demand for international passenger and cargo respectively 2.9% and 11% in 2009, which in turn also impact on the national aviation industry. This brought PT. Garuda Indonesia (Persero) in desperation privatization and changed its name to PT. Garuda Indonesia (Persero) Tbk. PT. Garuda Indonesia (Persero) Tbk. privatized by Flotation methods. By way of offering shares through an Initial Public Offering or IPO. With this method, anyone can buy the offered shares, including foreign parties interested in buying the shares. [4]. Implementation of the Initial Public Offering (IPO), beginning with the start registration of the shares of Garuda Indonesia at the Indonesia Stock Exchange (IDX) on February 11, 2011. This IPO has scored a success with the public ownership of the Company's shares stood at 27.98% and the Company obtaining fresh funds amounting to Rp 3.3 trillion to support future expansion. In 2013, after three years of privatization of PT. Garuda Indonesia (Persero) Tbk. the country is able to prove to the community by getting acknowledged "World Best Economic Class" and "World Best Economic Seat Class". PT Garuda Indonesia (Persero) Tbk. in the list of four stars from SkyTrex, which means it has performance and a good service. Furthermore, in 2014 PT. Garuda Indonesia (Persero) Tbk. will join the airline alliance Sky Team [5].

From the above phenomenon, the authors tried to find a comparison between profitability before and after privatization using measurement the Net Profit Margin (NPV), Return On Investment (ROI) and Return On Equity (ROE).

2. Research Methods
The method used in this research is a case study by using qualitative approach, the method of research that is based on the philosophy postpositivme, used to examine the condition of natural objects, (as his opponent was an experiment) where the researcher is as a key instrument, sampling technique of data source is purposive, collection techniques with triangulation (combined), data analysis is inductive/qualitative and qualitative research results further emphasize the significance of the generalization [6]. Data analysis was performed through the following steps:

1. Reviewing the financial statement data.
2. It is adjustment of the financial report data on various things such as currency units etc.
3. Calculate the value of 3 profitability ratios before and after privatization.
4. Determine the average value of the three ratios before and after privatization.
5. Determine the amount of the average difference before and after privatization.

The data used is secondary data in the form of documents financial statements of PT. Garuda Indonesia (Persero) Tbk. period 2008-2010 (before privatization) and 2011-2013 (after privatization), obtained directly from the official website of PT. Garuda Indonesia (Persero) Tbk. investor@garuda-indonesia.com www.garuda-indonesia.com.

3. Research Methods

3.1. Net Profit Margin
This ratio is used to measure the profit margin on the sale. According to Kasmir [7] net profit margin is a measure profits by comparing the profit after interest and tax to the sale to see the company's net income on sales. The ratio measurement is done by comparing the net profit after tax to net sales.
\[
\text{Net profit margin} = \frac{\text{Earning After Interest and Tax (EAIT)}}{\text{Sales}} \times 100\%
\]

Gitman [9]

**Table 1.** Net Profit Margin Ratio Period 2008-2010 (before privatization)

| Year | EAIT          | Sales               | NPM |
|------|---------------|---------------------|-----|
| 2008 | Rp. 975.048.626.198 | Rp. 19.349.675.420.104 | 5.0 % |
| 2009 | Rp. 1.018.615.935.445 | Rp. 17.860.373.610.109 | 5.7 % |
| 2010 | Rp. 518.151.177.891  | Rp. 19.534.331.480.504 | 2.6 % |
| Average | Rp. 837.271.913.178 | Rp. 18.914.793.503.572 | 4.4 % |

Source: Financial Statement PT. Garuda Indonesia (data processed)

**Table 2.** Net Profit Margin Ratio Period 2011-2013 (after privatization)

| Year | EAIT          | Sales               | NPM |
|------|---------------|---------------------|-----|
| 2011 | Rp. 808.665.320.215 | Rp. 27.164.569.872.846 | 2.9 % |
| 2012 | Rp. 1.039.746.563.343.47 | Rp. 32.573.113.126.455.18 | 3.1 % |
| 2013 | Rp. 117.059.315.520.6 | Rp. 38.838.091.348.622.82 | 0.3 % |
| Average | Rp. 655.157.066.359.69 | Rp. 32.858.591.449.308 | 1.9 % |

Source: Financial Statement PT. Garuda Indonesia (data processed)

In Tables 1 and 2, it is explained that the average net profit margin before and after privatization there are negative changes, in general Net Profit Margin in the period 2008-2010 showed better numbers, reaching 4.4% compared to the period 2011-2013 is only 1.9%, indicating that the company is less efficient in managing its earnings, where profits are getting down while operating expenses and increased tax burden. Although seen increased in 2009 to reach 5.7% but the increase is not significant, in the period 2010 Net Profit Margin declined 2.6%.

### 3.2. Return on Investment

This ratio saw the extent of the investments made capable of providing returns as expected, and the investment is actually the same as the company's assets are invested [8]. How to measure this ratio is by comparing the net income after taxes by total assets.

\[
R = \frac{\text{Earnings after Interest and Tax (EAIT)}}{\text{Total Assets}} \times 100\%
\]

Gitman [9]

**Table 3.** Return on Investment Ratio Period 2008-2010 (before privatization)

| Year | EAIT          | Total Assets       | ROI |
|------|---------------|--------------------|-----|
| 2008 | Rp. 975.048.626.198 | Rp. 15.303.831.403.492 | 6.3 % |
| 2009 | Rp. 1.018.615.935.445 | Rp. 14.802.423.237.228 | 6.8 % |
| 2010 | Rp. 518.151.177.891  | Rp. 13.666.017.921.179 | 3.7 % |
| Average | Rp. 837.271.913.178 | Rp. 14.590.757.520.633 | 5.7 % |

Source: Financial Statement PT. Garuda Indonesia (data processed)
Table 4. Return on Investment Ratio Period 2011-2013 (after privatization)

| Year | EAIT     | Total Assets  | ROI  |
|------|----------|---------------|------|
| 2011 | Rp. 808,665,320.215 | Rp. 18,009,967,083.110 | 4.4% |
| 2012 | Rp.1,039,746,563,343.47 | Rp. 23,619,801,064,208.74 | 4.4% |
| 2013 | Rp. 117,059,315,520,6 | Rp. 30,871,099,433,784,24 | 0.3% |
| Average | Rp. 665,157,066,359,69 | Rp. 24,166,955,860,367,60 | 2.7% |

Source: Financial Statement PT. Garuda Indonesia (data processed)

In Table 3 and 4, it is explained that before and after privatization on the period 2008-2010 the average return on investment of 5.7% better compared to the year 2011-2013 which only reached 2.7%. This shows that the company is less effective in managing its investments, which caused the profit margin is always fluctuating due to low asset turnover. Increased fluctuating seen in 2008-2009 ROI companies improved, but the improvement was not significant and fall dramatically in 2010 to 3.7% later in the year 2010-2011 ROI increase reached 4.4%, but the improvement was not significant and fall dramatically in 2013 to 0.3%.

3.3. Return On Equity
This ratio indicates the efficient use of its own capital. How to measure this ratio is by comparing the net profit after tax with their own capital.

\[
R = \frac{\frac{E_{\text{net}} \times T}{A}}{E} \times 100%
\]

Gitman [9]

Table 5. Return on Equity Ratio Period 2008-2010 (before privatization)

| Year | EAIT     | Equity           | ROE  |
|------|----------|------------------|------|
| 2008 | Rp. 975,048,626.198 | Rp. 1,366,535,125.263 | 71.3%|
| 2009 | Rp. 1,018,615,935.445 | Rp. 3,214,070,614.401 | 31.6%|
| 2010 | Rp. 518,151,177.891 | Rp. 3,469,456,008,969 | 14.9%|
| Average | Rp. 837,271,913.178 | Rp. 2,683,353,916,211 | 31.2%|

Source: Financial Statement PT. Garuda Indonesia (data processed)

Table 6. Return on Equity Ratio Period 2011-2013 (after privatization)

| Year | EAIT     | Equity           | ROE  |
|------|----------|------------------|------|
| 2011 | Rp. 808,665,320.215 | Rp. 7,547,133,513.840 | 10.7%|
| 2012 | Rp. 1,039,746,563,343.47 | Rp. 10,458,760,366,070,42 | 9.9% |
| 2013 | Rp. 117,059,315,520,6 | Rp. 11,675,728,315,570,29 | 1.0% |
| Average | Rp. 655,157,066,359,69 | Rp. 9,893,874,065,160,20 | 6.6%|

Source: Financial Statement PT. Garuda Indonesia (data processed)

In Tables 5 and 6, it is explained that the average return on equity before and after privatization are significant negative changes. In general average ROE in the period 2008-2010 showed a pretty good number, reaching 31.2% compared with the period 2011-2012, which is only 6.6%. This shows the inability of management to acquire ROE along with decreasing ROI after privatization.
4. Discussion
Average net profit or EAIT PT. Garuda Indonesia (Persero) Tbk. Rp. 837,271,913.178 in the last 3 years before privatization. That number decreased significantly after privatization to Rp. 655,157,066.359,69 (3 years after privatization). Actually in 2011 the first year after privatization net profit increased significantly from 2010. These were followed by the next year, the year of 2012 with net profit increased again to Rp. 1,039,746,563.343,47 of Rp. 808,665,320.215 in 2011. The increase in profit after tax (EAIT) in 2012 due to the overall revenue or sales mainly due to foreign exchange gains in 2012 which are increasing.

In 2013 there is a decrease in net income very significantly, to Rp. 117,059,315,520.6. The decrease in net income in 2013 is what causes the average net income after privatization decreased compared to before privatization. The decrease in net income in 2013 due to increased costs on businesses mainly flight operating expenses, increase in expense of fuel, rental expenses and charter aircraft. Load of fuel is the biggest contributor of flight operating expenses, mainly due to increased flight hours. Passenger service expense, the expense of ticketing, sales and promotion also increased in line with the increase in the number of passengers and improve the quality of services provided by the company. Airport expense increased as the number of flights and the opening of new branch offices and service in 2013, the administrative expense increases triggered by the increase in income tax expense, depreciation and insurance. Unless the expense of maintenance and repairs is not an increase. Meanwhile other expenses derived from financial expenses increased to $ 59,840,088 in the year 2013 and $ 25,224,919 in 2012. The increase in financial expenses is mainly derived from interest expense increased in 2013, due to the addition of long-term loans and related to the addition of the fleet to support the company's expansion in 2013.

**Net Profit Margin (NPM)**
In general, an increase in the average results of operations or sales from Rp. 18,914,793,503.572 (before privatization) to Rp. 32,858,591,449.308 (after privatization). However, the average net income after privatization decreased compared to before privatization. From the calculation, the average NPM before the privatization of 4.4% and 1.9% after privatization. This means a decline in profitability through NPM ratio after privatization.

**Return On Investment (ROI)**
In general, an increase in average total assets from Rp. 14,590,757,520,633 (before privatization) to Rp. 24,166,955,860,367,60 (after privatization), however, the average net income after privatization decreased compared to before privatization. So profitability through ROI also decreased after privatization. From the calculation, the average ROI before privatization is 5.7% and 2.7% after privatization.

**Return On Equity (ROE)**
In general, an increase in average total equity from Rp. 2,683,353,916,211 (before privatization) to Rp 9,893,874,065,160.20 (after privatization), however, since the average net income after privatization decreased compared to before privatization lead to profitability with ROE also decreased privatization. From the calculation, the average ROE before the privatization of 31.2% and 6.6% after privatization.

The result of this research is consistent with research conducted by Ferdiansyah [1] and Kirmizi [10] who in his research said that BUMN privatized using IPO method show performance tends to increase before privatization, whereas BUMN performance after privatization tends to decrease although there are some BUMN increased performance after privatization. The result of this research inconsistent with research by Andayani [11] “from likuidity, profitability and solvability, only liquidity ratio which resulted in a significant difference after privatization”.

5. Conclusion
Based on the analysis of profitability ratios of PT. Garuda Indonesia (Persero) Tbk. the period 2008-2013 can be concluded that the average profitability ratios decreased, which is calculated by using the NPV due to profit as one indicator fluctuated downward trend from year to year, and the average
operating expenses were always increases with the increasing of flight services, this also shows that the company's poor performance in managing its earnings.

Similarly, Return on Investment and Return on Equity has decreased, due to the ability to generate profits decline, which is one indicator of the two ratios. Besides, the implementation of the restructuring on rent debt financing, in order to develop and invest to prepare Garuda Indonesia in the future, this also shows that companies are less effective in managing its investments and less efficient in the use of their own capital. Decrease and increase forming part of net profit margin (net income and sales), Return on Investment (net profit and total assets) and Return on Equity (net profit and equity) are not balanced, where the profit is getting lower while sales, total assets and equity increased from the base year.

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