Factors that Influence the Financial Performance of PT Pos Indonesia (Persero)

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Abstract—PT Pos Indonesia (Persero) is a state-owned company established in 1906 with initial objective to provide mail and goods delivery service. PT Pos Indonesia (Persero) dominated the industry until 1995 but underwent decline because the emergence of competitors whom adapted to advancement of information technology faster. PT Pos Indonesia (Persero) being outperformed by competitors had many reasons, mainly from management side. This research meant to prove it by observing from financial aspect and also searching for other factors which influence that phenomenon. Thus, the author formulated the following problems: What is the influence of Liquidity, Solvency, and Activity on Financial Performance both partially or simultaneously? This research is categorized as Descriptive Quantitative with two data sources which are primary data from interview with Accounting Manager and Accounting Management of PT Pos Indonesia (Persero) and secondary data from financial reports and their restatements from 2008-2016. The method of data analysis is Path Analysis and statistical calculation was processed with SPSS ver.24. The research result shows that Liquidity has positive influence on Financial Performance, Solvency has negative influence on Financial Performance, Activity has positive influence on Financial Performance, and simultaneously Liquidity, Solvency, and Activity have positive influence on Financial Performance.

Keywords—cash ratio; debt ratio; total asset turnover; return on equity; pecking order

I. INTRODUCTION

Entering the upheaval of digital age, PT Pos Indonesia (Persero) undertook a strategic move that changed the business fundamentals and management systems that have been undertaken. Information on the development of the world’s rising economy in the coming year with a commodity price base that has not changed significantly, gives an optimistic value that there is still room for growth in terms of infrastructure and basic needs.

The existence of regulatory changes in UU no. 38 of 2009 on Post makes the map of competition intensity becomes increasingly tight in the market mechanism. PT Pos Indonesia (Persero) is addressing strategic issues with changing the business landscape and management system.

Map of Post world management has started to enter the era of digitalization that became the lifestyle of present day. The success of Australia Post, Korea Post, China Post, and some other developed countries inspire that the readiness for the era is alive or abandoned.

The year of 2016 became the first step of transformation of PT Pos Indonesia (Persero) to break away from the conservative limitations to provide freedom of innovation in the development and value creation in all business activities by projecting multiplying wealth, strengthening and transforming.

The era of digitalization and e-commerce pushed PT Pos Indonesia (Persero) to further expand business by strengthening core business and investment in new economic business and strategic opportunities and innovation development both in business entity and business portfolio structure to become Logistics Postal Giant from the East.

In relation to Financial Management issues, analysing Financing is a good way to address PT Pos Indonesia (Persero) problems at this time. Funding can be classified into Equity Financing and Debt Financing reflected in Liquidity with Cash Ratio as indicator which is a comparison between cash + cash equivalent with fixed liability and was selected because cash is the most important part of funding, Solvency with Debt Ratio as indicator is the ratio of total liabilities to total assets and is selected because debt repayment will reduce funding, and Activity with indicator of Total Asset Turnover which is the ratio between sales to total assets and was selected because sales activities will produce income to be used for funding. These three factors partially and simultaneously will be tested for the effect on the Financial Performance of PT Pos Indonesia (Persero) with the indicator Return on Equity.

In this article, the National Headquarters of PT Pos Indonesia (Persero) in Bandung, West Java is the object of research as a source of data collection with the formulation of the problem of how liquidity, solvency, and activity influence the financial performance both partially and simultaneously and the purpose of the research is to prove the influence of Liquidity, Solvency, and Activity to Financial Performance both partially and simultaneously.

II. LITERATURE REVIEW

A. Liquidity Ratio

Liquidity ratio is a ratio that describes the company's ability to meet its short-term obligations that are soon due [1]. There are 3 kinds of liquidity ratios are Cash Ratio, Quick Ratio, and...
Current Ratio. In this article, the one which is used as an indicator is Cash Ratio.

Cash Ratio is the ratio used to measure how much cash is available to pay short-term debt. This ratio represents the company's true ability to pay off its current liabilities that will soon mature with available cash [1].

Cash ratio is the ability of cash and securities owned by the company to cover current debt [2]. This ratio is most accurate in measuring the company's ability to meet its short-term liabilities as it only takes into account the most liquid component of current assets. The other definition of cash ratio is the ratio between cash with the total of current liabilities or can also be calculated by including securities [3].

Based on the theories above, the authors concluded that the cash ratio is used to measure the ability of companies to pay obligations that must be immediately fulfilled with available cash and securities (securities) that can be immediately disbursed.

B. Solvency Ratio

Solvency ratio describes a company's ability to pay its long-term liabilities or obligations if the company is liquidated [4].

Solvency is also a reflection of a company's ability to meet and maintain its ability to always be able to meet its obligations in paying debt in a timely manner [5].

The indicator used is the Debt to Total Assets Ratio is the ratio that shows the ratio of corporate debt, which is obtained from the ratio of total liabilities divided by total assets. So, it can be concluded that this ratio measures the percentage of funds derived from both short-term and long-term debt. Creditors prefer low Total Debt to total Assets Ratio or Debt Ratio because the level of security the better.

From the theories above, the authors concluded that if the debt ratio is higher, while the proportion of total assets does not change then the debt owned by the company is larger. The increase of Total Liabilities means the financial ratio or the ratio of failure of the company to return the loan is higher. Conversely, if the debt ratio is smaller than the debt owned by the company will also be smaller and this means the financial risk of the company to repay the loan is also getting smaller.

C. Activity Ratio

Activity ratio is a ratio that describes the extent to which a company uses its resources in order to support the activities of the company, where the use of this activity is done maximally in order to obtain maximum results.

This ratio is a ratio that measures a company's ability to generate sales based on company's assets. The greater this ratio the better because the company is considered effective in managing its assets [4].

Indicator used is Total Asset Turnover, the higher the Total Asset Turnover obtained by the company the more efficient the use of its assets and the faster the return of capital in form of cash [6].

Based on the theories above, the authors concluded that Total Asset Turnover shows sales comparison with total assets. The higher the ratio, the greater the sales and the greater the revenue (if there is no reduction in total assets) and that means the better a company is.

D. Financial Performance (Profitability Ratio)

Financial performance is an analysis conducted to see how far a company has performed by following the rules of financial implementation properly and correctly. Such as by making a financial statement that has met the standards and provisions in IFRS (International Financial Reporting Standard) or GAAP (General Accepted Accounting Principle), and others [5]. Since 2012, Indonesia has adopted and implemented IFRS.

Financial performance is the result or achievement that has been achieved by the company's management in carrying out its function of managing the company's assets effectively during a certain period [7]. Financial performance is needed by the company to know and evaluate the level of success of the company based on financial activities that have been performed.

From the theories above, the authors concluded that Financial Performance is a measure of a company's changes in the financial statements relative to the company's previous position.

The indicator used is ROE (Return on Equity), which compares net income after tax with equity invested by company shareholders [8]. This ratio shows the ability to generate return on investment based on shareholder book value, and is often used in comparing two or more companies for good investment opportunities and cost-effective management.

ROE reflects how much the company has earned on funds that have been invested by shareholders (either directly or with retained earnings) [9].

From the theories above, the authors concluded that the ROE describes how much profit shareholders can get for each investment.

III. RESEARCH METHOD

The research was performed using descriptive quantitative method that is a form of research based on data collected systematically of the facts and properties of the object of research by combining relationships between the variables involved therein, then interpreted based on theories and literatures associated with the problems encountered.

With this method the author intends to collect historical data and observe carefully about certain aspects relating to the problem researched by the authors so that obtained data can support the research reports. The data obtained then processed and further analyzed on the basis of the theories that have been studied so as to obtain understanding of the object and can be drawn conclusions about the research problem.
The research was conducted at Head Office of PT Pos Indonesia (Persero) Graha Pos Indonesia Jalan Cilaki No.73 Bandung 40115 and Jl. Banda No. 30 Bandung 40115.

In this study, in addition to secondary data in the form of financial statements of PT Pos Indonesia (Persero) and other written data that accompany it, the authors will also consult / interview with informants in the Head Office of PT Pos Indonesia (Persero) which include [10]:

- Key informants, people who really understand the problems researched, namely the Finance Section, Accounting Section, and Marketing Section of Post Office Center in Bandung.
- The main informant, namely the person who is considered to know the problem researched or the person involved directly with the object of research, namely Head of Central Post Office in Bandung.

In this study the source of data used is the primary and secondary data. Listed below are the data sources and collection methods:

1) Primary data: Data obtained from the first source either from individuals or individuals as a result of interviews conducted by researchers.

2) Secondary data: Data obtained indirectly or obtained from other parties. Data is generally in the form of archived, published or unpublished evidence, records, or historical reports. In this research it refers to Financial Statement of PT Pos Indonesia (Persero) and its restatements from 2008-2016.

In this study, the author uses Path Analysis. Path analysis is used to analyze the relationship pattern between variables with the aim to know the direct or indirect effect of a set of independent variables (exogenous) to the dependent variable (endogenous).

IV. RESULT AND DISCUSSION

Through the data analysis using SPSS ver.24 the data needed in this research was obtained. The data is formulated into the magnitude of the correlation and the magnitude of the influence of each variable among the independent variables as well as to the dependent variable shown in the figures below:

Fig. 1. Variable correlations.

Legend:

\[ r \] = Correlation Strength
\[ r_{X_{ij}} \] = Correlation Strength among Variable X
\[ r_{X,Y} \] = Correlation Strength of Variable X to Variable Y

Fig. 2. Variable influences.

Legend:

\[ P \] = The Strength of Influence
\[ P_{X_{ij}} \] = Influence Strength among Variable X
\[ P_{YX_{i}} \] = Influence Strength of Variable X to Variable Y
\[ \Delta P_{YX_{i}} \] = Total Influence Strength of Variable X to Variable Y
\[ P_{YX_{i}, \Omega X_{j}} \] = Influence Strength of Variable X to Variable Y through another Variable X
\[ \epsilon \] = Factors that are not included in the research
\[ P_{Y\epsilon} \] = Influence Strength of Factors that are not included in the research to Variable Y

A. The Influence of Liquidity on Financial Performance

The direct influence of \[ X_{1} \] on \[ Y \] is 0.01%, through \[ X_{2} \] is 0.05%, and through \[ X_{3} \] is 0.03%. The Influence of Total Liquidity on Financial Performance is 0.1% and is the Variable with the smallest influence of all Independent Variables studied.

The weak influence of \[ X_{1} \] is due to the Liquidity of PT Pos Indonesia (Persero) is far below the standard of healthy Liquidity that is > 150% for very good category. While the average position of Liquidity PT Pos Indonesia (Persero) is below 100% or very less category.

This is due to 2 things, namely lack of cash + cash equivalents and high liabilities. Lack of cash occurred due to lack of sales of goods and services that cause cash income is reduced. High liability due to too much loan and corporate debt to banks and third parties as well as pending employee benefits obligations.

According to Pecking Order theory, cash and cash equivalents are the most important to secure funding for a company [11]. PT Pos Indonesia (Persero) who experienced the deficiency is considered to be in a position that is not ideal.
B. The Influence of Solvency on Financial Performance

The direct influence of X2 on Y is 3.90%, through X1 is 0.05%, and through X3 is 8.63%. The influence of Total Solvency on Financial Performance is 12.6% and is the Variable with the second greatest influence of all Independent Variables studied.

The Solvency (Debt Ratio) of PT Pos Indonesia (Persero) ranges from 80-90% which means the remaining capital is only about 10%. The standard for Debt Ratio for Various Services Industry is 48.5% [12]. As explained earlier, Solvency is negatively correlated to financial performance, thus this value is unhealthy and one of the reasons for the lack of cash at PT Pos Indonesia (Persero).

Although for companies with very large assets such as PT Pos Indonesia (Persero), the high liabilities make Debt Ratio high (Low Solvency) and ability to grow less. This indicates a company has financial difficulties.

According to the Pecking order theory, debt to the creditor is not recommended. The liabilities of PT Pos Indonesia (Persero) consist of accounts payable and bank loans which reach an average of 70% of liabilities. High debt is not considered ideal.

C. The Influence of Activities on Financial Performance

The direct influence of X3 on Y is 24.51%, through X2 is 0.03%, and through X3 is 8.63%. The influence of Total Activity on Financial Performance is 33.2% and is Variable with greatest influence from all Independent Variables studied.

The activity of PT Pos Indonesia (Persero) has increased drastically in the last 9 years. Compared to 2008, sales in 2016 increased by almost 100%, although its total assets decreased by 22%. This shows that PT Pos Indonesia (Persero) is commencing efficiency and downsizing the company to overcome its financial problems. It positively contributed to the improvement of its Financial Performance.

According to Pecking Order theory, selling shares to the public is the least recommended source of funding [13]. In this case, PT Pos Indonesia (Persero) which is not going public is in ideal condition.

D. The Influence of Liquidity, Solvency, and Activity on Financial Performance

The influence of Liquidity, Solvency, and Activity simultaneously on Financial Performance is shown by R Square obtained from data analysis, that is 0.459 or 45.9%. The value indicates that the three independent variables in this study influence the dependent variable of 45.9%. While the rest of 54.1% is the influence of other factors not examined in this study.

Other factors of 54.1% are derived from factors not included in the research. Other factors may include other non-researched financial factors such as Inventory and Tax, then changes in financial data that are special notes such as asset depreciation, down payments of projects, repurpose and sale of assets or factors other than financial such as marketing, canceled products, human resources, or even miscalculations.

Taking into account the influence of the three independent variables and the influence of other factors that are not examined, may limit the funding option. If the IPO is decided to be done, then based on the theory of Signaling, PT Pos Indonesia (Persero) must provide signals to users of financial statements in order for them to invest [14]. Although the IPO is not done, the signals will serve to enhance the partnerships of PT Pos Indonesia (Persero).

V. CONCLUSION

Liquidity and Activity positively influences Financial Performance while Solvency negatively influences Financial Performance. The reason for the low Liquidity Rate is the lack of cash and cash equivalents owned by PT Pos Indonesia (Persero) and the high total liabilities. Low Solvency and thus ability to grow is reduced due to lack of remaining capital. The activity level has doubled over the last 9 years which indicates that PT Pos Indonesia (Persero) is streamlining and downsizing the company to overcome its financial problems. Based on the conclusions above, it is evident that the funding of PT Pos Indonesia (Persero) has difficulties, but based on the high influence of Activities, PT Pos Indonesia (Persero) has the potential to grow more rapidly if it can acquire adequate funding.

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