

**ANALYSIS OF FINANCIAL HEALTH LEVEL OF PT. GARUDA INDONESIA BASED ON FINANCIAL ASPECT OF KEPUTUSAN MENTERI BADAN USAHA MILIK NEGARA NOMOR: KEP-100/MBU/2002**

*ANALISA TINGKAT KESEHATAN KEUANGAN PT. GARUDA INDONESIA BERDASARKAN ASPEK KEUANGAN DARI KEPUTUSAN MENTERI BADAN USAHA MILIK NEGARA NOMOR : KEP-100/MBU/2002*

by  
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**Abstract:** Aviation industry is one of the largest commercial industry in Indonesia. There are several of aviation companies out there, one of them is Garuda Indonesia. Garuda Indonesia is one of the largest aviation company in Indonesia. It is also an SOE which means they are one of the income sources of Indonesia and is overseen by the minister of SOE Rini Sumarno. Each of the SOE can be monitored and measured by using the Keputusan Menteri Badan Usaha Milik Negara Nomor : Kep-100/Mbu/2002 to determine whether its considered a healthy company or not. This study uses quantitative method with ratio analysis. Multiple ratios are going to be analyzed based on whats written in the Keputusan Menteri Badan Usaha Milik Negara Nomor : Kep-100/Mbu/2002. Finding of this research shows that there are few ratios that Garuda scored high and there are some that Garuda scored low, notably ROE, current ratio and cash ratio. From the results, it is recommended for Garuda Indonesia to increase their profit margin and processing or even get rid of their unused assets.

**Keywords:** *financial performance of garuda indonesia, financial ratio analysis, keputusan menteri badan usaha milik negara nomor : kep-100/mbu/2002*

**Abstrak:** Industri penerbangan merupakan salah satu industri komersial terbesar di Indonesia. Terdapat beberapa maskapai penerbangan di Indonesia, salah satunya adalah Garuda Indonesia. Garuda Indonesia merupakan salah satu maskapai penerbangan terbesar di Indonesia. Garuda juga merupakan sebuah BUMN, dengan kata lain mereka merupakan salah satu sumber pendapatan bagi Indonesia dan dimonitori oleh menteri BUMN Rini Sumarno. Setiap BUMN dapat diukur tingkat kesehatannya menggunakan Keputusan Menteri Badan Usaha Milik Negara Nomor : Kep-100/Mbu/2002 untuk menentukan apakah perusahaan tersebut dapat dianggap sehat atau tidak. Penelitian ini menggunakan metode kuantitatif disertai dengan analisa menggunakan ratio keuangan. Analisa ratio akan didasari dengan didasari oleh Keputusan Menteri Badan Usaha Milik Negara Nomor : Kep-100/Mbu/2002. Hasil dari penelitian ini menunjukkan bahwa Garuda mendapatkan skor tinggi di beberap ratio namun ada juga beberapa ratio dimana Garuda mendapatkan skor rendah, terutama pada ratio ROE, rasio lancer dan rasio kas. Berdasarkan hasil yang didapat, penulis menyarankan Garuda Indonesia untuk meningkatkan margin keuntungan mereka dan juga untuk menyingkirkan aset-aset yang tidak terpakai.

**Kata kunci:** *tingkat kesehatan keuangan garuda indonesia, analisa rasio keuangan, keputusan menteri badan usaha milik negara nomor : kep-100/mbu/2002*

## INTRODUCTION

### Research Background

One of many effects of globalization is the rapid development of technology. This led to a large number of investors who are willing to invest their money overseas, supported by the modern technologies that are available today, as well as the convenience of getting information. This, of course, has its own advantage for the world especially for the stock exchange markets in Indonesia. This undoubtedly increased the number of foreign investors who are making progress in Indonesia to the point that many of them are dominating the stock market in our country. This makes many of the companies who have and have not listed themselves to the stock market in Indonesia respond to the situations. How well they respond to the situation is depending on how well they are able to adapt to the current situation.

Generally speaking, only companies that have advantages could survive in the fierce competition against other companies that is happening in our current stock market. Without a competitive advantage, companies will often struggle in the midst of the competition against other competing rivals. Most scenarios happen as it is today when many rival companies having a major advantage over others. Whether if it is on human resources or research and development, major companies are generally possess those competitive advantages. Having good financial performance and financial health is a good way for a company to survive the market.

One of the industries that have tough competition in Indonesia is the airline industry. The airline is a business that engaged in a service field. The business provides air transportation to people for traveling and freight purpose, utilizing aircraft to supply the services. Compare to shipping company such as PELNI, the convenience that airlines give makes people tend to choose airlines over shipping, especially when they are in a hurry. With the recent program where PELNI received a full subsidiary from the government and removed their high class rooms, essentially removing their comfort value from the customers, making the airlines win in a landslide. With that, it is arguably a sector in the transportation industry that has the most commercial demand for now.

One of the biggest airlines in Indonesia is Garuda Indonesia. Garuda is often deemed as the high-class airline compare to its competitors such as Lion air and Wings air. It is because Garuda Indonesia offer more in its arsenal such as meals and additional peripherals such as monitors to watch. That is why most people with low budget often not to prefer Garuda Indonesia as their first choice due to the high price that they have to offer compare to its competitors. This means that somehow this factor might affect the financial performance of Garuda Indonesia. But how well do they perform within these 2 years is going to be discussed in this study.

Garuda Indonesia is a state-owned enterprise which means their roles in contributing national growth is quite large. They are providing goods and services that are not provided by private company. In this case they provide both international and domestical flights. The SOEs are controlled by the government and operated under one single ministry which is the ministry of state owned enterprises, led by Rini Sumarno as the minister of state owned enterprises. All of the SOEs in Indonesia are monitored and benchmarked based on the Keputusan Menteri BUMN No: Kep-100/MBU/2002 which contains rules and regulations to rate the health level of the SOEs. The evaluation of health level consists of 3 aspects which are financial, operational and administration. Each of the aspect will be evaluated by the score written in the Keputusan Menteri BUMN No: Kep-100/MBU/2002.

This study aims to overlook and analyzing the financial aspect of PT. Garuda Indonesia in the midst of tough competition in the industry. With the recent changes in the prices of most airlines, Garuda is facing a serious challenge in maintaining their financial performance. One of the most troublesome challenges that most airlines including Garuda have to face is the withdrawal of several courier services in Indonesia.

### Research Problem

Based on the research background, the research problem that likely to be analyzed is how is the financial health level of Garuda Indonesia?

### Research Objectives

The objective of this research is to find out financial health level of PT. Garuda Indonesia from 2014-2018 based on financial aspect of Keputusan Menteri BUMN No: Kep-100/MBU/2002.

## THEORETICAL REVIEW

### Financial Health

Financial health is a depiction of the operation results of the company which written down on the financial

reports in a time range of a specific period which manifested in a form of financial performance. Financial performance also can be described as a result of multiple individual decisions that are made by management (Erich A. Helfert, 1999:267). This is true because the reports that are written down on the form are actually the decisions that are made by each of responsible individuals within the organization. For example such as the reports about operation income is actually a decision made by individuals who hold responsibility in operation division within company, so on and so forth. Measuring the financial health inside the company is crucial. Since financial performance will affect a lot of things inside the company such as motivation and income. Good financial performance will definitely affect how the employee behave about working on the said company, in other words well motivated. Good financial performance also means that the company is gaining a good amount of profit, thus the latter will have good impact on the company operation. Maintaining the company in a good financial position is required in order to compete with other companies in the industry, because every companies out there are aiming for the same. There are several factors that affect financial health which are economic factor, industrial factor, technological factor, and governmental factor These factors blend in together and affect the performance of the company whether it is directly or indirectly which affects even further the financial health of the company. The examples are such as tax rate, transportation cost, technology development, or even government regulation (one that I will evaluate today). Though those factors are affecting the financial performance, the internal factors such as how employees work are also affecting the performance of one company. There are several downsides of a having a bad financial health, such as a company with bad financial health level will definitely struggle to survive the market due to their inability to gain enough profit to balance their expenses.

Financial reports usually consists of 4 types which are balance sheet, income statement, statement of retained earnings, and cash flow reports. The commonly used tool in this evaluation is a financial ratio. A financial ratio is a study about information which describes the relation between multiple accounts of financial reports that reflect the conditions and results of the financial operations. There are 3 commonly used method of making financial reports which are horizontal analysis, vertical analysis and ratio analysis.

According to Brian Stanko and Thomas Zeller (1994) financial reports are made with a purpose of providing information concerning financial position, performance and the changes within those two which notably useful for most users in the economical decision-making. Financial reports are also found in a form of annual reports which contain all of the financial information of a company in a one year time range and can be found by the end of the year. Annual reports mostly come in a form of a balance sheet, profit/loss report and few other statement of changes, such as changes in inventories and other things. This type of reports are usually easy to find as they are mostly free to download on the companies' website and require no additional expense in order to obtain it.

The financial health and financial report, translates for each other. What this means is, what happens in the financial health will be written down in the financial report nonetheless. For example, a loss in a company will result in a bad financial financial health and the total loss will be written down on the reports. This also means that the financial report represents the financial financial health of the company. That is why like i earlier, maintaining a good financial health is crucial because the financial reports will represent how well the company is doing financially. The reports are also commonly used by shareholders to see whether they want to invest in or not.

### **Keputusan Menteri Badan Usaha Milik Negara Nomor: KEP-100/MBU/2002**

This ministrical decree is a tool made by the government especially by the minister of SOEs, in order to establish a good evaluation method for the SOEs in Indonesia. This decree is made by several considerations, some of the include the previous ministerial decree which is Keputusan Menteri Keuangan Nomor 198/KMK.016/1998 that previously was already contain the indicators of evaluating SOEs. But then, when the duty of managing the SOEs changed and handed to minister of SOEs, this decree then deemed necessary to be made. Inside this decree, an information related to this study which are the number of indicators needed for the analysis, will be found. It is included with the terms and requisite of score needed for the company to be considered healthy or not healthy. This decree also have three analytical indicators of financial, administration and operation. However, in this study the writer will only explore the financial aspect of Garuda Indonesia, The financial health level indicator is included within the decree, along with the number of score to measure the company performance.

### **Previous Researches**

Mabwe Kumbirai and Robert Webb (2010) studied about the performance of South Africa's commercial banking sector for the period 2005- 2009. Financial ratios are employed to measure the profitability, liquidity and credit quality performance of five large South African based commercial banks. The study found that overall bank

performance increased considerably in the first two years of the analysis. A significant change in trend is noticed at the onset of the global financial crisis in 2007, reaching its peak during 2008-2009. This resulted in falling profitability, low liquidity and deteriorating credit quality in the South African Banking sector.

Shreeda Shah and Viral Shah (2018) studied about of financial performance of Visa Steel Limited. Accounting ratios supportive to analyze the financial locus of a company. Financial analysis aids to evaluate the financial health of a firm. Accounting ratios are intended for a number of years which demonstrates the changes. Ratios are useful tool for various stakeholders like management, financiers, shareholders and creditors etc. In order to analyze the financial performance of Visa Steel Limited, the accounting ratios are used. Secondary data is used from the Published Annual Reports of the company for time period 2012-13 to 2016-17. The final result of the paper in accordance to the financial performance of Visa Steel Limited shows that the financial performance of the company is poor after 2015-16 and directors should pay more attention to revive the company.

Ita Purnama Sari, Husnah and Fattah Vitayanti (2016) studied about the financial performance of PLN. The result shows that the financial performance of the liquidity ratio indicates that the company has not fully settled its current debt by using cash. Profitability ratio shows the company's financial performance has not fully generate profit by using its own capital and assets. Leverage ratio shows that the company is able to finance the assets with its own capital and at the ratio of activity indicates that the company has been optimal in using the receivables and inventory to generate revenue but the total rotation of assets not yet optimal used to generate income. Therefore, the health assessment on the financial aspects of PT. PLN (Persero) Indonesia in the period of 2011-2015 is predicated less healthy.

### Conceptual Framework



**Figure 1. Conceptual Framework**  
Source: Data Processed (2019)

### RESEARCH METHOD

#### Research Approach

This study will use quantitative research methodology in order to process the financial data from Garuda Indonesia. Quantitative research methods are research methods dealing with numbers and anything that is measurable in a systematic way of investigation of phenomena and their relationships. It is used to answer questions on relationships within measurable variables with an intention to explain, predict and control a phenomena. Quantitative research method is well suited for this study since this research will mainly deal with numbers provided by the financial statement of Garuda Indonesia. Fellows and liu (2008) said that quantitative research methods are typically adopted because they are scientific methods and provide immediate results. The statement gives more clarity about the used of quantitative study in this research.

#### Population, Sample and Sampling Technique

Population is an entire collection of people, events or things that will be the main interest for the researcher to investigate. It is also can be described that the population as an aggregate or totality of all the objects, subjects

or members that conform to a set of specifications. The population as well as the sample of this study is the whole financial statements of PT. Garuda Indonesia.

### Data Collection Method

For this research, there is only one type of data that is going to be used, analyzed and processed which is a secondary data in the form of financial statements of PT. Garuda Indonesia.

### Operational Definition of Research Variables

The single variable used in this study is financial health. The financial health will be then calculated using financial ratio analysis. This part explains the list of ratio listed on Keputusan Menteri Badan Usaha Milik Negara Nomor : Kep-100/Mbu/2002. The total score of all the ratio will then determine the financial health of Garuda Indonesia.

### Data Analysis Method

**Table 1. Analytical Indicator**

Indicators	Score	
	Infra	Non-Infra
Return on Equity	15	20
Return on Investment	10	15
Cash Ratio	3	5
Current Ratio	4	5
Collection Period	4	5
Total Assets Turnover	4	5
Inventory Turnover	4	5
Total Equity to Total Assets	6	10
<b>Total</b>	<b>50</b>	<b>70</b>

Source: Data processed, 2019

The total score for each ratio will then be accumulated to determine the financial health rating based on the indicator above. Below are the rating based on total financial score;

1. Considered Healthy if:

AAA if total financial score (TFS) > 66.5

AA if  $56 < TFS \leq 66.5$

A if  $45.5 < TFS \leq 56$

2. Considered Less Healthy if:

BBB if  $35 < TFS \leq 45.5$

BB if  $28 < TFS \leq 35$

B if  $21 < TFS \leq 28$

3. Considered Not Healthy if:

CCC if  $14 < TFS \leq 21$

CC if  $7 < TFS \leq 14$

C if  $TFS \leq 7$

## RESULT AND DISCUSSION

**Table 2. Total Score Summary**

Ratio	Year				
	2014	2015	2016	2017	2018
ROE	0	12	1	0	1
ROI	15	15	15	15	15
CaR	5	5	5	1	1
CuR	0	0	0	0	0
CP	5	5	5	5	5

<i>IT</i>	5	5	5	5	5
<i>TATO</i>	5	5	5	5	5
<i>Assets-Equity</i>	7.25	7.25	7.25	7.25	7.25
Total Score	42.25	54.25	43.25	38.25	39.25
Rank	BBB	A	BBB	BBB	BBB

Source: Data processed, 2019

The calculations that the writer has done in the previous sub-chapter is summarized and accumulated in the table above. The numbers given for each row are determined based on the ministerial decree.

**Table 3. Return on Equity**

Year	Income After tax (USD)	Equity (USD)	ROE (%)	Score
2014	-368.911.279	879.467.591	-41.9	0
2015	77.974.161	950.723.185	8.2	12
2016	9.364.858	1.009.897.219	0.927	1
2017	-213.389.678	937.469.200	-22.76	0
2018	5.018.308	910.188.372	0.551	1

Source: Data processed, 2019

Garuda Indonesia scored differently for each year. But only in 2015 they scored higher than the other years. This is due to the fact that only in 2015 that Garuda Indonesia had a slightly larger amount of income after tax compare to those other years that didn't even reach tens of millions, and even some of it were on negative numbers which mean instead of gaining profit, they were losing one. The amount of income after taxes from 2014 to 2018 are -368.911.279, 77.974.161, 9.364.858, -213.389.678, 5.018.308 respectively. The income after tax was on the highest number on 2015 which is why Garuda scored higher on that year since the income after tax acts as the numerator on the ROE formula. That is also due to the part of the equity that Garuda possessed from 2014 – 2018 did not shift as much as the income after taxes did. So for the year of 2015, where Garuda had 8.2% of ROE, based on the ministerial decree where  $7.9 < ROE \leq 9$  will get a score 12. In 2014 and 2017 Garuda scored 0 because based on the decree where  $ROE \leq 0$ , will get a score 0. Garuda's ROE in 2014 and 2017 respectively are -41.9% and -22.76%. As for 2016 and 2018, Garuda scored 1 point because based on the decree where  $0 < ROE < 1$  will get a score 1. The amount of ROE that Garuda had in 2016 and 2018 are 0.997% and 0.551% respectively. To summarize the ROE of Garuda Indonesia from 2014 – 2018, the writer would say that the inconsistency of the income after tax for each year, affect the ROE significantly.

**Table 4. Return on Investment**

Year	EBIT (USD)	Depreciation (USD)	Capital Employed		ROI (%)	
			Total Assets	Current Liabilities		
2014	-456.453.104	1.058.880.732	3.113.079.315	1.219.365.356	31.8	15
2015	106.660.147	1.188.605.633	3.310.010.986	1.195.849.121	61.2	15
2016	17.790.700	625.778.389	3.737.569.390	1.563.576.121	29.6	15
2017	-158.180.637	680.664.849	3.763.292.093	1.921.846.147	28.3	15
2018	19.009.608	757.552.862	4.371.659.686	2.451.116.662	40.4	15

Source: Data processed, 2019

Garuda had a good ROI from 2014 – 2018. This explains why they got a maximum score for all of the year. Based on the decree where  $18 < ROI$  will get a score 15, these are the ROI of Garuda Indonesia from 2014 – 2018 respectively 31.8, 61.2, 29.6, 28.3 and 40.4. The lowest amount was on 2016 and 2017 where it did not reach 30%, though it still considerably high because its more than 18% and scored maximum. This is due to the amount of EBIT and depreciation are low compare to the other years, since both EBIT and depreciation act as the numerator on the formula. The highest score was achieved in 2015. This is because in 2015 both EBIT and depreciation was high, where the EBIT is not negative and the depreciation was more than a million. To summarize the ROI of Garuda Indonesia from 2014 – 2018, the writer would say that Garuda did a good job on gaining profit using the money that they invest. The increased amount of assets on each year also indicates that

Garuda will be able to generate more sales using their assets, which will be discussed in the total assets ratio turnover. Both ROI and ROE are part of the profitability ratio which are a must in order to analyze how profitable a company is. Both ratio are two of the main analytical indicator, and also stated by Kindangen (2016) that both ROI and ROE are part of the profitability ratio.

**Table 5. Cash Ratio**

Year	Cash + Cash equivalent (USD)	Current Liability (USD)	Cash Ratio (%)	Score
2014	434.327.498	1.219.365.356	35.6	5
2015	519.972.655	1.195.849.121	43.4	5
2016	578.702.739	1.563.576.121	37	5
2017	306.918.945	1.921.846.147	15.9	1
2018	251.188.737	2.451.116.662	10.24	1

Source: Data processed, 2019

Cash Ratio reflects on how well Garuda is able to pay off their liabilities using cash only. These are Garuda Cash Ratio from 2014 – 2018 respectively 35.6, 43.4, 37, 15.9, and 10.24. From the table above we get to see that in the first three year, Garuda had a really good cash ratio and able to scored maximum because based on the decree that Cash Ratio  $\leq 35$  will get a score 5 (maximum). But on the last two year, the amount dropped significantly, almost half the amount of the first three year. If we see on the equation, this is because on those 2 years, the amount of cash dropped, and the liabilities increased. This is make a total sense since the cash is the numerator of the formula, means if it gets lower and the liability gets higher, the cash ratio will decrease. Garuda Indonesia had a really good amount of Cash Ratio on the first three year. But because the drop on cash and increased of liabilities on 2017 and 2018, resulted in a low cash ratio on both year.

**Table 6. Current Ratio**

Year	Current Assets (USD)	Current Liability (USD)	Current Ratio (%)	Score
2014	810.514.943	1.219.365.356	66.4	0
2015	1.007.848.005	1.195.849.121	84.2	0
2016	1.165.133.302	1.563.576.121	74.5	0
2017	986.741.627	1.921.846.147	51.3	0
2018	1.356.974.740	2.451.116.662	55.3	0

Source: Data processed, 2019

Current Ratio reflects on how well Garuda is able to pay off their liabilities using their current assets. If we see the table above, we can clearly see that it is so not okay with the Current Ratio that Garuda has. From 2014 – 2018 Garuda got a minimum score which is 0. The Current Ratio of Garuda from 2014 – 2018 are 66.4, 84.2, 74.5, 51.3, 55.3 respectively. Those numbers are clearly not enough for Garuda to pay off their liability using their assets as it doesn't even reach 100% or 1:1. Based on the decree, where  $CR < 90$  will get score 0 explains the numbers listed on the table. The highest score was in year 2015 where both the current liabilities and current assets are on one million USD and has only a really small gap (1.007.848.005 and 1.195.849.121). But it still not enough since the liabilities is notably bigger than the assets. The low CR of Garuda is the result of liabilities that are bigger than the assets. The way this ratio analyzed, included with cash ratio as both are part of liquidity ratio are identical according to Renáta Myšková and Petr Hájek (2017).

**Table 7. Collection Period**

Year	Total Trade Receivables (USD)	Total Operating Revenues (USD)	CP (Days)	Score
2014	120.623.827	3.933.530.272	11	5
2015	121.527.641	3.814.989.745	11	5
2016	191.295.565	3.863.921.565	18	5
2017	229.250.088	4.177.325.781	20	5
2018	414.100.677	4.373.177.070	34	5

Source: Data processed, 2019

The amount of days needed for Garuda to collect their receivables is what Collection Period represents. Seeing from the table above, it can be concluded that Garuda Indonesia had a good Collection Period in all of the five years since it scored maximum in all of the years, based on the decree where  $CP \leq 60$  will get a maximum score of 5. The Collection Period of Garuda Indonesia from 2014 to 2018 are 11, 11, 18, 20, 34 respectively. The first two years (2014 and 2015) Garuda had a really good CP which are only 11 days. That means they only needed 11 days to collect their receivables. This is due to the low number of trade receivables that they had which acts as a numerator in the equation. The low amount of receivables also make a total sense for the low CP that they had because the less the receivables, the easier for Garuda to collect. Especially if those receivables are past-due receivables. The longest days needed however is on year 2018 where they needed over a month to collect their receivables. This is due to the increased amount of trade receivables up to 414.100.677 USD. Again, because the receivables acts as a numerator, CP went high. To summarize the CP of Garuda, the writer would say in Garuda's case, the lower the receivables compare to the operating revenues, the better. Because by then, Garuda Indonesia will only need less time to collect their receivables.

**Table 8. Inventory Turnover**

Year	Total Inventories (USD)	Total Operating Revenues (USD)	IT (Days)	Score
2014	85.204.399	3.933.530.272	7	5
2015	91.631.231	3.814.989.745	8	5
2016	108.954.457	3.863.921.565	10	5
2017	131.155.717	4.177.325.781	11	5
2018	176.457.029	4.373.177.070	14	5

Source: Data processed, 2019

IT is a ratio which represents how efficient Garuda in turning their inventory into profit. Similar with the previous ratio, Garuda Indonesia had a really good Inventory Turnover for all of the five years. The table above shows us that in all of those years, Garuda scored a maximum score which is 5, which based on the decree where  $IT \leq 60$  will get a maximum score of 5. Garuda's Inventory Turnover from 2014 – 2018 are 7, 8, 10, 11, and 14 respectively. Those numbers are represent how many days are needed, the lower the better. In 2014 they only needed a week to turn their inventory into profit which is amazingly fast. This is due to the low amount of inventories that they possessed in those years, especially in 2014 where the amount of inventories was only 85.204.399 USD compare to its denominator of operating revenues of 3.933.530.272 USD. With those two be put in a equation formula, will obviously result in a low Inventory Turnover. The longest time that they needed was on year 2018 where they needed two weeks to turn their inventory into profit, which is still considerably fast. In 2018, the Inventory Turnover increased because of the numerator (inventories) increased up to 176.457.029 USD which is almost double the first year's inventories. The same general thinking as the one that the writer stated on the collection period is also applies to Inventory Turnover, as the less inventories Garuda has, the lower time it needs to process it. The simple logic is they don't have to spend too much time processing a small amount of inventories.

**Table 9. Total Assets Turnover**

Year	Total Revenue (USD)	Capital Employed		TATO (%)	Score
		Total Assets	Current Liabilities		
2014	4.484.209.711	3.113.079.315	1.219.365.356	205	5
2015	3.900.530.926	3.310.010.986	1.195.849.121	184	5
2016	3.895.031.582	3.737.569.390	1.563.576.121	179	5
2017	4.484.209.711	3.763.292.093	1.921.846.147	243	5
2018	4.373.177.070	4.371.659.686	2.451.116.662	226	5

Source: Data processed, 2019

Total Assets Turnover represents how well Garuda Indonesia on making sales with their assets. It shows us that Garuda had a really good total assets turnover because they scored a maximum score for all of the years from 2014 to 2018. The following are Garuda's TATO from 2014 to 2018 respectively: 205, 184, 179, 243, and 226. Seeing those numbers, based on the decree where  $120 < TATO$  Those numbers represent how much of sales

they can generate by using their assets, the higher the better. In 2017, Garuda achieved total assets turnover as high as 243 which is really high. This is due to the amount of their total revenues of 4.484.209.711 USD which the numerator of the formula that almost tripled the amount of capital employed of 1.841.445.946 USD on that particular year. Even their lowest point on year 2016, it was still over 150%. What caused them to achieved low Total Assets Turnover in 2016 compare to the other years was because had the lowest total revenues on that time compare to the other years. In 2015 also they had a slightly higher TATO than what they had in 2016. This is also the same, because the amount of revenues on that time was lower than the other years except for in 2016, where both was below 4 billions USD. To summarize, Garuda Indonesia did really well on generating sales using their assets. By using a general logic, it totally make sense, since Garuda Indonesia is an aviation company that generates sales and make profit by utilizing their assets (aircrafts). This ratio is also included in assets management ratio which identical to what Kindangen (2016) stated.

**Table 10. Total Equity to Assets**

Year	Total Assets (Rp)	Total Equity (Rp)	Assets-Equity (%)	Score
2014	3.113.079.315	879.467.591	28.2	7.25
2015	3.310.010.986	950.723.185	28.7	7.25
2016	3.737.569.390	1.009.897.219	27	7.25
2017	3.763.292.093	937.469.200	24.9	7.25
2018	4.371.659.686	910.188.372	20.8	7.25

Source: Data processed, 2019

This ratio shows up on how much of an assets are funded by the equity, which is getting higher percentage, is better. The lower the number is not good, because the less the equity funds the assets, means the more liabilities the company will have since  $Assets = Liabilities + Equity$ . Garuda Indonesia achieved a moderate score on all of the years. The equity to assets ratio from 2014 – 2018 respectively are 28.2, 28.7, 27, 24.9, 20.8. The highest number is from year 2016. This is because on that year, the proportion of equity to ratio is the biggest one. The equity that Garuda possessed at that time was 950.723.185 USD in comparison to the assets of 3.310.010.986 USD. This means of all 3.310.010.986 USD of assets, 950.723.185 USD from it are funded by equity, and the rest of 2.359.287.801 USD composed by liabilities.

## CONCLUSION AND RECOMMENDATION

### Conclusion

Based on what we found above we found out that based on KEPUTUSAN MENTERI BADAN USAHA MILIK NEGARA NOMOR: KEP-100/MBU/2002 in 2014 Garuda Indonesia is considered less healthy with total score (TS) of 42.25 and ranked BBB. In 2015 Garuda Indonesia is considered healthy with total score (TS) of 54.25 and ranked A. In 2016 Garuda Indonesia is considered less healthy with total score (TS) of 43.25 and ranked BBB. In 2017 Garuda Indonesia is considered less healthy with total score (TS) of 38.25 and ranked BBB. In 2018 Garuda Indonesia considered less healthy with total score (TS) of 39.25 and ranked BBB. What makes Garuda's financial health is in a less healthy position is their ROE, CuR, and some of the CaR. Their liquidity using assets is very low, which got them a score of 0 for all of the years. Their ROE also was really low compare to their ROI. If only Garuda had a higher Current Ratio and ROE, it would have helped to get a higher rating, since those 2 are the main ratio that got them in a lower position.

Garuda started out with an unwell condition in 2014 and managed to climbed up higher in 2015. But the next year they were back to less healthy condition, followed up by next year which they kept decreasing in score. Judging by their condition, this is not good for Garuda Indonesia cause in 3 consecutive year, they kept decreasing in performance, especially in their financial aspect

### Recommendation

There are 2 major things that are viable for me as a writer to recommend to Garuda. The first thing is judging by the ROE point of view which they scored relatively low compare to its counterpart ROI, is to be able to convert their equity to profit more effectively and efficiently. The best possible way and probably the most practical and easy way for Garuda Indonesia to improve their ROE is by increasing their profit margin. As profits

are the numerators on the return on equity ratio, increasing the number of the profit will result in the bigger number of ROE.

The second thing is to look at another point of view which is the ratio of assets/liability. When we talk assets/liability ratio, there are 2 items that come into play which are current ratio and cash ratio which both containing non-liquid and liquid (cash) assets respectively. Garuda Indonesia scored a very low point on both ratios for not even reaching 100% or 1:1 on both. This is can be improved by selling some of the unproductive assets to boost up their current ratio. With this, the assets can then be turned into cash to boost up some of their cash and improving their cash ratio.

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