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ANALYSIS OF DIFFERENCES IN FINANCIAL DISTRESS LEVELS BETWEEN THE PROPERTY & REAL ESTATE SUB-SECTOR INDUSTRY AND THE BUILDING CONSTRUCTION SUB-SECTOR INDUSTRY

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Abstract

This study investigates how the building construction industry in Indonesia Stock Exchange differs from the property and real estate industry in terms of financial bankruptcy rates. The population of this study is the property and real estate sub-sector and the building construction sub-sector in Indonesia Stock Exchange. The general objective of this study is to identify financial distress in the property & real estate and building construction industries and the level of financial distress of the property & real estate sub-sector and building construction sub-sector as a picture of the level of bankruptcy of the industrial group. While the specific objective is that companies can anticipate early and immediately make improvements in asset management and company financing. The results of this study can also be used as a reference for investors to restructure their investment portfolios with more accurate portfolio return estimation calculations. This study uses a purposive sampling method, with the consideration or criteria that the companies studied are companies that publish financial reports in 2022 and 2023 at least Q3. To measure the level of financial distress of the two industrial sub-sectors, the Springate (S-Score) analysis model is used with the Independent Sample T Test analysis technique. The results of this study indicate that there is no significant difference in financial distress in the property & real estate and building construction industries that go public on the Indonesia Stock Exchange.

Keywords: Financial Distress, Property and Real Estate Sector, Building Construction Industry

INTRODUCTION

The impact of globalization on the world's economic aspects is that competition is getting tighter in the business world. This results in companies having to be able to manage their resources better because competition is not only domestic but also international (Masroor et al., 2019). Financial resources are one of the resources that must be managed optimally, especially considering the existing phenomenon that the number of companies and the increasing turnover of money shows that many new companies are emerging and some old companies are being eliminated.

The financial strength of a company is determined by its ability to make a profit. The financial strength of a company is directly correlated with its ability to achieve profit and competitive advantage. Basically, financial statement analysis is an analysis used to determine the profitability (profit) and risk (health) experienced by the company (Purnama et al., 2020). Financial distress/financial health of a company can be described from the healthiest point to the most unhealthy

point. Financial distress generally comes from insignificant short-term liquidity problems to bankruptcy.

To achieve competitive strength, good financial performance is one of the most important components (Alabdullah et al., 2022). A company's business that has poor financial performance will be removed from the industry and if financial performance continues to decline, the company will go bankrupt. Bankruptcy occurs when a company experiences difficulties or is no longer able to fulfill its obligations because the company does not have the funds needed to run or continue its business. In other words, bankruptcy is defined as financial or financial difficulties where the company is unable to pay off its obligations.

To predict financial bankruptcy, companies must look at the company's financial performance. Financial performance is an analysis conducted by the company in an effort to see how far the company has implemented using financial implementation rules properly and correctly (Apriani et al., 2020). Bankruptcy prediction serves to provide guidelines to interested parties about the company's financial performance whether it will go bankrupt in the future. The earlier the signs of bankruptcy are known, the better because management can make improvements.

*Financial distress*is a condition where a company is unable to generate sufficient income or revenue, so that the company is unable to meet or pay financial obligations. Financial distress is a condition where an individual or company is unable to generate sufficient income/profit or profit. This condition is generally caused by the company's illiquid assets, fixed costs that are too high, company profits that are sensitive or affected by the decline in economic conditions.

LITERATURE REVIEW

Financial statements

Financial statements are documents that describe the financial position and performance of a company during a certain period of time (Budiman, 2018). Meanwhile, according to the Financial Accounting Standards (PSAK) No. 1 of 2022 Paragraph 9, financial statements are a structured presentation of the financial position and financial performance of an entity.

Based on the above understanding, it can be concluded that financial reports are information obtained from recording transactions that can be used to see the development of a company or business and can be used to make decisions.

In general, the purpose of financial reports is to provide information about the company's financial condition, both in a certain period and at certain times. Meanwhile, according to the Indonesian Institute of Accountants (IAI) in 2015, the purpose of financial reports is:

1) Providing information regarding the financial position, performance and changes in the financial position of a company that is useful for a large number of users in making economic decisions.
2) To meet the needs of most users who generally describe the financial effects of past events.
   what management does or management's accountability for the resources entrusted to it to manage.

According to PSAK No.1 (2020: 2) there are five main types of components of financial statements, namely: Income Statement, Financial Position Statement, Statement of Changes in Equity, Cash Flow Statement and Notes to the Financial Statements. Financial statements are used as a basis for measuring business results and the development of company performance from one period to the next and to determine how far the company has achieved its goals (Hidayat et al., 2018).

Financial Distress

*Financial distress*is a stage of decline in the company's financial condition that occurs before the company goes bankrupt. The financial difficulties experienced by the company are liquidity difficulties so that if the company enters a period of financial distress, the company is unable to meet its obligations. If there is no handling, the company will soon go bankrupt.

Bankruptcy is a condition where a company has experienced difficulties in liquidation or is unable to meet its current obligations or short-term obligations, that bankruptcy is a financial difficulty experienced by a company. This liquidation difficulty is characterized by the company's financial failure and economic failure. Economic failure is the company's failure to finance operational activities as a result of declining company profits. While financial distress is an insolvency that distinguishes between the basis of cash flow and the basis of shares (Hanafi, 2010). Financial distress or even bankruptcy is known by looking at the financial ratio analysis as a benchmark for the company's financial performance (Assaji et al., 2017).

Financial Distress Method

There are several Financial distress methods to analyze the potential for company bankruptcy, These models include: First, the Grover method by Jeffrey S. Grover, which is the development of the Financial distress prediction model from the Altman Z-Score concept which Altman built since 1968. In 2001 Grover formulated a Financial distress/bankruptcy prediction model for limited financial ratios for use and changed the weighted coefficient for each ratio with a cutoff value of 0.01 and -0.02. Thus, if a company has a "G" value greater than or equal to 0.01, the company is predicted not to have the potential to experience bankruptcy/Financial distress, while companies that have a "G" value smaller than or equal to -0.02, the company is predicted to be in a state of bankruptcy (Irfani, 2020).

Second, the Zmijewski method. According to Kencana (2023) this model is the financial performance ratio of the profitability ratio (X1), leverage ratio (X2), and liquidity ratio (X3) of the company as the most important variables for predicting financial distress. This theory is the same as the theory of liquidity, profitability, and wealth. The cutoff value applied to the Zmijewski model is 0. So if a company whose X value is greater than or equal to 0, then the company is predicted to go bankrupt in the future (Effendi et al., 2018)

The Springate method has a cutoff value of 0.862, which means that if a company has an "S" value less than or equal to 0.862, the company is predicted to have the potential for Financial Distress and thus has the potential to go bankrupt. Meanwhile, if the company has an "S" value greater than or equal to 0.862, the company has a healthy financial condition and does not have the potential to experience Financial Distress and bankruptcy (Francis Hutabarat et al., 2021).

RESEARCH METHODOLOGY

Population and Sample

Pugu (2024) stated that population is a generalization area consisting of objects/subjects with certain characteristics and qualities and is determined to be studied and then conclusions are drawn. The population in this study is the building construction industry sub-sector and the property & real estate industry sub-sector on the Indonesia Stock Exchange. The sampling technique used is purposive sampling with the criteria that the companies studied publish financial reports in 2022 and 2023 at least Q3. The samples used are divided into 2 sub-sector groups, namely the building

construction industry sub-sector and the property & real estate industry sub-sector.

The number of samples used in this study is 18 companies for the building construction company group and 22 companies for the building construction industry sub-sector and the property & real estate industry sub-sector. The following are the samples studied.

Table 1: Research Sample

No.	Company	No.	Company
ACST	Acset Indonusa (Const)	ROOF	Trimitra Prawara Goldland (Property)
ADHI	Adhi Karya (Const.)	BBSS	Bumi Benowo Sukses S (Property)
BEBS	Sadaya Concrete Blessing (Const)	RISE	Jaya Sukses Makmur Sentosa (Property)
CSIS	Cahayasakti Invest Success (Const)	BKSL	Sentul City (Property)
DGIK	Nusa Construction Engineering (Konst)	IPAC	Era Graharealty (Property)
IDPR	Indonesia Great Foundation (Const)	CHEST	Diamond Citra Propertindo (Property)
JKON	Jaya Konst Manggala Pratama (Const)	DMAS	Puradelta Lestari (Property)
NRCA	Nusa Raya Cipta (Const)	FMII	Fortune Mate Indonesia (Property)
PBSA	Paramita Builds Facilities (Const)	GPRA	Prime Gauraprima (Property)
PTDU	Ubersakti Services (Const)	BIPP	Buwanatala Indah Permai (Property)
PTPP	PP (Persero) (Const)	LPKR	Lippo Karawaci (Property)
SKRN	Superkrane Mitra Utama (Konst)	PLIN	Plaza Indonesia Realty (Property)
SSIA	Surya Semeste Internusa (Const)	POLL	Pollux Properties Indonesia (Property)
TAMA	True Mainstream (Const)	PWON	Pakuwon Jati (Property)
TOPS	Totalindo Eka Persada (Const)	REAL	Repower Asia Indonesia (Property)
TOTAL	Total Banun Perdas (Const)	WHEEL	Pikko Land Development (Property)
WEGE	Wika Building Construction (Const)	ONE	City One Property (Property)
WIKA	Wijaya Karya (Const.)	NZIA	Nusantara Almazia (Property)
HOMI	Grand House Mulia (Property)	MKPI	Kentjana Poltan (Property)
TARA	Sitara Property (Property)	LAND	Trimitra Properindo (Property)

Source: Indonesia Stock Exchange (IDX)

Operational Definition

The company's financial distress prediction model used in this study is the Springate (S-Score) analysis. Springate (S-Score) analysis is used to predict the survival of a company by combining several financial ratios by giving different weights to the financial ratios.Springate formulated his methodas follows:

S = 1.03X1 + 3.07X2 + 0.66X3 + 0.4X4

Information :

S =Overall Index

X1 = CapitalWork divided by Total Assets

X2 = EBITdivided by Total Assets

X3 = EBTdivided by Current Liabilities

X4 =Sales divided by Total Assets

Source: Springate, Gordon LV 1978

The classification of healthy and bankrupt companies according to this model is:

a. Score S>0.862: is a healthy company that has no potential for financial difficulties.
b. Score S<0.862: is an unhealthy company that has the potential to experience financial difficulties.

Data Types and Sources

This study uses secondary data sourced from reports published by the Indonesia Stock Exchange. According to Sugiyono (2021) secondary data is a source that does not directly provide data to data collectors. The data needed in this study are the Balance Sheet and

Profit/Loss Reports for 2022 and 2023 sourced from financial reports in the building construction industry sub-sector and the property & real estate industry sub-sector.

Analysis Techniques

The analysis technique used in this study uses the independent sample t test. The independent sample t test is used to determine whether there is a difference in the average of two unpaired samples. The main requirement for the independent sample t test is data with normal and homogeneous distribution (not absolute).

DISCUSSION

Financial Distress Analysis Using the Springate Method (S-Score)

The results of the financial distress analysis of 40 companies based on the Springate method using the variables: X1 (Working Capital)sharedTotal Assets), X2 (EBITsharedTotal Assets), X3 (EBTsharedCurrent Liabilities) and X4 (SalesharedTotal Assets), then the Financial Distress score (S-Score) is as in the following table.

Table 2: Results of Financial Distress Analysis

No	Full.	Kel.	Fin. Distress		No	Full.	Kel.	Fin. Distress	
			2023	2022				2023	2022
1	ACST	Const	-0.042	-0.012	21	ROOF	Properties	0.703	0.943
2	ADHI	Const	0.405	0.353	22	BBSS	Properties	0.333	0.327
3	BEBS	Const	0.362	1,158	23	RISE	Properties	0.342	0.551
4	CSIS	Const	0.482	0.624	24	BKSL	Properties	0.141	0.185
5	DGIK	Const	0.431	0.272	25	IPAC	Properties	1,240	1,542
6	IDPR	Const	0.61	0.478	26	CHEST	Properties	-0.098	0.094
7	JKON	Const	0.92	0.890	27	DMAS	Properties	1,283	1,254
8	NRCA	Const	1,044	0.925	28	FMII	Properties	0.235	0.293
9	PBSA	Const	1,122	1,336	29	GPRA	Properties	0.946	0.855
10	PTDU	Const	-0.170	-0.373	30	BIPP	Properties	0.276	0.384
11	PTPP	Const	0.238	0.209	31	LPKR	Properties	0.796	0.403
12	SKRN	Const	0.274	0.517	32	PLIN	Properties	0.088	0.170
13	SSIA	Const	0.407	0.439	33	POLL	Properties	-0.043	0.317
14	TAMA	Const	-0.046	-0.045	34	PWON	Properties	0.573	0.551
15	TOPS	Const	0.225	0.299	35	REAL	Properties	0.524	0.531
16	TOTAL	Const	0.477	0.577	36	WHEEL	Properties	0.307	0.340
17	WEGE	Const	0.440	0.681	37	ONE	Properti	0.222	0.258

							es		
18	WIKA	Const	-0.094	0.234	38	NZIA	Properti es	0.372	0.394
19	HOMI	Properti es	0.398	0.352	39	MKPI	Properti es	0.178	0.318
20	TARA	Properti es	0.004	0.004	40	LAND	Properti es	-0.045	0.018

Source: LembarSaham.comhttps://www.idx.co.id(processed)

Companies declared healthy and those going bankrupt according to the Springate Method (S-Score) are:

1) A score of S>0.862 is classified as a company that does not have the potential to experience financial difficulties.
2) A score of S<0.862 is classified as a company that is unhealthy and potentially experiencing financial difficulties.

Based on the Springate method classification (S-Score) as in the table above, the S-Score results of 40 companies in the building construction industry sub-sector and the property & real estate industry sub-sector in the 2022 and 2023 periods generally showed poor results, with an average S-Score of 0.431. Not all companies studied were categorized as unhealthy, there were several companies that were categorized as healthy, including PT Puradelta Lestari, PT Jaya Konst Manggala Pratama, PT Era Graharealty, PT. Paramita Bangun Sarana and PT. Nusa Raya Cipta. Companies with a healthy category only in 2022 are: PT. PT Berkah Beton Sadaya and PT. Trimitra Prawara Goldland. While companies categorized as healthy only in 2023 are: PT. Perdana Gauraprima.

Companies that are estimated as companies that have the potential to go bankrupt, do not necessarily mean that they are really bankrupt, but this prediction is a warning for companies to take anticipatory or preventive measures early so that the prediction does not occur. In the future, managers can improve the company's operational performance.

Analysis of Differences in Financial Distress Levels for 2 Groups of Companies

The results of the independent sample t-test analysis to test the differences in the level of financial distress between the building construction industry sub-sector and the property & real estate industry sub-sector are as follows.

Figure 1; Results of the Independent Sample T Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Fin Distress	Equal variances assumed	.034	.854	.069	78	.945	.00606	.08729	-.16771	.17984
	Equal variances not assumed			.069	73,875	.945	.00606	.08758	-.16845	.18057

Source: SPSS data processing

Based on the table above, it shows that Sig. Levene's test For Equality of Variances is 0.854. This result is greater than 0.05 so that it can be interpreted that the variance of the 2 groups of companies, namely the building construction industry sub-sector and the property & real estate industry sub-sector are the same or homogeneous. While the results of the independent samples t test from "Equal Variances Assumed" are the Sig. (2-tailed) value is 0.945> 0.05, This shows that Ho is accepted and Ha is rejected so that it can be concluded that there is no difference in the level of financial distress between the building construction industry sub-sector and the property & real estate industry sub-sector. Financial distress level of 2 industry groups.

This result is different from the research conducted by Sintia Marselina et al. (2023) with the object of research of transportation and logistics sector companies listed on the Indonesia Stock Exchange from 2018 to 2021, namely 28 companies. Based on the springate method, the results of the study stated that there was a difference in the potential for financial distress before and during COVID-19. Likewise, research conducted by Shafa Alya Hanan et al. (2024), that the results of the study using the Springate and Zmijewski models showed that there was a difference in the level of financial distress in state-owned companies listed on the IDX before and during the Covid-19 pandemic. However, in the Grover model, there was no difference in the level of financial distress in state-owned companies listed on the IDX before and during the Covid-19 pandemic. Similar results were also found in the study conducted by Muhammad Fanny et al. (2022), stating that out of 265 companies on the IDX for the 2019-2020 period, there was no significant difference in the level of financial distress before and after the Covid-19 pandemic.

However, from the researchShafa Alya Hanan et al. using the Grover model found no difference in the level of financial distress in state-owned companies listed on the IDX before and during the Covid-19 pandemic.

CONCLUSION

The results of the financial distress analysis using the Springate method (S-Score) on 40 sub-sectors of the building construction industry and the property & real estate industry sub-sector in the period 2022 and 2023 produced an average S-Score of 0.431. Several companies that have been healthy for 2 years are PT Puradelta Lestari, PT Jaya Konst Manggala Pratama, PT Era Graharealty, PT. Paramita Bangun Sarana and PT. Nusa Raya Cipta.

Based on the level of financial distress between the building construction industry sub-sector group and the property & real estate industry sub-sector with the independent samples t test is 0.945. This shows that the 2 groups of companies have the same or no different level of financial distress.

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