JASAFINT

Journal of Applied Sciences in Accounting, Finance, and Tax

Preface

Journal of Applied Sciences in Accounting, Finance, and Tax is a forum provided for researchers, both from universities, practitioners and the industrial world. The publication is a result of research, studies or ideas on Accounting, Finance, and Tax.

JASAFINT is published with a focus and scope on issues on Accounting (Financial Accounting, Management Accounting, Public Accounting, Auditing, and Accounting Information Systems), Finance (Capital Market, Financial Statements Analysis, and Financing), and Tax (Income Tax, VAT, Tax Audit, and Tax Accounting).

Managed by the Department of Accounting and published by Politeknik Negeri Bali Research and Community Service Center (P3M-PNB), this journal is intended to disseminate scientific knowledge and the application of the Accounting, Finance and Tax and is expected to be able to broaden the readers' perspective and enrich the scientific repertoire.

Published on April and October (since 2018), the journal accepts articles in English with mentioned format: research results, literature studies and work reports in line with the focus and scope of JASAFINT.

Editors

Contents

CAMEL Ratio as an Indicator of Financial Distress Altman Z-Score Model with Company Size as a Moderating Variable

T W Erdi[*)], **W Agustin, S A G Pradana, and Theresia T**

Accounting Department, Sekolah Tinggi Ilmu Ekonomi YKPN
Jalan Seturan Raya, Caturtunggal, Depok, Sleman, Yogyakarta, 55281, Indonesia

[*)] E-mail to: tiowaskitoe@gmail.com

Abstract. The CAMEL ratio is one of the analytical tools to predict bankruptcy in a bank or what is commonly referred to as financial distress. The condition of financial distress is influenced by many factors, one of which is the size of the firm. This study examines the effect of the three components in the CAMEL ratio, namely capital adequacy, profitability, and asset quality on financial distress. Firm size will be used as a variable that moderates the relationship between the three components in the CAMEL ratio to financial distress. The method used is Moderated Regression Analysis (MRA) with the object of research being banks listed on the Indonesia Stock Exchange from 2016 to 2020. The results of this study prove that capital adequacy and profitability have a negative effect on financial distress, while asset quality has no effect. to financial distress. Firm size is able to moderate the relationship between capital adequacy and profitability with financial distress, but is unable to moderate the relationship between asset quality and financial distress.

Keywords: capital adequacy, profitability, asset quality, financial distress, firm size

1. Introduction

Bank is one of the industrial sectors engaged in finance and has an important role in the economy of a country. Bank with good financial reports will be easily trusted by the public so that they can avoid financial distress conditions. Financial distress is a decline in the financial condition of banks that occurred before bankruptcy or liquidation. One way to see if a bank is in financial distress is to analyze its financial statements. One of the analytical tools commonly used to assess the soundness of a bank is the CAMEL ratio.

The CAMEL ratio consists of several components, namely capital, asset quality, management, earnings, and liquidity. This research will explore the three components is it capital, asset quality, and earnings. The capital component is used to assess the bank's capital level, the asset quality component is used to assess the condition of bank assets and the risk of default, and the earnings component is used to assess the bank's ability to generate bank profits. On the other hand, there are many other factors that also influence the financial distress conditions that occur in banks, one of which is the size of the firm. Firm size can be judged from how many assets a bank has. When the size of a bank is large, it can be said that this bank can avoid financial distress. This is because banks certainly have the trust of stakeholders, and have sufficient resources to survive in the midst of a crisis.

This study will later analyze how the influence of the level of capital adequacy, profitability, and asset quality on financial distress in banks listed on the IDX in 2016-2020. In addition, researchers also want to analyze whether firm size can moderate the relationship between the components in the CAMEL ratio to financial distress. This research is expected to be able to assist banks in seeing the factors that may have an influence on financial distress, and to avoid bankruptcy. Because, through the CAMEL analysis carried out, it can help banks measure their capital capacity, assess how banks perform in a certain period, and assess how current and non-performing loans are in a bank. In addition, it is also hoped that this research can be a tool for evaluating banking performance that can be useful for stakeholders.

2. Literature Review

Signaling theory states that a signal can provide a signal given by management to investors [1]. The signal that has been given will then be responded to by the investor according to the interpretation of the signal receiver. Brigham and Houston [2] added that signaling theory is a guide for investors about banking prospects in the future. Signaling theory also explains one of the reasons managements provides information, namely to reduce information asymmetry.

Information asymmetry because managers are bank managers so they know more about banking conditions than investors. Ross [3] explains that managers who have better information than investors are encouraged to convey information that can increase the value of the company's shares. In addition, it is important to disclose information from companies in order to convince investors that banks have good prospects. Investors can assess banking prospects through information in the form of financial reports. Information asymmetry that occurs can be reduced through the issuance of financial statements [4]. The financial report is a representation of the financial condition of the bank at a certain period. Financial reports can be used as a communication picture for outsiders in order to know the financial performance and reputation of banks. Banking financial performance can be assessed through financial ratios.

The company's financial ratios can be seen by comparing the information in the financial statements to assess the financial performance of banks. The ratios that can be used can be in the form of capital adequacy ratios, profitability, and asset quality. Capital Adequacy Ratio (CAR) is a bank's ability regarding capital to cover losses on credit or traded securities. CAR shows that the banking position in terms of the amount of capital has been able to meet the needs of the bank itself and is able to carry out the continuation of future prospects [5]. Return on Assets (ROA) is the projected aspect of the Earning aspect. This ratio is used to measure the ability of banks to earn profits. Non-Performing Loan (NPL) is an evaluation of banking financial performance in terms of asset quality. Non-Performing Loan (NPL) shows ability in managing non-performing loans.

Financial performance can be used to describe the financial condition of a bank so that it can show the level of banking soundness [6]. Banks must have a good level of health so that in providing services to their customers they do not disappoint. The soundness level of a bank is defined as the capacity of a bank to carry out all activities properly and to be able to complete banking obligations based on banking laws in force in Indonesia.

Banks that have poor health are usually in financial distress. Financial distress is a state of financial difficulty to cover the company's obligations. This situation begins with liquidity difficulties from a mild stage to serious financial difficulties, namely in conditions of debt that are greater than assets [7]. Ramadhani and Lukviarman [8] describe financial failure as a different insolvency between cash flow and stock basis. The insolvency between the two is divided into two. Technical insolvency is a condition where the company cannot fulfill its obligations. Bankruptcy insolvency is a measure of the present value of cash flows less than the company's liabilities.

Bank insolvency differs based on the size of the bank. Large-scale banks are usually easier to carry out their obligations. This bank will also have more cash flow compared to small-scale banks. The size of the firm can be based on total assets. Indrajaya, Herlina [9] mentions that the size of a firm used to determine the level of the company can be in the form of sales, labor, total assets, and total debt.

3. Hypothesis

Achmad and Kusumo [10], Herdinigtyas and Almilia [11] found that capital adequacy has a negative effect on the probability of financial distress. This is because companies that have sufficient capital assets compared to assets that contain risks will be able to survive in the face of difficult conditions. Based on the explanation above, the first hypothesis is formulated as follows:

H1: Capital adequacy has a negative effect on financial distress experienced by banks.

Achmad and Kusumo [10], Ananto, Mustika [12], Ariesco [13], Curry and Banjarnahor [14], Haryati [15], Sumantri and Jurnali [16] found that profitability had a negative effect on the probability of financial distress. The high profitability describes the level of success of the company in carrying out its operational activities. The higher the profitability, the less likely the company is to experience financial distress [17]. Based on this explanation, the following hypotheses can be formulated:

H2: Profitability has a negative effect on financial distress experienced by banks.

Aryati and Balafif [18], Prasetyo and Pangestuti [19] which show that asset quality has a positive effect on the probability of financial distress. This is because banks that have loans that exceed the time limit mean that managers cannot manage non-performing loans properly. This will affect the soundness of the bank so as to increase the probability of the bank experiencing financial distress. Through these explanations, the following hypothesis is formulated:

H3: Asset quality has a positive effect on financial distress experienced by banks.

Handayani [20] found that firm size can moderate the effect of the components in the CAMEL analysis. The larger the size of the bank, the better the bank's ability to bear risk. This will make the bank more trustworthy and able to face risks so as to avoid financial distress. So, the hypothesis that fits the explanation above is:

H4: Firm size is able to significantly moderate the effect of capital adequacy on financial distress.

Handayani [20] showed that firm size can moderate the effect of the components in the CAMEL analysis. Banks that have many assets will be better at generating profits. A bank with a larger size will be considered to have a high level of profitability and be able to avoid financial distress better than a bank with a smaller size. The fifth hypothesis of the study is:

H5: Firm size is able to significantly moderate the effect of profitability on financial distress.

Handayani [20] explains that firm size can moderate the effect of the components in the CAMEL analysis. NPL can show how many non-performing loans can be overcome by banks. Of course, the higher the value of NPL can indicate poor performance of banks and can lead banks to financial distress. The hypotheses that can be formulated from the explanation above are:

H6: Firm size is able to significantly moderate the effect of asset quality on financial distress.

This, from the explanation of the formulation of the hypothesis above, a research framework is designed as follows:
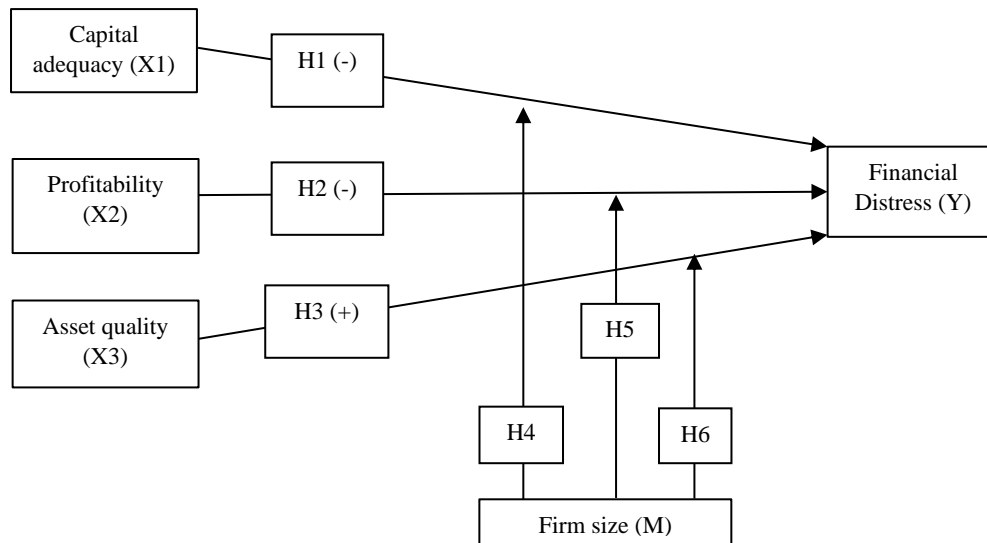
Figure 1. Research Framework

4. Research Method

This research uses purposive sampling method. The criteria for the sample to be studied are banks in Indonesia which publish their complete financial statements for five consecutive years in 2016-2020 and submit them to Bank Indonesia. Banks that are the object of banking research that are not problematic and are not in a special supervision program in the 2016-2020 period. This bank is still actively operating until December 31, 2020.

The independent variables in this study relate to the measurement of the level of capital adequacy, profitability, and quality of banking assets which are part of the CAMEL analysis. The level of capital adequacy in this study is proxied by the Capital Adequacy Ratio (CAR). CAR shows that the banking position in terms of the amount of capital has been able to meet the needs of the bank itself and is able to carry out the continuation of future prospects [5]. The CAR value is obtained by dividing the bank's capital by risk-weighted assets. To assess the health of banks with CAR, measurements from PBI are used where when the CAR is greater than or equal to 12%, the bank is declared very healthy. CAR value greater than or equal to 9%, and less than 12%, banks are considered healthy. When the CAR is greater than or equal to 8%, and less than 9%, the banking system is said to be quite healthy. Unsound banks have a CAR value of more than or equal to 6%, and less than 8%. Banks with a CAR value of less than or equal to 6% are declared unhealthy.

Furthermore, profitability in this study is proxied by Return on Assets (ROA). This ratio is used to measure the ability of banks to earn profits. Return on Assets (ROA) is obtained by dividing profit before tax by total assets. To assess the soundness of banks, PBI is used as a reference. When the ROA is more than 1.5%, the bank is said to be very healthy. Banks with ROA of more than 1.25% and less than or equal to 1.5% are declared healthy. A fairly healthy bank has an ROA of more than or equal to 0.5% and less than or equal to 1.25%. Unsound banks have an ROA of more than 0 and less than or equal to 0.5%. An unhealthy bank has an ROA less than or equal to 0.

Asset quality is proxied by Non-Performing Loan (NPL). Non-Performing Loan (NPL) shows ability in managing non-performing loans. The value of Non-Performing Loan (NPL) is obtained by dividing non-performing loans by total loans. The assessment of the soundness of a bank according to

NPL, uses PBI as a reference, namely when the NPL is less than or equal to 5%, the bank is declared healthy, while when the NPL is more than 5%, it is declared unhealthy.

Financial distress in this study is the dependent variable. Financial distress is proxied using the Altman Z-Score model. According to Hanafi and Halim [21] the value of financial distress is obtained by the formula:

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

X1 in the above equation is working capital to total assets, X2 is retained earnings to total assets, X3 is earnings before interest and taxes to total assets, X4 is market value of equity to book value of debt, and X5 is sales to total assets. If the Z value is less than 1.81, the bank is categorized as unhealthy or bankrupt. When the Z value is greater than 1.81 and less than 2.99, the banking industry is included in the grey criteria. If the Z value is more than 2.99, the bank is in a healthy position or has not experienced bankruptcy. This study uses firm size as a moderating variable. The size of the company is obtained by multiplying Ln by the total assets owned.

Descriptive statistics in this study were used to determine the mean, median, maximum, minimum, and standard deviation values of the research data. Furthermore, the classical assumption test was carried out to determine the feasibility of the research data. The classical assumption test that will be carried out is the normality test, muktilinearity test, and heteroscedasticity test. Hypothesis testing will be carried out using Moderated Regression Analysis (MRA) or interaction test. In this study, MRA will be carried out with the help of SPSS software, with the following equation:

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_1 X_4 + \beta_6 X_2 X_4 + \beta_7 X_3 X_4 + e_1$$

In the above equation Y is a symbol of financial distress, a is a constant symbol, β_1 to β_7 is a symbol of the coefficient of each variable. The research variables are symbolized by X_1 (capital adequacy), X_2 (profitability), X_3 (asset quality), X_4 (firm size). Finally, the error is symbolized by e_1.

Data Analysis

Table 1. Statistika Descriptive Analysis

Variabel	N	Minimum	Maximum	Mean	Std. Deviation
Capital adequacy	80	10,52	35,77	21,012	4,46244
Profitability	80	-7,47	5,7	1,5925	1,8714
Asset quality	80	0,3	6,37	1,6708	1,27198
Firm size	80	29,58	34,95	32,5535	1,54637
Financial distress	80	-1,7	2,77	-0,1454	0,6481

Statistika descriptive test shows that the capital adequacy variable has a minimum value of 10.52, a maximum value of 35.77, and an average value of 21.012. This can be interpreted that if you look at the adequacy of capital, the average banking sector in Indonesia is very healthy. The standard deviation of the capital adequacy variable is 4.46244 which is smaller than the average value, indicating that this variable from the entire sample has a small variation. The profitability variable has a minimum value of -7.47, a maximum value of 5.7, and an average value of 1.5925. So if you look at this level of profitability, the average banking sector in Indonesia is very healthy. The standard deviation of the profitability variable is 1.8714 which is greater than the average, which means that this variable has a varied distribution of data. The third independent variable, namely asset quality, has a minimum value of 0.3, a maximum value of 6.37, and an average value of 1.6708. Looking at the results of this asset quality, the average banking sector in Indonesia is quite healthy. The asset quality variable has a standard deviation of 1.27198 which is smaller than the average value, so this variable has a small variation. Financial distress as the dependent variable has a minimum value of -1.7, and a maximum value of 2.77.

The average value of this dependent variable is -0.1454, where this result indicates that Indonesian banks are generally in a state of financial distress. Furthermore, the standard deviation of the financial distress variable is 0.64810, which is greater than the average value, indicating that this variable has a varied distribution of data. The moderator variable, namely firm size, has a minimum value of 29.58, a maximum value of 34.95, and an average value of 32.5535. Meanwhile, the standard deviation of the firm size variable is 1.54637 which is smaller than the average value, indicating a small data distribution.

The normality test using the Kolmogorov-Smirnov test shows that the significance level is 0.334 which is greater than 0.05. The results of the heteroscedasticity test carried out by the Glejser test showed that the significance value of all variables was above 0.05. The last classical assumption test is the multicollinearity test which shows the results of the tolerance value of all independent variables exceeding 0.10, and the VIF value is less than 10. From these three classical assumption tests, it can be concluded that the research data is feasible for further testing.

Table 2. MRA Test Result

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Description
	B	Std. Error	Beta			
(Constant)	0,368	0,235		1,564	0,122	-
Capital adequacy	-0,420	0,153	-0,223	-2,752	0,007	Accepted
Profitability	-0,182	0,083	-0,189	-2,191	0,032	Accepted
Asset quality	0,139	0,115	0,102	1,203	0,233	Rejected
Firm size	-0,062	0,161	0,053	-0,383	0,703	-
X1X4	-0,160	0,065	0,344	-2,468	0,016	Accepted
X2X4	-0,226	0,083	0,324	-2,737	0,008	Accepted
X3X4	0,127	0,080	0,153	1,593	0,116	Rejected
Adjusted R Square						0,520
F value						13,206
Sig. F value						0,000

From the table above, the following equation can be determined:

$$Y = 0{,}368 - 0{,}420X_1 - 0.182X_2 + 0{,}139X_3 - 0{,}062X_4 - 0{,}160X_1X_4 - 0{,}226X_2X_4 + 0.127X_3X_4 + e_1$$

This equation indicates that the variables of capital adequacy, profitability, asset quality, and firm size do not have a constant contribution to the financial distress variable, so this variable will be worth 0.368%. The regression coefficient value of the capital adequacy variable is -0.420, so if the capital adequacy level increases by one point and the values of other variables are considered the same, the financial distress variable will decrease by 0.420%. The profitability variable has a regression transformation coefficient value of -0.182, so that when the value of this variable increases by one point, the financial distress variable will decrease by 0.182% (the values of other variables are considered the same). The regression transformation coefficient of the asset quality variable is 0.139, so when the value of this variable increases by one point, the value of the financial distress variable will increase by 0.139 (the values of other variables are considered the same). For the firm size variable which has a transformation coefficient value of -0.062, it will cause the financial distress variable to decrease by 0.062% if the firm size variable increases by one point assuming the values of other variables are considered the same. The interaction between the capital adequacy variable and firm size produces a regression transformation coefficient value of -0.160. The regression transformation coefficient for profitability and firm size variables is -0.226 which is the interaction of these two variables. For the

interaction of asset quality and firm size variables, the regression transformation coefficient value is 0.127.

Table 2 also shows the results of the analysis of the coefficient of determination used to assess how much the independent variable is able to explain changes in the dependent variable. As a result, the value of Adjusted R Square in this study was 0.520 (52%). So that the independent variables in this study, namely capital adequacy, profitability, and asset quality are able to explain changes in the dependent variable, namely financial distress by 52%. While the other 48%, influenced by other variables that are not included in this research model.

The next test is the F statistical test which is used to see how the influence of the independent variable on the dependent variable simultaneously. The results show that the F value is 13.206 with a probability of 0.000. The significance value should not be more than 0.05, it can be said that the independent variables, namely capital adequacy, profitability, and asset quality simultaneously affect financial distress.

Statistical t test was conducted to determine the simultaneous effect of the independent variable on the dependent variable. From the results of data processing, it is known that capital adequacy has a t-value of -2.752 and a significance level of 0.007 which is smaller than a significance level of 0.05. So this value proves that capital adequacy has a negative effect on financial distress. The profitability variable has a t value of -2.191 and a significance of 0.032. This significance value is smaller than the 0.05 significance level, so it can be said that profitability has a negative effect on financial distress. The third independent variable, namely asset quality, has a t value of 1.203 and a significance value should be 0.233 This variable has a significance value greater than 0.05, which means that there is no significant effect of asset quality on financial distress.

The interaction variable between capital adequacy and firm size has a t value of -2.468 and a significance level of 0.016 which is smaller than the significance level of 0.05. So it can be said that company size has a significant effect on financial distress, or company size can moderate the relationship between capital adequacy and financial distress. The next interaction between profitability and firm size with a t value of -2.737 and a significance of 0.008 which is smaller than a significance level of 0.05, indicating that the firm size variable has a significant effect on the financial distress variable. Firm size variable can also moderate the relationship between profitability and financial distress. The interaction variable between asset quality and firm size has a t value of 1.593 and a significance of 0.116. This significance value is greater than the significance level of 0.05, so that the size of the firm has no significant effect on financial distress and cannot moderate the relationship between asset quality and financial distress.

5. Result and Discussion

The results of the study indicate that capital adequacy has a negative effect on financial distress. This is because companies that have sufficient capital will have better performance in dealing with difficult financial conditions. Sufficient capital owned by the bank will more easily overcome the credit default problems experienced by customers. The results of this study are in line with Achmad and Kusumo [10], Herdinigtyas and Almilia [11] which state that the lower the capital adequacy of a bank, the greater the possibility of problematic conditions in the bank. Adequate bank capital not only makes banks more resilient in facing difficult conditions, but can also support bank growth. Banks can develop their business by adding branches, transforming digitalization, and building various service facilities such as ATMs that will make it easier for customers to make transactions. The convenience obtained by the customer will further strengthen the bank's financial condition because the customer will prefer to use the bank.

The results of the second study indicate that profitability has a negative effect on financial distress. Banks with high profitability show that the company can carry out its operational activities well [14, 17]. Profitability has become an indicator used by investors, creditors, customers, and various other parties related to banks as a level of success. The more successful a bank is, the more confident investors

and customers will be in investing or lending to the bank. This will further facilitate bank operations because banks have flexibility in funds and have good income from loans by customers.

The results of the third study stated that there was no significant effect of asset quality on financial distress. This is because the quality of assets owned by banks is still at the normal threshold. Asset quality indicates the ability to manage non-performing loans by bank managers. Bank Indonesia has determined a reasonable threshold for asset quality that must be met by a bank in carrying out its operations. This threshold is a limit that shows if a bank has not exceeded that limit, then the company still has good asset quality, but if the bank has exceeded this threshold, then the bank can be said to have poor asset quality.

The fourth result of the study is that firm size is able to moderate the relationship between capital adequacy and financial distress. The bigger the bank, the more capital it has. This will make big banks stronger in facing financial difficulties.

The fifth result of the study is that the size of the relationship between profitability and financial distress can be moderated by company size. Large companies will find it easier to generate profits. Small companies will be more vulnerable in facing financial difficulties compared to large companies.

The sixth result of the study is that company size is not able to moderate the relationship between asset quality and financial distress. This happens because the size of the bank cannot determine the quality of the assets owned by a bank. Large banks do not always have good asset quality. Therefore, firm size is not able to moderate this relationship.

Implication

Implication is defined as a consequence or direct result of the research results. This study wants to know how the components in the CAMEL analysis affect the condition of financial distress with firm size as a moderating variable. The results show that capital adequacy and profitability have a negative effect on financial distress, while asset quality has no effect. Thus, banks must of course continue to maintain their capital adequacy in order to avoid financial distress. Efforts that can be made by banks if they have a low level of capital adequacy are to improve their capital position by making cash deposits, becoming a go public bank, or making long-term loans. In addition, banks also need to maintain their profitability. One of the efforts that can be done is to strengthen banking performance by developing fee-based income. With the help of the rapid development of technology and information, banking can certainly reach a wider audience. Thus, banks can earn income other than credit interest or income from the main banking activities.

6. Conclusion, Limitations, dan Suggestions

The results of the study prove that capital adequacy and profitability have a negative effect on financial distress. The next result is that there is no significant effect of asset quality on financial distress. Firm size is able to moderate the relationship between capital adequacy and profitability with financial distress. Firm size is not able to moderate the relationship between asset quality and financial distress.

Some of the limitations of this study are that the research focus is only on 16 banks in Indonesia, so this research is only correlated for the financial sector. On the other hand, the financial sector is a sector that must be separated from other industrial sectors in research. So, although the focus of this research is quite narrow, it can complement other research that separates the financial sector. The variables in this study that are estimated to affect financial distress are capital adequacy, profitability, and asset quality, so that further researchers can add other variables that affect financial distress. Further research can also add a research period, especially the latest year because this research is only from 2016 to 2020. In addition, this research has not been able to distinguish between go public banking and banking that has not gone public or distinguish private and government-owned banks. Future research can make this distinction to get more specific research results.

Appendix

Table 1. Normality Test Results

One-Sample Kolmogorov-Smirnov Test		Unstandardized Residual
N		80
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.41421340
	Absolute	.106
Most Extreme Differences	Positive	.106
	Negative	-.080
Kolmogorov-Smirnov Z		.944
Asymp. Sig. (2-tailed)		.334
a. Test distribution is Normal.		
b. Calculated from data.		

Table 2. Heteroskedasticity Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.322	.099		3.245	.002
	Capital adequacy	-.031	.064	-.057	-.488	.627
	Profitability	.026	.035	.093	.751	.455
	Asset quality	-.078	.049	-.196	-1.615	.111
	Firm size	-.029	.068	-.087	-.434	.665
	X1*M	-.019	.027	-.140	-.702	.485
	X2*M	.014	.035	.066	.389	.699
	X3*M	.049	.034	.202	1.463	.148
a. Dependent Variable: ABS_RES						

Coefficients[a]

Tabel 3. Multicollineariy Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.368	.235		1.564	.122		
	Capital adequacy	-.420	.153	-.223	-2.752	.007	.922	1.085
	Profitability	-.182	.083	-.189	-2.191	.032	.821	1.218
	Asset quality	.139	.115	.102	1.203	.233	.853	1.172
	Firm size	-.062	.161	-.053	-.383	.703	.315	3.175
	X1*M	-.160	.065	-.344	-2.468	.016	.313	3.190
	X2*M	-.226	.083	-.324	-2.737	.008	.433	2.310
	X3*M	.127	.080	.153	1.593	.116	.661	1.513
a. Dependent Variable: Financial Distress								

Coefficients[a]

Reference

[1] Spence, M., *Market signaling: Informational transfer in hiring and related screening processes*. 1974: cambridge: harvard university press.

[2] Brigham, E.F. and J.F. Houston, *Manajemen Keuangan. Buku 1 edisi 8.* Jakarta: Erlangga, 2001.

[3] Ross, S.A., *The determination of financial structure: the incentive-signalling approach.* The bell journal of economics, 1977: p. 23-40.

[4] Trisanti, T., *Earning Quality and Tax Planning: Evidence on Indonesia Listed Company.* Jurnal Manajemen dan Kewirausahaan, 2019. **21**(2): p. 154-162.

[5] Bestari, A.R. and A. Rohman, *Pengaruh Rasio CAMEL Dan Ukuran Bank Terhadap Prediksi Kondisi Bermasalah Pada Sektor Perbankan (Studi Pada Perusahaan Perbankan yang Terdaftar Di Bursa Efek Indonesia Tahun 2007–2011).* 2013, Fakultas Ekonomika dan Bisnis.

[6]   Susilowati, W.T. and B. Siregar, *Urgensi Penilaian Kesehatan Bank dan Tax Avoidance pada Kinerja Keuangan Perbankan Syariah.* Jurnal Akuntansi, 2022. **14**(1): p. 138-152.

[7]   Santosa, A.F. and L.K. Wedari, *Analisis faktor-faktor yang mempengaruhi kecenderungan penerimaan opini audit going concern.* Jurnal Akuntansi dan Auditing Indonesia, 2007. **11**(2).

[8]   Ramadhani, A.S. and N. Lukviarman, *Perbandingan analisis prediksi kebangkrutan menggunakan Model Altman pertama, Altman revisi, dan altman modifikasi dengan ukuran dan umur perusahaan sebagai variabel penjelas (studi pada perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia).* Jurnal Siasat Bisnis, 2009. **13**(1).

[9]   Indrajaya, G., H. Herlina, and R. Setiadi, *Pengaruh Struktur Aktiva, Ukuran Perusahaan, Tingkat Pertumbuhan, Profitabilitas dan Risiko Bisnis Terhadap Struktur Modal: Studi Empiris Pada Perusahaan Sektor Pertambangan yang Listing di Bursa Efek Indonesia Periode 2004-2007.* Maksi, 2012. **6**(2): p. 220275.

[10]   Achmad, T. and W.K. Kusumo, *Analisis Rasio Keuangan Sebagai Indikator Dalam Memproteksi Potensi Kondisi Bermasalah Perbankan di Indonesia.* Media Ekonomi dan Bisnis, 2003. **15**(1).

[11]   Herdinigtyas, W. and L.S. Almilia, *Analisis rasio CAMEL terhadap prediksi kondisi bermasalah pada lembaga perbankan perioda 2000-2002.* Jurnal Akuntansi dan keuangan, 2006. **7**(2): p. pp. 131-147.

[12]   Ananto, R.P., R. Mustika, and D. Handayani, *Pengaruh Good Corporate Governance (GCG), Leverage, Profitabilitas dan Ukuran Perusahaan Terhadap Financial Distress Pada Perusahaan Barang Konsumsi yang Terdaftar di Bursa Efek Indonesia.* Jurnal Ekonomi dan Bisnis Dharma Andalas, 2017. **19**(1): p. 92.

[13]   Ariesco, A.R., *Analisis model Altman Z-Score untuk memprediksi financial distress pada bank yang listing di Bei tahun 2010–2013.* Jurnal Ekonomi Dan Kewirausahaan, 2015. **15**(2).

[14]   Curry, K. and E. Banjarnahor. *Financial Distress Pada Perusahaan Sektor Properti Go Public di Indonesia.* in *Prosiding Seminar Nasional Pakar.* 2018.

[15]   Haryati, S., *Analisis Kebangkrutan Bank.* Journal of Indonesian Economy and Business (JIEB), 2001. **16**(4).

[16]   Sumantri, S. and T. Jurnali, *Manfaat Rasio Keuangan dalam Memprediksi Kepailitan Bank Nasional.* Jurnal Bisnis dan Akuntansi, 2010. **12**(1): p. 39-52.

[17]   Dirman, A., *Financial distress: The impacts of profitability, liquidity, leverage, firm size, and free cash flow.* International Journal of Business, Economics and Law, 2020. **22**(1): p. 17-25.

[18]   Aryati, T. and S. Balafif, *Analisis faktor yang mempengaruhi tingkat kesehatan bank dengan regresi Logit.* The Winners, 2007. **8**(2): p. 111-125.

[19]   Prasetyo, E.A. and I.R.D. Pangestuti, *Faktor-Faktor yang Mempengaruhi Kondisi Financial Distress Perusahaan Perbankan yang Listing di BEI Tahun 2006-2008.* 2011, Universitas Diponegoro.

[20]   Handayani, S., *Analisis Pengaruh Rasio Camel Yang Dimoderasi Oleh Size Terhadap Tingkat Kesehatan Bank Daerah (Studi Pada Pd. Bank Daerah Provinsi Jawa Timur Yang Terdaftar Di Bank Indonesia).* Jurnal Akuntansi, 2016. **1**(2): p. 16 Halaman.

[21]   Hanafi, M.M. and A. Halim, *Analisis Laporan Keuangan, Edisi Ketiga.* STIE YKPN. Yogyakarta, 2007.

Tax Planning Analysis Based on SAVANT Approach at PT ASP

N K Tri Meita Budi Claudia[*)], **I D M Partika, and N N Aryaningsih**
Accounting Department, Politeknik Negeri Bali
Jalan Kampus Bukit Jimbaran, Kuta Selatan, Badung, Bali-80364

[*)]Email to: meitaclaudia35@gmail.com

Abstract: *This study aims to determine and analyse the application of tax planning with the SAVANT approach. The issuance of SP2DK shows that the company has not been optimal in fulfilling its tax obligations. This can lead to potential taxes and tax sanctions. So that companies need good and correct tax planning in order to maintain the efficiency of their tax expenses. This study uses qualitative methods with descriptive analysis. The analysis is carried out by examining the fulfilment of corporate tax compliance and arrange tax planning policies based on the SAVANT approach. This study results showed that the application of the SAVANT method was carried out by analysing tax planning including the implementation of the Tax Article 21 and Tax Article 23 planning strategies by applying the gross up method. The company can anticipate, negotiate, and transform their expenses. Based on the analysis of the company's added value with EVA, it shows that the tax planning that has been designed can provide added value of IDR 446.713.775,00. Tax planning analysis using the SAVANT method is expected to be used as the basis for tax decisions by PT ASP, so that the company can maintain the efficiency of their tax expenses and avoid potential tax sanctions.*

Keywords: Tax Planning, SAVANT, PPN, VAT, PPh, Income Tax

1. Introduction

Tax planning is an initial step in tax management. Tax planning is the process of gathering and researching applicable tax laws and choosing what tax-saving measures to taken. In terms of tax planning, there are three main things that must be considered, namely not violating tax regulations, making business sense because tax planning is an integral part of corporate planning, and must be supported by adequate evidence to avoid the risk of tax audits [1]. In terms of tax planning, companies sometimes carry out plans that violate tax regulations (break the law) in addition to tax planning that is still within the framework of tax regulations (in legal way). In companies, one of the actions taken in an effort to reduce the tax burden is to manipulate financial statements or create multiple financial statements. In this case, the company manipulates the financial statements for tax reports, while the actual financial statements will be kept by the owner for personal use, or vice versa.

PT ASP is a company engaged in the sale and purchase and service of motor vehicles which in its company activities cannot be separated from the taxation aspect. In 2021, the company received a Letter of Request for Explanation of Data and/or Information (SP2DK) for the 2018 fiscal year which also mentioned thirteen findings for which explanation and/or clarification was requested. This indicates the company's non-compliance as a taxpayer in terms of withholding, collecting, and reporting taxes. The

issuance of the SP2DK will require further explanation of the aspects mentioned in the SP2DK, so a tax review is needed on PT ASP's tax obligations to re-examine the causes of the issuance of the SP2DK. To avoid the same thing happening again and as a reference to minimize the tax burden in the next tax year, PT ASP can carry out tax planning for all types of taxes. Research related to tax planning was conducted by [2], [3], [4], [5], [6], [7], [8] show that good tax planning can provide benefits for companies. However, the analysis carried out only focuses on one tax obligation. One approach that can be used in this planning effort is the SAVANT approach. The SAVANT approach which places taxes as an inseparable part of the company's strategic plan through systematic analysis as the basis for anticipating, negotiating and transforming actions aimed at maximizing company value.

SAVANT itself is an acronym for strategy, anticipation, value adding, negotiating, and transforming. Based on the description of the background above, the researcher is interested in conducting further research on PT ASP as outlined in the thesis entitled "Analysis of Tax Planning with the SAVANT Approach at PT ASP".

2. Method

This research was conducted at PT ASP. The objects in this study are Value Added Tax and Income Tax for the 2018 reporting year. In this type of research, the triangulation technique is used which is a combination of observation, interviews, and documentation as a data collection technique. Methods of data collection in this study using the method of interviews, documentation, literature study. In this research, descriptive analysis technique is used to describe tax planning using the SAVANT approach. The stages include collecting the required data, in the form of 2018 financial statements, 2018 Annual and Periodic SPT, and company policies related to accounting and taxation, evaluating the company's tax obligations through tax reviews, making tax planning policies based on SVANT approach. In the end, this type of research produces results, namely understanding meaning, understanding uniqueness, constructing phenomena [9].

3. Results and Discussion

3.1 Description of Research Results

This study used primary data obtained from the results of interview answers with company management and secondary data from the documentation of the company's financial statements and taxation. The data that has been collected is then used to explain the findings in SP2DK as follows.

3.1.1 Description of Research Results related to the Review of Income Tax and Value Added Tax

In the findings of SP2DK, PT ASP was asked for an explanation and/or explanation of several findings related to costs and revenues reported in the 2018 fiscal year. The difference in loan interest costs that mentioned in the findings is the cost of loan interest on bank loans that are not objects of PPh 23, so it is not carried out on Article 23 Income Tax. Then, the difference between the total fees in connection with the services reported in the Annual Tax Returns and the value of the tax objects that reported in the Article 23 Income Tax Returns is the provision fee included in the fees for consultant and notary services for the bank loans managements, the payment of which is by auto-debit from the bank so that there is no withholding of Article 23 Income Tax for services. Regarding the difference in rental costs, there are findings that Article 23 income tax has not been deducted. Moreover, it was found that the company's commercial net profit did not match the profit registered in the OJK SLIK data. Based on interviews, PT ASP's financial statements for 2018 have been audited by an independent auditor. The findings in the SP2DK show that PT ASP has not collected VAT on some of the withholding evidence. It was due to PT ASP earns income from vehicle unit sales, marketing awards, spare parts sales and service revenue. Of all the income, not all tax invoices are issued, because there are several transactions such as service income reported in sales which are covered in the VAT Periodic Tax Return. In relation to the withholding data, PT ASP did not in its entirety receive the document from the counterparty, so there

were several pieces of withholding evidence that were not credited in the reporting of the company's Annual Tax Return.

Regarding the findings of the difference in depreciation expense, in the reporting of the company's Annual Tax Return there was an administrative error in the selection of straight-line depreciation methods, while PT ASP used the declining balance depreciation method in the financial statements. The findings in SP2DK also show that there is a difference between the salary expense reported in Annex II of the Annual Tax Return and Income Tax Article 21 Returns, and there is also difference between the rental expense reported in the Annual Tax Return and Income Tax Article 4 paragraph (2) and 23 Returns. As for the findings that indicate a decrease in the company's retained earnings, based on retesting, there is no decrease in profit due to dividend payments. In the findings of SP2DK, it shows that there is an indication of PPh that has not been or has not been deducted because the transaction is not an object of income tax article 23. Therefore, all invoices with code 02 attached to the findings are sales transactions to the Government Treasurer's VAT collector who The VAT is collected by the government treasurer.

3.1.2 Description of Research Results Related to Tax Planning with the SAVANT Approach

The details of the data that associated with the five elements of the SAVANT approach are as follows. In 2018 the company has implemented a strategy in calculating income tax Article 21 for their permanent employees using the gross up method. The company did not take specific steps in anticipating the findings of the tax office. The company has not carried out special calculations or analysis in determining the value added of the company after fulfilling its tax obligations. The company only analyzes the ratio of fiscal profit and loss to sales, the ratio of income tax to sales, the ratio of profit after tax to sales. The company also does not apply negotiations in determining the selling price and the purchase price of its merchandise because it has been determined by the manufacturer. The company applies the practice of negotiation in determining contracts at the time-of-service acquisition, but it has not been carried out effectively because it is only applied to a few transactions. The company has made efforts to convert non-deductible expenses into deductible expenses through fiscal corrections, but the fiscal corrections made by the company have not been maximized.

3.2 Discussion

3.2.1 Tax Review on Income Tax and Value Added Tax

Tax obligations that have been carried out by PT ASP for 2018 include Income Tax Articles 21, 22, 23, 25, 4 paragraph (2), Corporate Income Tax and VAT. The review of PT ASP's tax obligations is as follows.

- Tax Review of Income Tax Article 21
  PT ASP has paid Income Tax Article 21 in the amount of Rp.104,865,719.00, but there is still an underpayment of Income Tax Article 21 in the amount of Rp. 312,075.00 which still has to be paid by the company. Income Tax Article 21 uses a 20% higher rate because there is no Tax ID for the transaction. To fulfill its obligations, the company must pay a tax of Rp. 312,075.00 and make corrections to the Income Tax Return Article 21 for the deficiency. The correction resulted in a penalty of 0.99% per month for the amount of tax that was not paid. If PT ASP makes corrections in July 2022, the estimated potential administrative sanction paid by PT ASP is IDR 74,149.00.

- Tax Review of Income Tax Article 22
  Article 22 Tax Income review is carried out by examining the object of Article 22 Tax Income collection in the general ledger based on the list of proof of Article 22 Income Tax collection to determine the determination of the withholding rate and calculation of Article 22 Income

Tax. 22 Income Tax conducted by PT ASP based on Law 36 of 2008 concerning Taxes Income. For Article 22 Income Tax obligations related to the purchase of goods made by the government treasurer, all sales transactions have been deducted from Article 22 Income Tax by the government treasurer.

- Tax Review of Income Tax Article 23
Based on the results of the review, it shows that there is a potential for underpayment of Article 23 Tax Income. There are vehicle inventory services, advertising services, vehicle rental services, and advertising services that have not been deducted from Article 23 Income Tax. administration fee to be paid is 0.99% per month referring to the interest rate of the Decree of the Minister of Finance Number 540/KMK.010/2020. If PT ASP makes corrections to its Periodic SPT in July 2020, the estimated administrative sanction that must be paid by PT ASP is Rp.795,689.00.

- Tax Review of Income Tax Article 25
The review of Article 25 Income Tax is carried out by matching the accuracy of the amount, time of payment, and reporting of monthly installments which are PT ASP's tax obligations. According to Article 10 Paragraph (3) PMK No. 9/PMK.03/2018 concerning Tax Return (SPT) states that the payment of Article 25 Income Tax that has been made and has been validated with a State Revenue Transaction Number (NTPN) is considered to have submitted an article 25 Income Tax Return, in other words the time of deposit is the same with the SPT reporting time. Based on the review, during 2018 PT ASP has deposited and reported Income Tax Article 25.

- Tax Review of Income Tax 4 paragraph (2)
Based on the results of the review, there is a rental expense account which shows that PT ASP leases land and/or buildings for Rp.832,500,000.00 for a place of business as well as an office. In this case PT ASP is the lessee who has the obligation as a cutter, so PT ASP is obliged to cut, deposit and report on the rental of the land and/or building in the Tax Return of Income Tax Article 4 Paragraph (2) Lease. To fulfill its obligations, the company must make a tax deposit of Rp. 70,000 and make corrections to the income tax return period of Article 4 paragraph (2) for the underpayment. The correction resulted in a sanction of 0.99% per month for the amount of tax that was not deposited. If PT ASP makes corrections in July 2022, the estimated potential administrative sanction paid by PT ASP is Rp 16,632.

- Tax Review of Corporate Income Tax
Steps that can be taken to conduct a review of the Corporate Income Tax is to examine the elements of income which include income subject to income tax based on the general rate that has been included in the Corporate Annual Tax Return, income subject to Final Tax, as well as income that is not included in the object. Furthermore, the company can reconcile the total amount of the delivery of goods and services according to the VAT SPT with the Corporate Income Tax SPT. Based on these findings, the underpaid VAT that must be paid by PT ASP is Rp48,220,165.00. If PT ASP makes corrections to its Periodic VAT SPT in July 2022, the potential administrative sanction to be paid by PT ASP is Rp11,457,111.00 for underpaid VAT at an interest rate of 0.99% per month on the amount of tax paid. less deposited according to the Decree of the Minister of Finance number 540/KMK.010/2020 [5]. There is a potential administrative sanction of Rp9,644,033.00, which is 1% of the Tax Imposition Basis for tax invoices that have not been issued in accordance with the provisions of Article 14 paragraph (4) of Law Number 7 of 2021 concerning Harmonization of Tax Regulations which will be billed at the issuance of the Tax Collection Letter. based on the provisions of Article 14 paragraph (1) letter d of Law Number 7 of 2021. It should be noted that there is a review step

taken by the company before reporting the Corporate Annual SPT, namely by making fiscal corrections to income and expenses in accordance with applicable tax provisions.

▪ Tax Review of Value Added Tax (VAT)
There is a difference between the gross turnover of PT ASP reported in the 2018 Annual Tax Return and the Periodic VAT Tax Return of Rp482,201,653,00. The difference is assumed to be the sale of goods for which a tax invoice has not been issued because there is no tax invoice for the sale. Based on the discussion, it was found that the fulfillment of PT ASP's tax obligations in 2018 was still not fully or could be said to be under comply because there were still unreported income and there were potential transactions that had not been collected or withheld taxes.

3.2.2 Tax Planning with the SAVANT Approach

▪ Strategy
There are 3 methods that can be used in calculating Article 21 Income Tax and Article 23 Income Tax by companies in carrying out tax planning, namely the gross method (Tax Income article 21 borne by employees), net method (Tax Income article 21 borne by the company), and the gross-up method (tax allowances). which is grossed up). In relation to Income Tax Article 23, in 2018 PT ASP has carried out several transactions which include building rental services, vehicle rental services, advertising services, to management services.

Table 1. Calculation of Potential Income Tax Article 21 for
Non-Employees Using the Gross Up Method

Tax Income Article 21 Objects	Gross Total (IDR)	Gross Up Tax Basis (IDR)	Tax Income Article 21 (IDR)
Continuous rewards received by individuals who are not employees	10.402.500	10.724.227	321.727
Total	**10.402.500**	**10.724.227**	**321.727**

By using the gross up method, the company can charge the salary and wages fiscally, so that the profit earned by the company becomes more leverage. In the case of PT ASP, where the income recipient does not want his income to be withheld. With the gross up method, the income received will remain in accordance with its value, but the income recipient does not feel burdened with tax deductions.

▪ Anticipation
The company can anticipate this risk by conducting a tax review or tax review. The implementation of a tax review can certainly assess the extent to which the level of tax compliance (tax compliance) of taxpayers in terms of fulfilling their obligations in accordance with applicable tax regulations. The implementation of regular reviews in each company is expected to be able to reduce losses due to over-compliance or under-compliance so that later tax planning can run well. The company can anticipate its tax obligations in the future. Regarding the findings of underpaid VAT due to tax invoices that have not been collected VAT and tax invoices have not been issued, the company must check and ensure the completeness of the documents that accompany each sales transaction. The company must ensure that every sale is accompanied by the issuance of a tax invoice, both backed and unpaid, so that the company can maximize its output VAT crediting and can avoid the possibility of underpaid VAT.

- Value Adding

  At this stage, the company will measure whether the tax planning that has been carried out is able to increase net cash flow after taxes and increase shareholder value. The measuring instrument that can be used is the Economic Value Added (EVA) which is obtained by calculating the difference between net operating profit and capital expenses. Based on the tax planning that has been designed, the net profit of PT ASP is Rp. 354.461.521.00. After measuring with EVA, it shows that with this tax planning the value of PT ASP increased by Rp.446.713.775.00. The positive EVA value indicates that the company is able to generate operating profit returns that exceed the cost of capital. If the company is in this position, it shows that the tax planning designed can create economic added value for the company.

- Negotiation

  The company will try to minimize tax costs by turning a transaction into a more profitable tax transaction . The application of negotiation can be applied in the practice of withholding tax, where misunderstandings often occur in collecting and withholding taxes. As explained in part a, there are counterparties who are unwilling to withhold tax. PT ASP can negotiate with transaction partners so that both parties can carry out their tax obligations optimally. At PT ASP, negotiations are carried out in determining the price of contracts or services using the gross up method, so that the income tax borne by the company can be deducted (deductible expense).

- Transforming

  Transformation efforts in this case can be carried out when making fiscal corrections. The costs that are presented in the income statement at PT ASP have been corrected before being reported in the Corporate Annual Tax Return as described in section 2. The cost transformation that can be carried out by PT ASP is as follows. Promotion and marketing expenses can be charged if they are actually spent to earn, collect and maintain income in accordance with the provisions of Article 6 paragraph (1) letter a of Law no. 36 Year 2008. Dealer finance expenses, which are interest expense to banks, can be fully charged on a fiscal basis. Interest expense that can be taken into account in the calculation of taxable income is limited to Debt to Equity (DER). Based on Article 2 of the Regulation of the Minister of Finance Number 169/PMK.010/2015 concerning Determination of the Comparison Between Debt and Company Capital for the Purpose of Calculation of Income Tax, the ratio between debt and capital is set at a maximum of four to one (4:1).

Table 2. Calculation of Potential Tax Efficiency after Implemented Tax Planning with SAVANT Approach

	Before Tax Planning	After Tax Planning
Earnings Before Tax	Rp498.768.894,00	Rp494.958.771,36
Income Tax Expenses	Rp420.391.000,00	Rp140.497.250,00
Net Profit After Tax	Rp78.377.894,00	Rp354.461.521,36

According to Table 2. it is found that the implementation of tax planning with the SAVANT approach can provide benefits for PT ASP. With the implementation of the tax planning, the tax burden that must be paid by the company can be reduced. This results in the company's tax burden being more efficient when compared to the previously tax planning implemented by the company.

4. Conclusion

The tax review of Income Tax and VAT at PT ASP concluded that the position of the company's tax compliance level is still under comply. The implementation of tax planning at PT ASP includes the implementation of the planning strategy for Tax Income Article 21 and Tax Income Article 23 by applying the gross up method. Companies can also implement anticipation and negotiation efforts, as well as carry out transformations in an effort to reduce their tax burden.

The results of this study have practical implications that are expected to be used as input for the company under study so that in the future it can be used as material for consideration or evaluation related to the taxation aspect of the company, so that the company can minimize unexpected costs such as fines and interest. In addition, the results of this study can be used as guidelines in implementing tax planning strategies without violating applicable tax regulations. In addition, the results of this study are expected to provide information and references for further researchers who wish to conduct research related to the application of tax planning with the SAVANT approach.

References

[1]   E. Suandy, *Perencanaan Pajak (ed. 4) HVS*. Penerbit Salemba, 2008.
[2]   A. R. Kuncoro, "Perencanaan pajak untuk biaya csr dengan menggunakan pendektan savant," in *PROSEDING SEMINAR NASIONAL AKUNTANSI*, 2018, vol. 1, no. 1.
[3]   F. M. Azizah, "Analisis Penerapan Tax Planning atas PPh Pasal 21 untuk Memperoleh Tax Saving Terhadap PPh Badan di PT. XYZ," *CALYPTRA*, vol. 8, no. 1, pp. 169–188, 2019.
[4]   D. H. Nurdiansyah, E. T. Ruchjana, and M. Alfarisi, "The Analysis of Tax Planning Implementation on Added Tax (Case Study at PT Toyotomo Indonesia and PT RKN Forge Indonesia)," *Jurnal Ekonomi & Bisnis JAGADITHA*, vol. 7, no. 1, pp. 18–23, 2020.
[5]   F. Felanda, F. Rahmiyatun, R. M. T. Aliudin, and R. A. Haryati, "Analisis Tax Planning Sebagai Upaya Efisiensi Pajak Penghasilan Badan pada PT Triagung Adi Sejahtera," *Jurnal Akrab Juara*, vol. 6, no. 5, pp. 13–25, 2021.
[6]   A. Zulfiani, M. Arif, and R. F. Rambe, "Analisis Penerapan Tax Planning Pajak Pertambahan Nilai (PPn) Terhutang," *JURNAL AKUNTANSI AUDIT DAN PERPAJAKAN INDONESIA (JAAPI)*, vol. 2, no. 2, pp. 194–203, 2021.
[7]   M. H. Raditya, "Analisis Penerapan Perencanaan Pajak Penghasilan PPh Badan dan Final Sebagai Upaya Mengefisienkan Beban Pajak Pada Perusahaan PT Lippo Karawaci Tbk Tahun 2017–2019," *Jurnal Riset Mahasiswa Akuntansi*, vol. 9, no. 2, 2021.
[8]   E. B. Herwati and R. Kumala, "Analysis of The Implementation of Tax Planning in Efforts to Save Corporate Income Tax Expense in PT GMT year 2017," *INTERNATIONAL JOURNAL OF TRENDS IN ACCOUNTING RESEARCH*, vol. 2, no. 1, pp. 130–139, 2021.
[9]   F. X. Sugiyono, *Instrumen Pengendalian Moneter: Operasi Pasar Terbuka*, vol. 10. Pusat Pendidikan Dan Studi Kebanksentralan (PPSK) Bank Indonesia, 2017.

Activity Ratio and Profitability Ratio Analysis to Know Causes of Decreasing Profit
(Case Study at the Village Credit Institution of the Suwat Village)

Dewa Ayu Mirah Sri Devi, I Ketut Sudiartha, and I Gede Made Karma
Accounting Department, Politeknik Negeri Bali
Jalan Kampus Bukit Jimbaran, Kuta Selatan, Badung, Bali - 80364

Email to: ayumirahsridevi@gmail.com

Abstract: *The Village Credit Institution (LPD) of Desa Pakraman Suwat has productive assets in the form of loans provided to the community. The loan disbursed fluctuated from 2019-2021. Based on the report on activities and credit developments at the Pakraman Suwat Village LPD, the loans granted in 2019-2021 are fully eligible for current collectability. However, this is not in line with the development of LPD profits which have decreased in 2020 and 2021. This study aims to analyse the causes of the decline in LPD profits in terms of credit turnover, BOPO, net profit margin, return on equity, and return on assets. The type of research used in this research is descriptive research with a qualitative approach. The analysis techniques in this research are activity ratio analysis, profitability ratio analysis, and trend analysis. The results of this study indicate that the level of LPD activity in Pakraman Suwat Village has decreased which can be seen based on the credit turnover which has decreased from 2019-2021. The decrease in credit turnover was caused by a small amount of collectible loans so that loan interest income decreased so that it affected the decline in LPD profitability. The level of profitability of the LPD Pakraman Suwat Village also experienced a decrease which can be seen from the BOPO ratio and the decline in the ratio of NPM, ROE, and ROA. This decrease in profitability was due to operating expenses, decreased operating income, decreased other operating income, the company's capital being not managed optimally, and the company's assets being not managed optimally.*

Keywords: credit turnover, BOPO, NPM, ROE, ROA

1. Introduction

The economic development of a country is strongly supported by the economic development of its people. Financial institutions are one of the factors that support the country's economy by contributing to the business and business world, because they function as financial institutions that collect funds from people who have excess funds (surplus units) in the form of deposits or savings and channel them back to those who lack funds (deficit units) in the form of loans. LPD is one of the financial institutions located in the village of Pakraman which was developed by the Regional Government of the Province of Bali with the aim of encouraging the community's economy by receiving/raising funds from village manners and overcoming community capital problems, especially in rural areas through effective loan distribution. Based on the Regional Regulation Of The Province Of Bali Number 3 Of 2017, the Village Credit Institution (LPD) is a financial institution belonging to the Pakraman Village which is domiciled in the Pakraman Village authority [2], [3], [4]. Pakraman Village is a unit of customary law community

in Bali Province which has a unity of traditions and manners of social life of the Hindu community from generation to generation in the ties of Kahyangan Tiga or Kahyangan Desa which has a certain area and its own assets and has the right to take care of its own household.

LPD Pakraman Suwat Village is one of the LPDs located in the Gianyar District. The existence of the LPD in Pakraman Suwat Village is also very helpful for the community's economy, such as raising public funds and meeting community capital needs which are used for business purposes, financing ceremonies and other personal needs. In its operations, LPD Desa Pakraman Suwat collects public funds in the form of savings and time deposits (deposits). Therefore, a situation must be created where the villagers feel safe in saving their money. To maintain a sense of public confidence in the safety of storing excess funds in the LPD, the LPD should improve financial performance to increase its profitability in order to maintain the trust of the public or customers so that it will support the development of the LPD in the future. The condition of profitability or the ability to generate profits is of course almost experienced by all LPDs, including the LPD of Desa Pakraman Suwat. The LPD of Desa Pakraman Suwat has decreased in profit since 2019-2021 which can be seen in the table below.

Table 1.1 Development of Earning Assets & Profit of LPD Pakraman Suwat Village

Years	Loans Given	Development of Loans Provided	Net profit	Net Profit Development	Net Profit Growth on Earning Assets
2019	1.312.250.939	0	115.626.643	0	8,81%
2020	1.370.953.423	4,47%	64.756.920	-43,99%	4,72%
2021	1.059.150.139	-19,29%	31.701.130	-72,58%	2,99%

Source: Balance Sheet & Profit and Loss Report of LPD Pakraman Suwat Village

Based on table 1.1, LPD Desa Pakraman Suwat has productive assets in the form of loans given to the community. The loan provided fluctuated, namely from 2019 to 2020, it increased by 4.47%, while in 2021 it decreased by 19.29% compared to 2019. Based on the report on activities and loan developments at LPD Desa Pakraman Suwat, the loan given in 2019-2021 is fully classified as current collectability. However, this is not in line with the development of LPD profits which have decreased for 2 consecutive years. Where productive assets are the main source of income from the activities of banking companies. So that the higher the productive assets, the greater the profit generated because the collectability of loans in LPD Pakraman Suwat Village is completely smooth. However, if viewed based on table 1.1 above, the development of profits on productive assets has decreased from 2019-2021. The decline in profits that occurred in the LPD of Pakraman Suwat Village could result in a decrease in the level of public trust or investors who wish to save or invest their funds in the LPD. This condition must be followed up by conducting studies and evaluations related to financial management so that the causes of the decline in profits can be identified.

The level of profitability of financial institutions is strongly influenced by the number of loans disbursed in the period. This means that the more loans disbursed, the greater the profit that can be obtained by the financial institution. This is because one source of income from the LPD comes from lending to the public. The higher the loan disbursement, the higher the amount of interest income so that it can increase the profitability of the LPD [5]. The level of lending to the public can be measured by the credit turnover ratio. Credit turnover is a ratio that serves to determine how fast the loan rotates during a period. The credit turnover ratio is obtained by comparing the total loan in a period with the average loan [6]. If the loan collection process is problematic, it will have a negative impact on LPD profits. Through the credit turnover ratio, it is possible to know the period of collectible credit turnover. The credit cycle period is very important for LPDs because the LPD's main income comes from loans distributed to the community. In addition to the level of lending to the public, operational efficiency can

also affect the level of LPD profitability. Operational efficiency is the bank's ability to manage its operating activities properly between the income earned and the costs incurred. Operational efficiency can be measured by the BOPO ratio, that is, the ratio to measure the comparison between operating costs and operating income. The lower the BOPO ratio, the better the bank's performance in using its resources, on the contrary, the higher the costs incurred, it means that the bank is less efficient in using its resources, especially in managing its operational costs, so that profitability or profits will be smaller [7]. The operational costs in question are costs incurred by the LPD while carrying out its main business activities such as interest costs, labor, and others. While operating income is the main income received by LPD such as interest income from placement of funds in the form of loans and other operating placements [8]. In addition to credit turnover and BOPO, according to [9]there are four types of ratios that can be used to assess the level of profitability, namely Gross Profit Margin (GPM), Net Profit Margin (NPM), Return On Equity (ROE), and Return On Assets (ROA). However, in this study, the measurement of profitability is only limited to the use of NPM, ROE, and ROA. Net Profit Margin (NPM) is a ratio used to measure a bank's ability to generate net profit from its operating activities [9]. Return On Equity (ROE) is a ratio used to measure the ability of bank management to manage their capital to earn a profit [9]. Return On Assets (ROA) is a ratio used to measure a bank's ability to generate profits by utilizing assets owned by the company [10].

Based on the description above, an analysis will be carried out on one of the financial ratios, namely the profitability ratio to find out the causes of the decline in LPD profits in Pakraman Suwat Village in 2019-2021 by taking the title "Activity Ratio Analysis and Profitability Ratio to Find Out the Causes of Declining Profits (Case Study at the Village Credit Institution (LPD) of Pakraman Suwat Village). So that this research is expected to be able to provide clearer information about the financial condition of the LPD in Pakraman Suwat Village so that the LPD can make further decisions. The difference between this research and previous research is in the place of research, and in the year of research. Meanwhile, the similarity between this research and previous research is that they both analyze profitability.

2. Method
This research was conducted at the LPD of Pakraman Village, Suwat Gianyar. The time of the research starts from February 2022 to July 2022. The data collection techniques in this study are using interview and documentation techniques. The data analysis techniques used are ratio analysis (activity ratio and profitability ratio) and trend analysis

3. Result and Discussion
3. 1 Result
Credit turnover is a ratio that serves to determine how fast loan collections are. The credit turnover ratio is obtained by comparing the total loan in a period with the average loan [6].

Table 4. 1 Credit Turnover Ratio of LPD Pakraman Suwat Village 2019-2021

Years	Credit Turnover	Credit Turnover Trend	Difference	Collection Time
2019	1,11	100%	0%	330
2020	1,02	92%	-8%	357
2021	0,87	79%	-21%	419

BOPO ratio is a ratio to measure the comparison between operating costs and operating income. The formula used to calculate BOPO is:

Table 4. 2 BOPO Ratio of LPD Pakraman Suwat Village 2019-2021

Years	BOPO	BOPO Trend	Difference
2019	61%	100%	0%
2020	76%	125%	25%
2021	87%	141%	41%

Net Profit Margin (NPM) is a ratio used to measure a bank's ability to generate net profit from its operating activities [9]. The formula that can be used to obtain the NPM value is as follows:

Table 4. 3 Net Profit Margin Ratio (NPM) of LPD Pakraman Suwat Village 2019-2021

Years	NPM	NPM Trend	Difference
2019	39%	100%	0%
2020	24%	61%	-39%
2021	13%	34%	-66%

Return On Equity (ROE) is a ratio used to measure the ability of bank management to manage their capital to earn a profit [9]. The formula that can be used to get the ROE value is as follows:

Table 4. 4 Return on Equity (ROE) Of LPD Pakraman Suwat Village 2019-2021

Years	ROE	ROE Trend	Difference
2019	40%	100%	0%
2020	21%	53%	-47%
2021	10%	25%	-75%

Return on Assets (ROA) is a ratio used to measure a bank's ability to generate profits by utilizing assets owned by the company [10]. The formula that can be used to obtain the ROA value is as follows:

Table 4. 5 Return on Assets (ROA) Of LPD Pakraman Suwat Village 2019-2021

Years	ROA	ROA Trend	Difference
2019	7%	100%	0%
2020	4%	51%	-49%
2021	2%	28%	-72%

4. Discussion

4.1 Activity Ratio

The calculation of the LPD activity ratio in this study uses the credit turnover ratio. Based on the results of the calculations in table 4.4 above, it can be seen that the credit turnover of the Pakraman Suwat Village LPD in 2019 was 1.11 times, in 2020 it was 1.02 times, and in 2021 it was 0.87 times. This

indicates that in 2019 loans given in one period (365 days) were embedded or the length of collection of loans given was 330 days. In 2020, loans granted are embedded for 357 days. Meanwhile, in 2021 the loans granted are embedded for 419 days. So it can be interpreted that the condition of the LPD credit turnover ratio of Pakraman Suwat Village has decreased in 2020 and 2021 and has a long time span because it exceeds one period (365 days).

Based on the results of the trend analysis that has been carried out, it was found that the trend of LPD credit turnover in Pakraman Suwat Village in 2020 was 92% and in 2021 it was 79% with the base year 2019. The results of this trend were obtained by dividing the credit turnover ratio in the comparison year with the year 2019. base 2019, then multiplied by one hundred percent. This means that credit turnover at the end of 2020 decreased by 8% compared to credit turnover in 2019. Then, credit turnover in 2021 fell by 21% when compared to credit turnover at the end of 2019. The impact of this declining trend in credit turnover indicates that the longer the loan can be collected so that it delays the receipt of loan interest income so that it affects the decline in profitability. This is in accordance with the theory put forward by Kasmir (2014)which states that the higher the loan turnover from the disbursement of loans made, it will be followed by an increase in profit, so that it will increase profitability. This decrease in credit turnover was caused by the loan being collected slightly so that the interest income on the loan decreased, thus affecting the decline in the profitability of the LPD.

4.2 Profitability Ratio
a. *BOPO*

Based on the results of the calculation of the BOPO ratio in table 4.5 above, it shows that the BOPO ratio of LPD Pakraman Suwat Village in 2019 was 61%. This shows that the company's level of efficiency in managing operational costs to its operating income is 61%. Then in 2020 there was an increase in the value of BOPO to 76% and in 2021 to 87%. This shows that there is a decrease in the level of operational cost efficiency on the operating income of LPD Pakraman Suwat Village, thus potentially reducing the company's ability to obtain optimal profits. Based on the results of these calculations, it can also be seen that the financial performance ratio of BOPO in 2019 was 61%, which means that every Rp. 1.00 of operational income received will be charged to operating costs of Rp. 0.61. The BOPO ratio in 2020 is 76%, which means that every Rp. 1.00 of operating income received will be charged to operating costs of Rp. 0.76, and in 2021 the BOPO ratio is 87%, which means that every Rp. 1.00 of operating income received will be charged to operating costs amounting to Rp0.87.

Based on the results of the calculation of the BOPO ratio of LPD Pakraman Suwat Village in 2019-2021 it is known that the trend of the BOPO ratio in 2020 is 125% and in 2021 it is 141% with the base year 2019. This means that the BOPO ratio at the end of 2020 will increase by 25% and in 2021 it will increase by 41% when compared to the BOPO ratio in 2019. This increasing trend has an impact on the decreasing level of LPD BOPO efficiency, thus potentially reducing the LPD's ability to earn profits. This is in accordance with [11] which states that the smaller the percentage of BOPO shows the more efficient the operating costs incurred by the company, on the contrary if the percentage of BOPO is greater, the efficiency of operational costs will decrease so that it affects the decline in profit. The increase in the BOPO ratio was caused by several factors, namely:

1) Increased operational expenses issued by LPD Pakraman Suwat Village in 2019-2021. This is indicated by rising labor costs in 2019-2021, increasing depreciation costs, as well as increasing doubtful borrowing costs.
2) The decrease in operating income obtained by LPD Pakraman Suwat Village in 2019-2021. This can be seen from the decrease in the amount of interest income from loans disbursed in 2019-2021, where interest income on this loan is the main income from LPD operational activities. In addition, there was a decrease in other operating income originating from administrative fees and stamp duty fees collected by the LPD.

b. Net Profit Margin (NPM)

Based on the results of the NPM calculation in table 4.6 above, it can be seen that the NPM value in 2019 was 39%. This shows the company is able to generate a net profit of 39% of each income that occurs. In 2020 the NPM value decreased to 24%, this shows the company's ability to generate net profit on each income decreased, which only generates a net profit of 24% of each income that occurs. The decline in the NPM value will occur again in 2021, which is 13%. This shows that in 2021 the company's ability to generate net profit will decrease to 13% of every sale that occurs. Based on the results of the calculation of the Net Profit Margin analysis, it can be seen that in 2019 the net profit margin of LPD Pakraman Suwat Village is 39%. This shows that every Rp1.00 of sales will generate a net profit of Rp.0.39. The Net Profit Margin of LPD Pakraman Suwat Village from 2019-2021 has decreased. This is due to a change in the net profit and income obtained by the company, where there is a decrease in operating income and also a decrease in net profit earned by the company.

Based on table 4.6, it can also be seen that the trend of the NPM ratio for LPD Pakraman Suwat Village in 2020 is 61% and in 2021 it is 34%. This shows that the NPM ratio in 2020 fell by 39% when compared to the NPM ratio in 2019. Then the NPM ratio in 2021 fell by 66% when compared to the ratio in 2017. The impact of the decline in the trend of the NPM ratio is that the company is declared to be declining. the company's ability to generate profits. This is in line with Rini (2019)which states that the greater the NPM value, the more productive the company's performance is, so it is considered that the better the company's ability to earn high profits [12].

The decline in the NPM ratio of the LPD in Pakraman Suwat Village was caused by several factors, namely:

1) Decreased net profit earned by LPD Desa Pakraman Suwat
2) Decreased income derived from lending to the public
3) Increased labor costs
4) Increased depreciation cost

c. Return On Equity (ROE)

Based on the results of the calculations in table 4.7 above, it is known that the ROE value of the LPD Pakraman Suwat Village in 2019 is 40%. This shows that the level of the company's ability to generate net profit from the management of capital owned is 40%. However, in 2020 the ROE value decreased to 21% and in 2021 it decreased again to 10%. This shows that there is a decrease in the company's ability to generate net profit from each use of the company's capital. Based on the calculation results, it shows that the ROE of LPD Des Pakraman Suwat in 2019 is 40%, meaning that every IDR 1.00 of capital owned by the LPD can generate a net profit of IDR 0.40. In the period 2019-2021 ROE of LPD Pakraman Suwat Village tends to decrease from year to year. This is because LPDs have not been able to manage their capital efficiently. This can be seen from the increase in the amount of capital owned by the LPD which is not followed by the development of declining profits.

Based on table 4.7 above, it can be seen that the ROE ratio trend in 2020 is 53% and in 2021 it is 48% with the base year 2019. This means that the ROE ratio at the end of 2020 has decreased by 47% when compared to the ROE ratio in 2019 Then the ROE ratio in 2021 decreased by 75% when compared to the ratio at the end of 2019. The impact of this declining trend in the ROE ratio is customer dissatisfaction with the rate of return on capital invested in LPD Desa Pakraman Suwat. This is in accordance with the statement of Harmono (2016) which states that the higher this ratio, the higher the level of profit obtained by the company's shareholders. This high return on capital (ROE) exceeds the cost of capital used, it means the company has been efficient in using its own capital, so that the profit generated has increased from previous years.

The decline in the return on equity ratio of LPD Pakraman Suwat Village was caused by the following factors:
1) Company capital that is not managed optimally.
2) The amount of income generated from the management of the company's capital did not experience a significant increase and even tended to decrease thereby reducing the profit generated because the costs incurred were quite high.

d. Return On Assets (ROA)

Based on the results of the calculations in table 4.8 above, it is known that the ROA value in 2019 was 7%. This shows that the company is able to generate a net profit of 7% from the utilization of assets owned by the company. Then in 2020 the ROA value decreased to 4%, this shows that the company's ability to utilize its assets to earn a profit has decreased to 4%. The decline in the value of ROA also occurred in 2021 to 2%, which indicates a decline in the company's performance in generating profits from the use of assets owned. Based on the results of these calculations, it shows that the ROA in 2019 is 7%, meaning that every IDR 1.00 of capital invested in all assets can generate a profit of IDR 0.07. In the period 2019-2021 ROA tends to decrease from year to year. This is due to an increase or decrease in net income and assets obtained.

Based on table 4.8, it can be seen that the trend of the ROA ratio of LPD Pakraman Suwat Village in 2020 is 51% and in 2021 it is 28% with the base year 2019. This means that the ROA ratio at the end of 2020 decreased by 49% when compared to the ROA ratio at the end of the year. 2019. Then the ROA ratio in 2021 decreased by 72% when compared to the ROA ratio in 2019. The impact of this declining trend in the ROA ratio is customer dissatisfaction with investments made in LPDs. This is in line with Harmono (2016)) statement which states that the greater the company's ROA, the greater the company's position and the better the company's position in terms of using assets to gain profits. The decrease in the value of the ROA ratio was caused by several factors, namely:
1) There is a buildup of cash in 2019-2021. This can be seen from the increasing amount of cash held by the LPD which indicates that cash is underutilized to earn profits.
2) Increasing the amount of allowance for doubtful accounts.
3) Increased accumulated depreciation of fixed assets and LPD inventory.

5. Conclusion

Based on the discussion described above, it can be concluded that the causes of the declining profit of LPD Pakraman Suwat Village in 2019-2021 are:
1. Activity Ratio
   The level of LPD activity in Pakraman Suwat Village has decreased from 2019-2021. This can be seen from the decline in credit turnover. The decrease in credit turnover was caused by a small amount of uncollectible loans so that loan interest income decreased, thus affecting the decline in LPD profitability.
2. Profitability Ratio
   The profitability level of LPD Pakraman Suwat Village has decreased from 2019-2021. This can be seen from the BOPO ratio which has increased and the ratio of NPM, ROE, and ROA which has decreased from 2019-2021. The increase in BOPO and decrease in NPM, ROE, ROA was caused by several things, namely:

   a. The increase in LPD operating expenses, namely the increase in labor costs, the increase in depreciation costs, and the increase in the cost of doubtful loans.
   b. The decrease in operating income obtained by LPD is the decrease in the amount of interest income from loans disbursed in 2019-2021.
   c. The decrease in other operating income derived from administrative fees and stamp duty fees collected by the LPD.

    d. The company's capital is not managed optimally, the volume of income generated from the management of the company's capital does not experience a significant increase and even tends to decrease.

    e. Company assets that are not managed optimally. This can be seen from the accumulation of cash in 2019-2021 which indicates the underutilization of cash for profit, an increase in the amount of reserves for doubtful accounts, an increase in accumulated depreciation of fixed assets and LPD inventory.

6. Implication

The results of this study are about profitability analysis to determine the cause of the decline in profits at LPD Pakraman Suwat Village. Based on the results of the study, it is known that there is a decrease in the ability of the LPD to obtain profits or profits in terms of credit turnover, BOPO, net profit margin ratios, return on equity, and return on assets. The research that has been carried out on financial institutions, the conclusions drawn certainly have implications in the field of financial institutions, especially LPDs. In this regard, the implications are as follows:

1. Although every year the company still earns profit, but if there is a continuous decline in profits, the company should re-evaluate its financial performance periodically so that management decision making can be right on target because it already knows the company's financial condition.

2. To increase profits, the company should re-evaluate each cost item that if it can be minimized, utilize and manage assets and equity owned by the company properly to get a profit.

Acknowledgment

Reference

[1] "PERATURAN DAERAH PROVINSI BALI NOMOR 3 TAHUN 2017 TENTANG LEMBAGA PERKREDITAN DESA," vol. 110265, p. 110493, 2017.

[2] I. G. M. Karma and N. K. Sukasih, "Designing Application for Determining the Health Level of Village Credit Institutions with the CAMEL Method," in *International Conference On Applied Sciece and Technology 2019 - Social Sciences Track (iCASTSS 2019)*, Oct. 2019. [Online]. Available: https://www.atlantis-press.com/article/125920667

[3] J. Susanti, I. G. M. Karma, and N. W. K. Dewi, "Design of Risk Rating Applications for Village Credit Institutions," in *International Conference on Applied Science and Technology on Social Science 2021 (iCAST-SS 2021)*, 2022, pp. 633–639.

[4] J. Susanti, I. G. M. Karma, and N. W. K. Dewi, "Application Development for Assessing the Health Level of Village Credit Institutions Using the RGEC Method," in *International Conference on Science and Technology on Social Science (ICAST-SS 2020)*, 2021, pp. 66–71. doi: https://doi.org/10.2991/assehr.k.210424.014.

[5] M. E. Friskayanti, A. W. T. Atmadja, and L. S. Musmini, "Pengaruh Tingkat Perputaran Kas, Perputaran Kredit, Biaya Operasional Pendapatan Operasional (Bopo), Kecukupan Modal Dan Jumlah Nasabah Terhadap Profitabilitas (Studi Pada LPD Kabupaten Buleleng Yang Terdaftar Pada Lplpd Periode 2009-2013)," *e-Journal S1 Ak Universitas Pendidikan Ganesha*, vol. 2, no. 1, pp. 1–10, 2014.

[6] S. Munawir, *Analisis Laporan Keuangan*, Edisi 4. Yogyakarta: Liberty, 2010.

[7]   S. Riyadi, *Banking Asset and Liability Management*. Jakarta: Fakultas Ekonomi Universitas Indonesia, 2006.

[8]   L. S. Almilia and W. Herdiningtyas, "Analisis Rasio CAMEL Terhadap Prediksi Kondisi Bermasalah Pada Lembaga Perbankan Perioda 2000-2002," *Jurnal Akuntansi dan Keuangan*, vol. 7, no. No 2, 2005.

[9]   Dr. Kasmir, *Analisis Laporan Keuangan*. Jakarta: PT Raja Grafindo Persada, 2016.

[10]   Kasmir, *Analisa Laporan Keuangan*. Jakarta: PT Raja Grafindo Persada, 2014.

[11]   L. Dendawijaya, *Manajemen Perbankan*. Ghalia Indonesia, 2017.

[12]   E. dan Rini, "Faktor-Faktor Yang Mempengaruhi Harga Saham Pada Perusahaan Manufaktur Di BEI," *Jurnal Paradigma Akuntansi*, vol. I, no. 3, pp. 817–826, 2019.

[13]   Harmono, *Manajemen Keuangan*. Jakarta: Bumi Aksara, 2016.

The Effect of Understanding SAK-ETAP and the Quality of Human Resources on the Quality of Financial Reports in Savings and Loan Cooperatives at South Denpasar District

N K O Dwi Yanti[1), I G A Astri Pramitari[2), and I G A Oka Sudiadnyani[3)
Accounting Department, Politeknik Negeri Bali
Jalan Kampus Bukit Jimbaran, Kuta Selatan, Badung, Bali - 80364

Email to :
[1)oktadwiyanti98@gmail.com,
[2)astripramitari@pnb.ac.id,
[3)okasudiadnyani@pnb.ac.id

Abstract: *The existence of cooperatives as a support for the people's economy to support Indonesia's economic growth. Financial reports are one of the important factors as a report on the accountability of cooperative management and the condition of cooperatives to members and owners of cooperatives in the main forum that must be held by every cooperative, namely RAT. In preparing quality financial reports, it is necessary to have an understanding of SAK-ETAP, and quality human resources. This study aims to determine the effect of understanding SAK-ETAP, and the quality of human resources partially and simultaneously on the quality of financial reports. The location of this research is the Savings and Loan Cooperative in South Denpasar District. The population in this study were employees of the Savings and Loans Cooperative in South Denpasar District and the sample in this study was 70. The data analysis techniques used in this study were Validity Test, Reliability Test, Classical Assumption Test, Multiple Linear Regression Analysis, F Test, T test and Coefficient of Determination Test. From the results of the study, it can be seen that: (1) understanding of SAK-ETAP has a significant positive effect on the quality of financial reports (2) the quality of human resources has a significant positive effect on the quality of financial reports. 3) Simultaneously understanding of SAK-ETAP and the quality of human resources have a significant effect. on the quality of financial reports. The magnitude of the influence of understanding SAK-ETAP and the quality of human resources on the quality of financial reports is 57%. Suggestions that can be given by researchers are Savings and Loans Cooperatives in South Denpasar District are expected to routinely provide training and guide employees.*

Keywords: *Understanding SAK-ETAP, Quality of Human Resources and Quality of Financial Reports*

1. Introduction

The existence of cooperatives as a support for the people's economy to help economic development in Indonesia. Based on Law no. 25 of 1992 Article 3, cooperatives have the aim of prospering members and society in general to participate in developing national economic regulations in creating a just, prosperous and capable society based on the 1945 Constitution and Pancasila. Therefore, cooperatives must be managed as much as possible so that the community's living costs will get better and increase.

Savings and Loans Cooperative is a non-bank financial institution engaged in business activities of accepting deposits and providing loans from or to its members. In cooperatives, the term profit is known as Remaining Operating Results which is in the format of the SHU calculation report obtained by the cooperative at the end of the accounting period and will be distributed to members during the Annual Member Meeting [1].

Based on data from the Bali Province Cooperatives and MSMEs Service, the number of cooperatives in Denpasar as of 2021 is 1.144, of which 503 are active and 641 are inactive, and from 503 active cooperatives, 58% of cooperatives have not held a annual member meeting. The Head of the Denpasar City Cooperatives & UMKM Service said that cooperatives that did not hold RAT for 3 consecutive times would be given a verbal or written warning and would revoke the cooperative's permit and dissolve it [2]. In addition, the Head of the Bali Province Cooperatives & MSMEs Agency stated that many cooperatives are inactive due to financial or liquidity difficulties, the majority of which occur in the Savings and Loans Cooperative type, this is what makes cooperatives not profitable or empty Remaining Operating Results (ROR)[3].The annual member meeting is the main forum that must be held by every cooperative, because the forum will discuss the accountability of cooperative management for one year to cooperative members. Inactive cooperatives indicate problems with the management in managing cooperatives and managing cooperative financial statements which will have an impact on delays in financial reporting. The financial report records all transactions that have occurred in the cooperative for a period, so that users can find out the benefits obtained as a member of the cooperative for one period with the remaining operating results obtained [4].

The low quality of financial reports is due to the lack of understanding of cooperative employees on the accounting standards used, namely the Financial Accounting Standards for Entities Without Public Accountability and incompetent human resources in accounting [5]. Based on the general guidelines for cooperative accounting, that cooperatives are entities without Public Accountability, therefore cooperative accounting uses the Financial Accounting Standards for Entities Without Public Accountability (Peraturan Menteri Koperasi No. 04/Per/M.KUKM/VII/2015). Good quality financial reports require human resources who understand and are competent in financial accounting and have an understanding of the Financial Accounting Standards for Entities Without Public Accountability-based accounting [7].This is supported by the research conducted by [5] shows that cooperative accounting understanding based on SAK-ETAP has a positive and significant effect on financial statements. And research by [8] shows that the influence of human resources has a significant positive effect on the quality of financial reports. In contrast to research by [9] and [10] shows that human capital has no influence on the quality of financial reports.

2. Method

This research was conducted at the Savings and Loans Cooperative located in South Denpasar District during the period of making the proposal from February to July. This study uses quantitative methods, with data collected from primary data in the form of questionnaires regarding the answers from respondents, namely the chairman and treasurer of the Savings and Loans Cooperative. The research instrument uses a Likert scale to measure the opinions, attitudes, and perceptions of a person regarding the phenomenon.

The population in this study are Savings and Loan Cooperatives in South Denpasar District, namely 111 cooperatives. As for the sample selection using purposive sampling as many as 35 Savings and Loans Cooperatives with a total of 70 respondents. The variables in this study are the understanding of SAK-ETAP (X1), the quality of human resources (X2), and the quality of financial reports (Y).

Data analysis techniques using data processing program SPSS 26.0 for windows. Analysis of the data used in this study is a test of data quality including validity and reliability tests, then the classical

assumption test, namely normality test, multicollinearity test, and heteroscedasticity test. After it is fulfilled, it is continued with multiple linear regression analysis and finally the hypothesis is tested with the R2 test, T test and F test.

3. Result and Discussion

The results of the validity test obtained by distributing questionnaires to 70 respondents, stated that all indicator variables in this study, namely the understanding of SAK-ETAP, the quality of human resources and the quality of financial reports were valid because they had a correlation coefficient value or r count > r table. Meanwhile, the results of the reliability test using Cronbach Alpha showed that all variables had an alpha value > 0.70 so they were declared reliable.

The results of the data normality test using the Kolmogorov-Smirnov show that the magnitude of the Asymp value. Sig. (2-tailed) is 0.087 > 0.05 which indicates that the data is normally distributed. So, the assumptions or requirements for normality in the regression model have been met. Furthermore, the multicollinearity test using the Variance Inflation Factor (VIF) value shows that all independent variables have a tolerance value > 0.10, as well as the results of the VIF value calculation, all variables have a VIF value < 10. This means that in the regression model that there is no multicollinearity problem. A good regression model should not have heteroscedasticity problems, the Glejser test results show that each model has a significance value greater than 0.05 so there is no heteroscedasticity problem.

All classical assumption tests have been met, then hypothesis testing, then hypothesis testing with multiple linear regression analysis can be continued. In this study using 3 hypothesis testing as follows.

Table 1. Partial Significant Test Results (t-Test)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	5.357	2.612		2.051	.044
1 Understanding SAK-ETAP	.297	.079	.383	3.754	.000
Quality of human resources	.228	.051	.456	4.471	.000

Testing the first hypothesis (H1), it can be explained that t count (3.754) > t table (1.996) with a significance level of 0.000 <0.05, so H0 is rejected and H1 is accepted which means that the variable understanding of SAK-ETAP has a positive effect and significant to the quality of financial statements.

Testing the second hypothesis (H2), it can be explained that t count (4.471)> t table (1.996) with a significance level of 0.000 <0.05, so H0 is rejected and H2 is accepted which means that the variable quality of human resources has a positive effect. and significant to the quality of financial statements.

Table 2. Simultaneous Significant Test Results (F-Test test)

ANOVAa

	Model	Sum of Squares	Df	Mean Square	F	Sig.
	Regression	1382.089	2	691.044	44.481	.000b
1	Residual	1040.897	67	15.536		
	Total	2422.986	69			

Testing the third hypothesis (H3), it is known that Fcount (44,481)>FTable (3.13) with the significance value of F is 0.000 < 0.05, then H0 is rejected and H3 is accepted. This means that the variable understanding of SAK-ETAP (X1) and the quality of human resources (X2) simultaneously have a significant effect on the quality of the financial statements (Y) of the Savings and Loans Cooperative located in South Denpasar District.

The effect of understanding SAK-ETAP on the quality of financial reports in Savings and Loan Cooperatives in South Denpasar District

The understanding of SAK-ETAP has a positive and significant impact on the quality of financial statements, where the t-count value is 3.754 and a significant value is 0.000, when compared to the t-count value of 3.754 > 1.996 and a significance value of 0.000 <0.05, so the first hypothesis is accepted. It can be concluded partially that the understanding of SAK-ETAP has a positive and significant effect on the quality of financial reports. This means that the better the understanding of SAK-ETAP, the better the quality of financial reports at the Savings and Loans Cooperative in South Denpasar District. An understanding of the work will certainly make the work easier and more effective. Good financial statements must include information that is appropriate to the circumstances in an entity.

The influence of the quality of human resources on the quality of financial reports at the Savings and Loan Cooperative in South Denpasar District

The quality of human resources has a positive and significant impact on the quality of financial reports, where the t-count value is 4.471 and a significant value is 0.000, when compared to the t-count value of 4.471 > 1.996 and the significance value is 0.000 <0.05, so the second hypothesis received. It can be partially concluded that the quality of human resources has a positive and significant effect on the quality of financial reports. This means that the better the quality of human resources, the better the quality of financial reports at the Savings and Loans Cooperative in South Denpasar District. Human resources are a valuable asset for a company because they can add value to the company. Competent human resources will produce quality financial reports.

The influence of the quality of human resources on the quality of financial reports at the Savings and Loan Cooperative in South Denpasar District

The understanding of SAK-ETAP and the quality of human resources have a significant effect simultaneously on the quality of financial reports, where a significant value of 0.000 is obtained and a calculated F value of 44.481, when compared to a significance value less than 0.05 and an F-count value of 44.481 greater than F table 3.13. This means that simultaneously the understanding of SAK-ETAP and the quality of human resources have a significant effect on the quality of financial reports, so the third hypothesis is accepted. This means that the better the understanding of SAK-ETAP and the quality of human resources, it will improve the quality of financial reports at the Savings and Loans Cooperative located in South Denpasar District.

4. Conclusion

1. Understanding SAK-ETAP has a positive and significant impact on the quality of financial reports in Savings and Loans Cooperatives located in South Denpasar District, so the first hypothesis is accepted. This means that the better the understanding of SAK-ETAP, the better the quality of financial reports at the Savings and Loans Cooperative located in South Denpasar District.
2. The quality of human resources has a positive and significant effect on the quality of financial reports at the Savings and Loans Cooperative located in South Denpasar District, so that the second hypothesis is accepted. This means that the better the quality of human resources, the better the quality of financial reports at the Savings and Loans Cooperative located in South Denpasar District.
3. Understanding of SAK-ETAP and the quality of human resources together have a significant effect on the quality of financial reports at the Savings and Loans Cooperative located in South Denpasar

District, so the third hypothesis is accepted. This means that the better the understanding of SAK-ETAP and the quality of human resources, the better the quality of financial reports at the Savings and Loans Cooperative located in South Denpasar District.

The results of the study can be an input for Savings and Loans Cooperatives to improve their employees' understanding of SAK-ETAP in the preparation of financial reports so that the quality of financial reports produced is of high quality so that it does not mislead users and requires improving the quality of human resources or human capital so that the human resources they have are more competent, thorough and skilled in preparing financial reports. The better the financial statements produced by the cooperative, the information in the financial statements will be easy to understand and able to answer all questions from internal and external parties.

Acknowledgment

Reference

[1] N. Marbun and A. P. Harahap, "Analisis Penerapan Akuntansi Perkoperasian Menurut Psak No. 27 Pada Koperasi Kredit (Cu) Saroha Sipeapea Kecamatan Sorkam Barat Kabupaten Tapanuli Tengah," … *Seminar Nasional Hasil …*, no. 27, pp. 1322–1332, 2019.

[2] P. Supartika, "Banyak Koperasi di Denpasar Belum Gelar RAT, Kadiskop: Pandemi Bukan Alasan, Bisa RAT Online," *Tribunbali.com*, 2021. https://bali.tribunnews.com/2021/05/24/banyak-koperasi-di-denpasar-belum-gelar-rat-kadiskop-pandemi-bukan-alasan-bisa-rat-online?page=2 (accessed Feb. 09, 2022).

[3] R. Armando, "Kredit Macet Akibat Dampak Pandemi, Kadiskop Bali Sebut Ribuan Koperasi Alami Kesulitan Keuangan," *Tribunbali.com*, 2021. https://bali.tribunnews.com/2021/11/02/kredit-macet-akibat-dampak-pandemi-kadiskop-bali-sebut-ribuan-koperasi-alami-kesulitan-keuangan?page=2

[4] Ependi, "Analisis Penerapan Standar Akuntansi Keuangan Entitas Tanpa Akuntabilitas Publik (Sak Etap) Pada Laporan Keuangan Koperasi Orientasi Kewirausahaan Cemerlang," *Journal of industrial engineering & management research*, vol. 2, no. 3, 2021, doi: https://doi.org/10.7777/jiemar.v2i2.

[5] L. A. P. Dewi, P. S. Kurniawan, and N. L. G. E. Sulindawati, "Pengaruh Pemahaman Akuntansi Koperasi Berbasis SAK-ETAP, Pemanfaatan Sistem Informasi Akuntansi dan Pengendalian Intern Akuntansi terhadap Kualitas Laporan Keuangan," *Jurnal Ilmiah Mahasiswa Akuntansi UNDIKSHA*, vol. 8, no. 2, pp. 1–12, 2017.

[6] *Peraturan Menteri Koperasi dan Usaha Kecil dan Menengah Republik Indonesia Nomor: 04/Per/M.KUKM/VII/2015*. 2015.

[7] M. S. Adiputra, N. K. Sinarwati, and G. A. Purnamawati, "Pengaruh Pemahaman Akuntansi berbasis SAK-ETAP, Kualitas Pelatihan, dan Sistem Pengendalian Internal terhadap Kualitas Laporan Keuangan Koperasi (Studi Empiris pada Koperasi Simpan Pinjam di Kecamatan Karangasem)," *e-Journal S1 Akuntansi Universitas Pendidikan Ganesha*, vol. 8, no. 2, pp. 1–12, 2017.

[8] P. M. Oktaviyanti, N. T. Herawati, and A. W. T. Atmadja, "Pengaruh Pengendalian Internal, Kompetensi Sumber Daya Manusia, Dan Budaya Etis Organisasi Terhadap Kualitas Laporan Keuangan (Studi Kasus Koperasi Simpan Pinjam Di Kecamatan Buleleng)," *e-journal S1 Ak*, vol. 8, no. 2, pp. 1–10, 2017.

[9] I. G. N. Siwambudi, G. W. Yasa, and I. D. N. Badera, "Komitmen Organisasi Sebagai Pemoderasi Kompetensi SDM dan Sistem Pengendalian Intern Pada Kualitas Laporan Keuangan Fakultas

Ekonomi dan Bisnis Universitas Udayana (Unud), Bali , Indonesia," *E-Jurnal Ekonomi dan Bisnis Universitas Udayana*, vol. 1, pp. 385–416, 2017.

[10]   Animah, S. A. Bayu, and Astuti Widia, "PENGARUH KOMPETENSI SUMBER DAYA MANUSIA DAN SISTEM INFORMASI AKUNTANSI TERHADAP KUALITAS LAPORAN KEUANGAN," vol. 5, no. 1, pp. 99–109, 2020.

Analysis of Abnormal Return of Issuer's Stock after IPO during the Covid-19 Pandemic

I G W Yoga[1], N W K Dewi[2], and I M Sumartana[3]

Accounting Department, Politeknik Negeri Bali
Jalan Kampus Bukit Jimbaran, Kuta Selatan, Badung, Bali - 80364

E-mail to:
[1] wisnawayoga1304@gmail.com
[2] wayankurniadewi@pnb.ac.id
[3] madesumartana@pnb.ac.id

Abstract. *The Covid-19 pandemic based on Presidential Decree Number 12 of 2020 was declared on April 13, 2020. During this Pandemic, many companies offer their shares to the public or known as Initial Public Offering (IPO). This study aims to find out the highest abnormal returns of the issuers' stock after the IPO during the Covid-19 Pandemic. The sample used in this study was 70 companies that IPO on the IDX after pandemic status was declared in Indonesia, namely from April 15, 2020-November 25, 2021. This research is a descriptive quantitative research and descriptive statistical analysis techniques was used to calculate abnormal returns and cumulative abnormal returns of each stock. The results showed that cumulatively, the highest abnormal return of 70 stocks within 20 months was owned by TECH shares in the technology sector with a cumulative abnormal return value of 23,562. Meanwhile, the lowest value is owned by DEPO shares in the consumer cyclicals sector with a cumulative abnormal return of 0.624. The results of this study can be used as consideration by investors who want to invest in IPO stocks during prolonged outbreaks such as the Covid-19 Pandemic.*

Keywords: Abnormal Return, Cumulative Abnormal Return, Initial Public Offering (IPO), Covid-19 Pandemic

1. Introduction

The Covid-19 pandemic has had a huge impact on various aspects in Indonesia. The Covid-19 pandemic has also had an impact on the economic sector in Indonesia, including the capital market, especially stock prices and stock returns [1]. But on the other hand, there are still many companies that go public by starting to offer their shares to the general public or what we often know as Initial Public Offering (IPO). The Initial Public Offering (IPO) aims to raise more funds from the public. The funds obtained are a long-term source of funding so that the company can optimize these sources of funds to improve the company's performance [2].

Several companies with big names conducted Initial Public Offerings (IPOs) during the recent pandemic. This is accompanied by many people who are enthusiastically looking forward to the listing of a certain company in the capital market [3]. The reason for the enthusiasm for the IPO shares is

because the prices of IPO stocks tend to be cheap. By buying cheap stocks, people have the opportunity to make a profit during the pandemic that affects their economy.

The expectation of returns and the reality of the return obtained are certainly not always the same where this is commonly referred to as abnormal returns. Abnormal returns are caused by several factors, one of which is stocks that are sold at a low price [4]. abnormal returns are chosen to be studied compared to other returns because in this study, namely by examining abnormal returns, actual returns and expected returns can be known, so that differences and situations that actually occur in the stock market can also be known [5].

2. Literature Review
2.1 Covid-19 pandemic
The Covid-19 pandemic has had a huge impact on various aspects in Indonesia. The share prices of all stocks traded on the IDX have decreased since the Covid-19 Pandemic. There are new policies implemented by the government such as PSBB and also policies related to stocks such as changes in the Upper Auto Rejection (ARA) and Lower Auto Rejection (ARB) levels in order to stabilize the JCI [1].

2.2 Initial Public Offering (IPO)
Companies that have just gone public are marked by an initial public offering which is also called an Initial Public Offering (IPO). An IPO is the sale of securities by an issuer made for the first time[6].

2.3 Abnormal Return
2.3.1 Definition of Abnormal Return
Abnormal return or excess return is an excess of the return that actually occurs against a normal return. Thus the maximal return is the difference between the return or the actual return and the expected return[7].

2.3.2 Cumulative Abnormal Return
Cumulative Abnormal Return is the sum of the previous day's non-normal returns in a given period [7]

3. Research Method
This research is quantitative research with a descriptive approach.

3.1 Populations and Samples
The samples in this study were determined using a saturated sampling technique so that all members of the population were made into samples where the population in this study were stocks listed on the Indonesia Stock Exchange after the establishment of pandemic status in Indonesia through Presidential Decree Number 12 of 2020, namely April 13, 2020, which based on the official website of the Indonesia Stock Exchange idx.co.id a total of 70 companies.

3.2 Research Variables and Definitions
3.2.1. Dependent Variable
The dependent variable used in this study is abnormal return.

3.2.2. Independent Variable
The independent variables used in this study are actual return and expected return.

3.3 Data Analysis Technique
This study used descriptive statistical analysis after obtaining abnormal returns and cumulative abnormal returns of each stock. Abnormal returns are calculated by subtracting the actual return by expected returns. The formula for calculating the actual return is $R_t = (P_t - P_{t-1}) / P_{t-1}$. While the formula for calculating the expected return is $R_{Mt} = (JCI_t - JCI_{t-1}) / JCI_{t-1}$.

Information:
- R_t = *Return of shares in the t-th period*
- P_t = *Closing price of the t-th period*
- P_{t-1} = *Closing price of the period to t-1*
- R_{Mt} = *Return of the market index on the day-to-t in the event period*

- JCI_t = *Composite Stock Price Index at the time of t*

- JCI_{t-1} = *Composite Stock Price Index at the time of t-1*

4. Result and Discussion

4.1 Descriptive Statistical Analysis

The abnormal value of the highest IPO issuer stock return during the Covid-19 Pandemic in 2020-2021 was owned by TECH shares from the technology sector with a value of 6,234. Meanwhile, the abnormal value of the lowest IPO issuer stock return during the Covid-19 Pandemic in 2020-2021 was owned by KUAS shares from the industrials sector with a value of 0.290. Meanwhile, the highest cumulative abnormal return value of 70 shares of IPO issuers from 11 sectors during the Covid-19 Pandemic in 2020-2021 was owned by TECH shares from the technology sector with a value of 23,562. Meanwhile, the cumulative value of the lowest IPO issuer stock return during the Covid-19 Pandemic in 2020-2021 was owned by DEPO shares from the consumer cyclicals sector with a value of 0.624.

4.2 Abnormal Return of Issuer Shares after IPO during Pandemic Covid-19

After calculating the returns of 70 IPO issuer shares during the Covid-19 Pandemic, negative results occurred several months when calculating the expected return, namely in September 2020 with an ER value of -0.070, in January 2021 with an ER value of -0.020, in March 2021 with an ER value of -0.041, in May 2021 with an ER value of -0.008, and in November 2021 with an ER value of -0.009. In addition to these months, the expected return is obtained positive but does not exceed the realization return.

Meanwhile, no negative results were obtained and below the expected return from the calculation of the actual return of 70 shares over a period of 20 months. Thus, after calculating the abnormal return of 70 shares of the IPO issuer, an abnormal positive return result was obtained, which means that the actual return value is greater than the expected return value.

4.3 Issuer Shares after IPO That Have the Highest Abnormal Return during the Covid-19 Pandemic.

4.3.1 Basic Materials Sector

The issuer in the basic materials sector that IPO during the Covid-19 Pandemic which has the highest cumulative abnormal return is the issuer Pinago Utama Tbk. (PNGO) with a cumulative abnormal return value of 17,742 where the value is relatively high while the stock that has the lowest cumulative abnormal return is the issuer Surya Biru Murni Acetylene Tbk. (SBMA) with a CAR value of 2,986.

4.3.2 Consumer Cyclicals Sector

The issuer of the consumer cyclicals sector that IPO during the Covid-19 Pandemic which has the highest cumulative abnormal return is the shares of Pakuan Tbk. (UANG) issuer with a cumulative abnormal return value of 18,313 where the value is relatively high while the stock that has the lowest cumulative abnormal return is the shares of the issuer Caturkarda Depo Bangunan Tbk. (DEPO) with a cumulative abnormal return value of 0.624.

4.3.3 Consumer Non-Cyclicals Sector

The issuer of the consumer non-cyclicals sector that IPO during the Covid-19 Pandemic which has the highest cumulative abnormal return is the shares of issuer Pradiksi Gunatama Tbk. (PGUN) with a cumulative abnormal return value of 17,100 where the value is classified as high while the stock that has the lowest cumulative abnormal return is the shares of issuer Formosa Ingredient Factory Tbk. (BOBA) with a cumulative abnormal return value 0.920.

4.3.4 Energy Sector

The energy sector issuer that IPO during the Covid-19 Pandemic that has the highest cumulative abnormal return is the shares of the issuer Sumber Global Energy Tbk. (SGER) with a cumulative abnormal return value of 17,750 where the value is relatively high while the stock that has the lowest abnormal cumulative return is GTS International Tbk. (GTSI) with a cumulative abnormal return value of 2,796.

4.3.5 Financials Sector

The financial sector issuer that IPO during the Covid-19 Pandemic which has the highest cumulative abnormal return is the shares of issuer Bhakti Multi Artha Tbk. (BHAT) with a cumulative abnormal return value of 18,912 where the value is relatively high while the stock that has the lowest cumulative abnormal return is the shares of the issuer Bank Multiarta Sentosa Tbk. (MASB) with an abnormal cumulative return value of 5,750.

4.3.6 Healthcare Sector

The healthcare sector issuer that IPO during the Covid-19 Pandemic that has the highest cumulative abnormal return is the shares of the issuer Soho Global Health Tbk. (SOHO) with a cumulative abnormal return value of 14,467 where the value is relatively high while the stock that has the lowest cumulative abnormal return is the shares of the issuer Kedoya Adyaraya Tbk. (RSGK) with a cumulative abnormal return value of 2,950.

4.3.7 Industrial Sector

The industrials sector issuer that IPO during the Covid-19 Pandemic that has the highest cumulative abnormal return is the issuer of Harapan Duta Pertiwi Tbk. (HOPE) with a cumulative abnormal return value of 6.135 where the value is relatively low while the stock that has the lowest cumulative abnormal return is the issuer shares of Perma Plasindo Tbk. (BINO) with a cumulative abnormal return value of 0.986.

4.3.8 Infrastructure Sector

The infrastructures sector issuer that IPO during the Covid-19 Pandemic which has the highest cumulative abnormal return is the shares of issuer Djasa Ubersakti Tbk. (PTDU) with a cumulative abnormal return value of 12,022 where the value is relatively high while the stock that has the lowest cumulative abnormal return is the shares of the issuer Dayamitra Telekomunikasi Tbk. (MTEL) with a cumulative abnormal return value 1,057.

4.3.9 Properties & Real Estate Sector`

The property & real estate sector issuer that IPO during the Covid-19 Pandemic which has the highest cumulative abnormal return is the shares of Bumi Benowo Sukses Sejahtera Tbk. (BBSS) issuer with a cumulative abnormal return value of 18,736 where the value is relatively high while the stock that has the lowest cumulative abnormal return is the shares of the issuer Triniti Dinamik Tbk. (TRUE) with a value of Triniti Dinamik Tbk. (TRUE) with a value of cumulative abnormal return 5,104.

4.3.10 Technology Sector

The technology sector issuer that IPO during the Covid-19 Pandemic that has the highest cumulative abnormal return is the shares of the issuer Indosterling Technomedia Tbk. (TECH) with a cumulative abnormal return value of 23,562 where the value is classified as very high while the stock that has the lowest cumulative abnormal return is the shares of the issuer Global Sukses Solusi Tbk. (RUNS) with a cumulative abnormal return value 2,284.

4.3.11 Transportation & Logistics Sector

The issuer in the transportation & logistics sector that IPO during the Covid-19 Pandemic which has the highest cumulative abnormal return is the shares of issuer Prima Globalindo Logistik Tbk. (PPGL) with a cumulative abnormal return value of 16,922 where the value is relatively high while the stock that has the lowest cumulative abnormal return is the shares of the issuer Hasnur International Shipping Tbk. (HAIS) with a value of Hasnur International Shipping Tbk. (HAIS) with a value cumulative abnormal return 2,572.

Overall, the highest value is owned by Shares of Indosterling Technomedia Tbk. (TECH) technology sector with a CAR value of 23,562. Meanwhile, the lowest value is owned by Caturkarda Depo Bangunan Tbk. (DEPO) shares in the consumer cyclicals sector with a CAR value of 0.624.

5. Conclusion

Abnormal returns in the period may 2020-December 2021 from 70 shares of IPO issuers during the Covid-19 pandemic from April 15, 2020-November 25, 2021 were positive. Overall, within 20 months by calculating the cumulative abnormal return, the highest value was owned by TECH shares in the technology sector with a value of 23,562. Meanwhile, the lowest value is owned by DEPO shares in the consumer cyclicals sector with a value of 0.624. Meanwhile, if classified by sector, the highest cumulative abnormal return value is owned by PNGO shares in the basic materials sector with a value of 17,741; UANG shares in the consumer cyclicals sector with a value of 18,813; PGUN shares in the non-cyclical consumer sector with a value of 17,100; SGER shares in the energy sector with a value of 17,750; BHAT shares in the non-cyclical consumer sector with a value of 17,100; SGER shares in the energy sector with a value of 17,750; BHAT shares in the non-cyclical consumer sector with a value of 17,750; BHAT shares in the non-cyclical consumer sector financials with a value of 18,912; SOHO shares in the healthcare sector with a value of 14,467; HOPE shares in the industrials sector with a value of 6,135; PTDU shares in the infrastructures sector with a value of 12,022; BBSS shares in the properties & real estate sector with a value of 18,736; TECH shares in the technology sector with a value of 23,562; and PPGL shares in the properties & real estate sector with a value of 18,736; TECH shares in the technology sector with a value of 23,562; and PPGL shares in the property sector transportation & logistics with a value of 16,922. The lowest cumulative abnormal return per sector was owned by SBMA shares in the basic materials sector with a value of 2.986; DEPO shares in the consumer cyclicals sector with a value of 0.624; BOBA shares in the non-cyclical consumer sector with a value of 0.920; GTSI shares in the energy sector with a value of 2.796; MASB shares in the financial sector with a value of 5,750; RSGK shares in the healthcare sector with a value of 2,950; BINO shares in the industrials sector with a value of 0.986; MTEL shares in the infrastructures sector with a value of 1,057; TRUE shares in the properties & real estate sector with a value of 5,104; RUNS shares in the technology sector with a value of 2,284; and HAIS shares in the transportation & logistics sector with a value of 2,572.

References

[1]   S. E. M. Anggraini and T. R. Santoso, "Dampak Pemberlakuan New Normal Terhadap Return Saham Perusahaan Sektor Healthcare Di Indonesia," *Applied Research in Management …*, vol. 1, no. 2, pp. 73–81, 2021.

[2]   H. Saraswati, Dalam sulistiyowati &, and R. 2020, "Dampak Pandemi Covid-19 Terhadap Pasar Saham Di Indonesia," *JAD: Jurnal Riset Akuntansi dan Keuangan Dewantara*, vol. 3, no. 2, pp. 153–163, 2020.

[3]   F. X. Sugiyono, *Instrumen Pengendalian Moneter: Operasi Pasar Terbuka*, vol. 10. Pusat Pendidikan Dan Studi Kebanksentralan (PPSK) Bank Indonesia, 2017.

[4]   Afriyeni, "Analisis Pengaruh Harga Saham Perdana Terhadap Abnormal Return Yang Diterima Investor Studi Pada Bursa Efek Indonesia," *E-Jurnal*, pp. 1–19, 2019.

[5]   R. R. Regina, "Faktor-Faktor Yang Mempengaruhi Harga Saham Pada Perusahaan Manufaktur Di BEI," *Jurnal Paradigma Akuntansi*, vol. 1, no. 2, pp. 220–228, 2019.

[6]   M. Andani and S. Taqwa, "Pengaruh Konservatisme Akuntansi Terhadap Underpricing Saham IPO (Initial Public Offering)," *Jurnal Eksplorasi Akuntansi*, vol. 2, no. 1, pp. 2494–2512, 2020, doi: 10.24036/jea.v2i1.225.

[7]   J. Hartono, *TEORI PORTOFOLIO DAN ANALISIS INVESTASI EDISI KESEBELAS*, 11th ed. Yogyakarta: BPFE-YOGYAKARTA, 2017.

The Effect of Tax Incentives, Modernization of Tax Administration and Tax Sanctions on MSME Tax Payer Compliance (Case Study at KPP Pratama Badung Utara)

N K Errika Sindy Septiani[1], **N Sentosa Hardika**[2]*, **A A Putri Suardani**[3]
Accounting Department, Politeknik Negeri Bali
Jalan Bukit Jimbaran, Kuta Selatan, Badung, Bali – 80364

Email to:
[1]sindyerrika@gmail.com
[2]*sentosahardika@pnb.ac.id
[3]anakagungputrisuardani@gmail.com

Abstract. *Tax revenue have an important role for Indonesian's development. The ratio of taxpayer compliance and tax revenue in Indonesia has increased, but in some areas the ratio of taxpayer compliance, especially for MSME has decreased as at KPP Pratama Badung Utara. In an effort to maintain taxpayer compliance, mainly due to the Covid-19 pandemic, the government has implemented several policies by providing tax incentives, modernizing the tax administration system and imposing tax sanctions on businesses that are directly affected, especially for MSME. The purpose of this study is to examine the effect of tax incentives, modernization of the tax administration system and tax sanctions on MSME taxpayer compliance. For the type of data are used primary data that obtained through from distribution of questionnaires and secondary data from documentation. The sample of this research is based on purposive sampling method with total sample 99 MSME taxpayers register at the KPP Pratama Badung Utara. Statistical testing is using Partial Least Square (PLS) with SmartPLS 3.3.9. The study finds that (a)tax incentives have a positive and significant effect on MSME taxpayer compliance, (b) modernization of tax administration system has a positive and significant effect on MSME taxpayer compliance, (c) tax sanctions have a positive and significant effect on MSME taxpayer compliance.*

Keywords: *Tax Incentives, Modernization of Tax Administration, Tax Sanctions, and Tax Compliance.*

1. Introduction

Revenue from taxation is Indonesia's largest income. Tax revenue plays a very important role in state expenditure activities, especially to improve development and welfare services to the community. Indonesia uses the Self-Assessment System (SAS) tax system, which the government gives trust to taxpayers for calculate, pay and report the amount of tax that is actually owed and has followed the rules of the tax law. The importance of tax revenue and the taxation system implemented in Indonesia requires a positive contribution between the government and taxpayers. According to data from the Ministry of Finance in 2022, Indonesia will experience a decrease in tax revenues due to the implementation of fiscal policy in the form of tax incentives [1]. That statement is proven by the amount of tax revenue for

MSME at the KPP Pratama Badung Utara. In 2019 the total tax revenue was Rp. 141,559,018,963 while in 2020 it decreased to Rp. 90,748,313,771.

The 2021 Tax Performance Report states that the government has achieved the target of tax revenue realization. At the beginning of 2021, the government targets Rp. 1,229.58T and the realization of tax revenues in 2021 is Rp. 1,277.53T. Taxpayer compliance also increased, in 2020 the realization of taxpayer compliance was 97% and in 2021 it increased to 99.60% [2]. Indonesia has experienced an increase in taxpayer compliance, but the fact is not always in line with each region. For example, at KPP Pratama Badung Utara the number of taxpayer compliance in the MSME sector has decreased, while the number of MSME taxpayers at KPP Pratama Badung Utara has increased. Compliance ratio of MSME in 2020 is 69,15% and decreased to 38,86% in 2021. Meanwhile the number of MSME in 2020 is 6949 and in 2021 increased to 7063.

The number of taxpayers is not match by increasing compliance ratio of MSME taxpayer at KPP Pratama Badung Utara. In addition, based on previous research, the results were inconsistent. Research that examines the effect of tax incentives on taxpayer compliance which results in a positive effect conclusion [3][4], while the others obtained an insignificant conclusion [5]. Research that examines the modernization of the tax administration system on tax payer compliance which has a positive effect conclusion [6] [7], while the others obtained an negative conclusion [8]. Research that examines the effect of tax sanctions on taxpayer compliance which results in a positive effect conclusion [9] [10], while the others obtained an negative conclusion [11]. Based on thit explanation, this research was conducted with the aim to knowing whether the effect of tax incentives, modernization of the tax administration system and tax sanctions can affect MSME taxpayer compliance.

2. Theoretical Review

2.1. Theory of Planned Behavior (TPB)

This theory states that human action is directed by three belief factors, which is behavioural beliefs, normative beliefs and control beliefs [12].

2.2. Theory Technology Acceptance Model (TAM)

The concept of this theory is that system users tend to use application systems that are easy to use and also useful for user. This theory explains that a person's intention to use a new technology is influenced by two factors, which is perceived usefulness and perceived ease of use [13].

2.3. Tax incentives

According to the Directorate General of Taxes, tax incentives are one of the instruments often issued by developing countries to attract investment to their country, one of which is Indonesia [14]. Tax incentives for MSMEs issued by the government are Government Regulation No. 23 of 2018 concerning income tax on income from businesses received or obtained by taxpayers who have a certain gross turnover. PMK 23 of 2020 concerning Tax Incentives for Taxpayers Affected by the Covid-19 Outbreak. PMK No. 9/PMK.03/2021 regarding tax incentives for taxpayers affected by the 2019 coronavirus disease pandemic. PMK No.82/PMK.03/2021 regarding amendments to PMK No.9/PMK.03/2021. Another incentive is the Law of the Republic of Indonesia Number 7 of 2021 concerning the harmonization of tax regulations.

2.4. Modernization of the tax administration system.

The modernization of the tax administration system is a program to change the tax administration system to improve the services of the Directorate General of Taxes and can be increase tax revenues and increase the ratio of taxpayer compliance [15]. To realize the modernization of the tax administration system, it is necessary to make reforms such as organizational structure, technology and communication business processes, human resource management and implementation of good governance [16].

2.5. Tax penalty.

Tax sanctions are a mediating tool so that taxpayers do not violate tax norms. There are two kinds of sanctions in the tax law, namely administrative sanctions and criminal sanctions [17].

2.6. Taxpayer compliance.

Compulsory compliance is a condition of obedient and obedient taxpayers in fulfilling their tax obligations [16]. There are 2 indicators of tax compliance, namely filling out the SPT honestly in accordance with applicable regulations and submitting it to the KPP before the due date ends [16]**.** Taxpayer compliance can be interpreted as a taxpayer's obedient attitude in fulfilling tax obligations in accordance with the provisions of the applicable legislation [15].

2.7. Relevant research studies.

There are two which have similarities to the variables studied, namely examining the effect of tax incentives on taxpayer compliance. First stated that tax incentives have a significant effect on taxpayer compliance [4]. Meanwhile, the second states that tax incentives have no partial effect on taxpayer compliance [5].

Another research focus on the variables studied, namely examining the effect of modernization of the tax administration system on taxpayer compliance. A research found that the modernization of the tax administration system has a positive effect on taxpayer compliance[6], but the other concluded that the modernization of the tax system has no significant effect on taxpayer compliance[8].

Another research examines the variables of the effect of tax sanctions on taxpayer compliance. A research concluded that tax sanctions have no effect on taxpayer compliance[11], but another concluded that tax sanctions have a positive effect on taxpayer compliance [9]**.**

3. Research Method

This research was conducted at KPP Pratama Badung Utara which is located at Jl. Ahmad Yani No. 100, Dauh Puri Kaja, North Denpasar District, Denpasar City. It was carried out for 6 months starting from making the proposal, distributing questionnaires, processing data, until the conclusion of the research was obtained. The da-ta used by two type data. First data is primary data that was collected by distributing questionnaires. The second data is secondary data that obtained by documentation technique by collecting various information from books, archives, files, writings and pictures [18] The population of MSME taxpayers registered at KPP Pratama Badung Utara until 30 April 2022 is 7.063 taxpayers. The sample in this study was calculated using the Slovin formula with a margin error is 10% and get 99 samples. This study consists of 3 independent variables, namely tax incentives, modernization of the tax administration system and tax sanctions and 1 dependent variable, namely taxpayer compliance. After getting the data, the researcher processed data by using descriptive analysis techniques and Partial Least Square (PLS). Descriptive analysis techniques are carried out to find out and describe the information contained in the collected data so that they can explain the data obtained. After that, it was tested using SEM-PLS. The analysis technique using SEM PLS consists of 2 parts, first part is measurement model and second part is structural model. The data analyst with the measurement model uses 2 testing techniques, namely:

    1) Validity Test.
        a) Convergent Validity.
            The indicator is valid if it has a correlation value above 0.7 and the AVE value of each construct has a value > 0.5 [19].
        b) Discriminant Validity.
            The indicators are said to be valid if the value of loadings on each indicator is greater than the correlation value of other construct items and the value of the square root of AVE is higher than the correlation value between variables [19].

2) Reliability Test.

The reliability level of a questionnaire is said to be reliable if the composite reliability value and Cornbach's alpha > 0.7 [19].

After conducting the analysis with the measurement model, it was continued with the structural model analysis and hypothesis testing. Structural analysis of the model is seen from the r-square value. The model is said to be strong if r-square value is greater than 0.75. The hypothesis is accepted if the value of t-statistic > 1.96. The model is said to have a significant effect if the probability value e 0.05 (alpha 5%). The model leads to a positive direction if the path coefficients > 0 [19]

4. Results and discussion.

It is shown in Figure 1 and Table 1 that the indicator in the model is accepted because the loading factor value has exceeded 0.7 and AVE value is above 0.5.
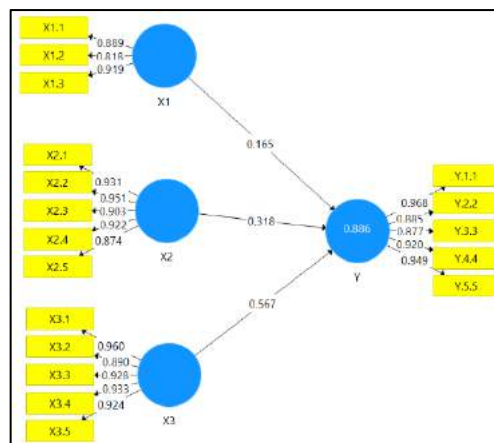
Figure 1. Validity and Reliability Test Results

Table 1. AVE Result

Indicator	(AVE)	Terms.	Desc.
Tax incentives	0,768	>0,5	Valid
Modernization of the tax administration	0,840	>0,5	Valid
Tax sanctions	0,860	>0,5	Valid
Taxpayer compliance	0,847	>0,5	Valid

Source: Processed primary data, year 2022

Based on tables 2 and 3 the cross loading and the square root AVE for each construct to other constructs have been more, so this test has been fulfilled.

Table 2. Cross Loading Value

Indicator	Tax incentives (X1)	Modernization of the tax administration (X2)	Tax sanctions (X3)	Taxpayer compliance (Y)
X1.1	**0,889**	0,607	0,573	0,663
X1.2	**0,818**	0,642	0,430	0,590
X1.3	**0,919**	0,616	0,517	0,635
X2.1	0,667	**0,931**	0,630	0,771
X2.2	0,707	**0,951**	0,651	0,815

X2.3	0,607	**0,903**	0,577	0,705
X2.4	0,636	**0,922**	0,535	0,710
X2.5	0,620	**0,874**	0,816	0,807
X3.1	0,598	0,726	**0,960**	0,886
X3.2	0,449	0,532	**0,890**	0,734
X3.3	0,552	0,681	**0,928**	0,827
X3.4	0,594	0,723	**0,933**	0,865
X3.5	0,485	0,588	**0,924**	0,785
Y1.1	0,678	0,775	0,870	**0,968**
Y2.2	0,672	0,702	0,761	**0,885**
Y3.3	0,644	0,848	0,798	**0,877**
Y4.4	0,642	0,729	0,822	**0,920**
Y5.5	0,675	0,780	0,825	**0,949**

Source: Processed primary data, year 2022

Table 4 show Cornbach's alpha and composite reliability is greater than 0.7. So, all variables have met the requirements of the reliability test.

Table 4. Cornbach's Alpha and Composite Reliability Value

Indicator	Cornbach's Alpha	Composite Reliability	Terms.	Desc.
X1	0,848	0,908	>0,7	Reliable
X2	0,952	0,963	>0,7	Reliable
X3	0,959	0,968	>0,7	Reliable
Y	0,955	0,965	>0,7	Reliable

Source: Processed primary data, year 2022

Table 5 shows an R-square value of 0.886, which means that the model is a strong model.

Table 5. R-Square Value

	R Square
Y	0,886

Source: Processed primary data, year 2022

Table 6 shows value of each independent variable on the dependent variable has a path coefficient value> 0 which indicates a positive direction. Each independent variable is accepted because produces a t-statistic value> 1.96 (t-table for alpha 5%). In addition, probability value is upper than 0.05 (alpha 5%) which means the data is significant.

Table 6. Bootstrapping Result

	Path Coefficients	T Statistics	P Value
X1 -> Y	0,165	2,266	0,024
X2 -> Y	0,318	2,540	0,011
X3 ->Y	0,567	5,720	0,000

Source: Processed primary data, year 2022

Hypothesis 1 is acceptable. This can be seen from the path coefficients value is 0.165, T-statistic value is 2.266 and the P Value is 0.024. The test results have been supported by Theory of Planned

Behavior on the belief that MSME taxpayers can influence their interest to fulfilling tax compliance by utilizing the applicable tax incentives. The results of this study are also supported and in accordance with other research [3] [20] [4].

Hypothesis 2 is acceptable. This can be seen from the path coefficients value is 0.318, T-statistic value is 2.540 and the P Value is 0.011. The test results are supported by the Technology Acceptance Model theory on the benefits and ease of use of technology systems perceived by taxpayers and can be seen in terms of perceived ease of use and perceived usefulness. The results of this study are also supported and in accordance with other research [7] [21] [22].

Hypothesis 3 is acceptable. This can be seen from the path coefficients value is 0.567, T-statistic value is 5.720 and P Value is 0.000. The results of testing this hypothesis are related to the Theory of Planned Behavior on the belief of MSME taxpayers on the sanctions imposed by the government can affect MSME taxpayer compliance. The results of this study are also supported and in accordance with other research [23] [10] [9].

5. Conclusion

From the result of this study, it can be concluded that tax incentives, modernization of the tax administration system and tax sanctions have a positive and significant effect on MSME taxpayer compliance.

Acknowledgement.

Reference
[1]   KementrianKeuangan, "Pemerintah Terus Perkuat UMKM Melalui Berbagai Bentuk Bantuan," *Kementrian Keuangan Republik Indonesia*, Apr. 2021.
[2]   DirektoratJenderalPajak, "Laporan Kinerja Direktorat Jenderal Pajak Tahun 2021," *Kementeri. Keuang. Republik Indones. Direktorat Jendral Pajak*, pp. 1–175, 2021.
[3]   A. Khairunnisa, L. Maryasih, and A. Nuraini, "The Effect of Tax Incentives , Trust in Tax Authorities , And Fiscus Services Quality on Msme Taxpayer Compliance During Covid- 19 Pandemic," pp. 15668–15680, 2021.
[4]   D. F. Prasetyo, "Pengaruh Insentif Pajak dan Kualitas Pelayanan Pajak terhadap Kepatuhan Wajib Pajak dalam Masa Pandemi," STIE Perbanas Surabaya, 2020.
[5]   G. F. Saputra, "Pengaruh Insentif Pajak, Sunset Policy, Dan Kesadaran Wajib Pajak Terhadap Kepatuhan Wajib Pajak," 2021.
[6]   D. Priyantiwi, "Pengaruh Modernisasi Sistem Administrasi Perpajakan, Pengetahuan, Dan Sanksi Perpajakan Terhadap Kepatuhan Wajib Pajak (Studi Kasus UMKM (Usaha Mikro Kecil Menengah) yang terdapat di Wilayah Jakarta Barat).," Universitas Mercu Buana Jakarta, 2019.
[7]   N. Nurlis and M. Ariani, "Tax Awareness Moderates Knowledge and Modernization of Tax Administration on Tax Compliance, Survey on MSME taxpayers in South Tangerang City, Indonesia," *Int. J. Manag. Stud. Scoial Sci. Res.*, vol. 2, no. 5, pp. 250–259, 2020.
[8]   A. dan R. Arifah, "Pengaruh Modernisasi Sistem Administrasi Perpajakan, Kualitas Pelayanan, Pengetahuan Perpajakan, Sanksi Perpajakan dan Kesadaran Perpajakan Terhadap Kepatuhan Wajib Pajak Orang Pribadi Pada Kantor Pelayanan Pajak Pratama Demak Selama Periode (2012-2016)," *Ekon. – Akunt. 2017*, pp. 1–16, 2017.
[9]   G. W. M. Zulma, "Pengaruh Pengetahuan Wajib Pajak, Administrasi Pajak, Tarif Pajak dan Sanksi Perpajakan terhadap Kepatuhan Pajak Pada Pelaku Usaha UMKM di Indonesia," *Ekon. J. Econ. Bus.*, vol. 4, no. 2, p. 288, 2020, doi: 10.33087/ekonomis.v4i2.170.
[10]   N. G. As'ari, "Pengaruh Pemahaman Peraturan Perpajakan, Kualitas Pelayanan, Kesadaran Wajib Pajak Dan Sanksi Pajak Terhadap Kepatuhan Wajib Pajak Orang Pribadi," *J. Ekobis Dewantara*,

vol. 1, no. 6, pp. 64–76, 2018.

[11] M. dan D. Saraswati, "Pengaruh Kesadaran Pajak, Sistem Administrasi Pajak Modern Dan Sanksi Pajak Terhadap Kepatuhan Wajib Pajak Pada Umkm Di Surakarta," *Stud. Kasus Inov. Ekon.*, vol. 2, no. 02, pp. 45–52, 2018, doi: 10.22219/skie.v2i02.6513.

[12] I. Ajzen, *The Theory of Planned Behavior*, vol. 50, no. 1. 1991.

[13] F. D. Davis, *Perceived Usefulness, Perceived Ease of Use, and User Acceptance of Information Technology*. Mis Quarterly, 1989.

[14] A. R. T. Sejati, "Memaksimalkan Manfaat Insentif Pajak untuk Pembangunan Bangsa," *Direktorat Jendral Pajak*, 2018. .

[15] E. C. Alverina, "Pengaruh Modernisasi Sistem Administrasi Perpajakan Dan Pengetahuan Perpajakan Terhadap Kepatuhan Wajib Pajak Orang Pribadi (Studi Empiris Wajib Pajak Orang Pribadi Yang Terdaftara Di Kantor Pelayanan Pajak (KPP) Pratama Surakarta)," 2020.

[16] S. K. Rahayu, *Perpajakan Indonesia : Konsep dan Aspek Formal*. Kota Banda Aceh: Graha Ilmu, 2010.

[17] Mardiasmo, *Perpajakan Edisi Terbaru 2018*, 2018th ed. Yogyakarta: ANDI, 2018.

[18] Sugiyono, *Metode Penelitian Kuantitatif, kualitatif dan R&D*. Bangung: Alfabeta, 2018.

[19] I. Ghozali and H. Latan, *Konsep, Teknik Dan Aplikasi Menggunakan Program SmartPLS 3.0*, 2nd ed. Semarang: Badan Penerbit Universitas Diponegoro, 2015.

[20] Rachmawati dan Ramayanti, "Manfaat Pemberian Insentif Pajak Penghasilan dalam Kepatuhan Wajib Pajak UMKM," *J. Akuntansi, Ekon. dan Manaj. Bisnis*, vol. 4, no. 2, pp. 176–185, 2016.

[21] V. K. Anggraeni and Ti. O. Lenggono, "Pengaruh Implementasi PP No 23 Tahun 2018, Pemahaman Perpajakan, dan Modernisasi Sistem Administrasi Perpajakan Terhadap Kepatuhan Wajib Pajak UMKM (Studi Empiris Pada Wajib Pajak Orang Pribadi Umkm di Kota Ambon)," *J. Akunt. Transparansi dan AkuntabilitasTransparansi dan Akuntabilitas*, vol. 9, no. 1, pp. 96–108, 2021, doi: https://doi.org/10.35508/jak.v9i1.3993.

[22] W. K. Sarunan, "Pengaruh Modernisasi Sistem Administrasif Perpajakan Terhadap Kepatuhan Wajib Pajak Orang Pribadi Dan Wajib Pajak Badan Pada Kantor Pelayanan Pajak Pratama Manado," *J. EMBA J. Ris. Ekon. Manajemen, Bisnis dan Akunt.*, vol. 3, no. 4, pp. 518–526, 2015, doi: 10.35794/emba.v3i4.11075.

[23] dan N. Dewi, Widyasari, "Pengaruh Insentif Pajak, Tarif Pajak, Sanksi Pajak Dan," *J. Ekon. Dan Manaj.*, vol. 9, no. 2, pp. 108–124, 2020.

Analysis of the Application of Environmental Accounting as One of Social Accountability at the One Legian Hotel

N P Paramitha Ardy Rahayu, I M Sudana, and N N Yintayani
Accounting Department, Politeknik Negeri Bali
Jalan Bukit Jimbaran, Kuta Selatan, Badung, Bali – 80364

Email to: mithaardyrahayu7@gmail.com

Abstract: *In the field of accounting, there is Green Accounting or environmental accounting where there are five stages of environmental cost allocation process, namely identification, recognition, measurement, presentation, and disclosure. This research is descriptive qualitative research located at The ONE Legian Hotel. Where the primary data used are inter- views while the secondary data used are archives and written documents. This study uses a constant comparative analysis that aims to compare the stages of environmental cost allocation at The ONE Legian Hotel with the 2019 Financial Reporting Conceptual Framework. The result of this research is that The ONE Legian Hotel has implemented an environmental cost allocation which consists of identification by dividing into two, environmental/natural costs and social environmental costs, then the recognition using the accrual basis method, measurement using rupiah with realization the budget that has been determined by the company, in the presentation where these environmental costs have been presented in the income statement, in the other expenses section or in the POMEC subsection for environmental/natural costs and the human resource subsection for social environmental costs. However, the disclosure has not been carried out, where detailed environmental costs are not included in the financial statements, so users of financial statements don't know the details of the environmental costs.*

Keywods: *Green Accounting, Environmental Cost Allocation, Environmental/ Natural Cost, Social Environmental Cost*

1. Introduction

Along with the development of the tourism sector in Bali, it has become a separate business attraction for the hospitality industry. However, the existing hotel industry activities, in achieving their goals, are still oriented towards increasing profits and exploiting natural resources owned by the surrounding environment to the exclusion of other things that can cause negative impacts on the environment [1]–[6]. One of the efforts to adjust to environmental problems in the accounting field is called Green Accounting. Environmental accounting is a series of processes for identifying, recognizing, measuring, presenting and disclosing the impacts that may arise on the environment caused by company activities [3], [7]. In this case, the company does not only focus on seeking profit but must still have a concern for the welfare of the community in social and environmental responsibilities.

Environmental accounting does not yet have a standard that specifically addresses the stages of allocating environmental accounting in the Statement of Financial Accounting Standards, so that in the application of environ- mental accounting the company moves voluntarily or on its own initiative to

disclose environmental cost accounting information [2], [3], [8]. The Financial Accounting Standards Board of the Indonesian Institute of Accountants also developed the 2019 Financial Reporting Conceptual Framework, which can be used as the basis for developing accounting-related policies when there is no applicable to a particular transaction [9]

The ONE Legian Hotel is one of the four-star hotels that carries out management related to environmental costs which are presented in the Income Statement on Other Expenses in the POMEC (Property Operational Maintenance Energy Cost) section for environmental/natural costs and Human Resources for social environmental costs. In this case, the author analyzes the suitability of the environmental cost accounting implementation, based on the process of identification, recognition, measurement, presentation and disclosure, then compared with the 2019 Financial Reporting Conceptual Framework and the form of social responsibility implemented.

2. Method

This research is qualitative research with descriptive method, with data collection techniques are observation, interviews, and documentation [10]. This research was carried out at The ONE Legian Hotel in Legian Street Number 117, Kuta, Badung Regency with a research period from February to July 2022. This research used primary data sources, there are interviews with employees at the accounting department and the section in charge of social responsibility, the secondary data sources, there are archives or written documents owned by The ONE Legian Hotel.

The data analysis used is a descriptive analysis that refers to social responsibility carried out by The ONE Legian Hotel, a constant comparative analysis by comparing the facts or stages of environmental cost allocation conducted at The ONE Legian Hotel with the reality in the Financial Reporting Conceptual Framework 2019. This comparison at the identification stage compared to the Paragraphs 4.72 and 7.14, the recognition stage compared to the Para- graphs 5.1 and 5.6, the measurement stage compared to the Paragraphs 6.1 and 6.4, the presentation stage com- pared to the Paragraphs 3.2 and 3.3, and disclosure stage with Paragraphs 7.1 and 7.3. As a support for concluding the results of the constant comparative analysis using the checklist method in outline.

3. Result and Discussion

3.1 General Description of The ONE Legian Hotel

The ONE Legian Hotel is one of the companies engaged in the hospitality or service business which is located at Jalan Raya Legian, Number 117, Kuta District, Badung Regency, Postal Code 80361. This hotel is under PT Legian Paradise. This hotel provides hotel room accommodation, a spacious lobby, restaurant, bar with loungers, laundry, free internet, information and transportation for tourists, sports rooms, meeting rooms, SPA, and a rooftop pool.

Hotel The ONE Legian holds tightly to the teachings of Hinduism and makes Tri Hita Karana or the three causes of happiness and prosperity for Hinduism, which consists of the relationship between humans and God (*Parhyangan*), the relationship between humans and the environment (*Palemahan*) and the relationship between humans and humans (*Pawongan*).

3.2 Application and Comparison of Environmental Accounting with the 2019 Financial Reporting Conceptual Framework

Green accounting which is carried out is closely related to environmental costs, which are all forms of costs incurred by The ONE Legian Hotel to carry out prevention, detection, failure costs both internal and external to the company in terms of maintaining and overcoming environmental damage that may arise as a result of the business activities carried out company and preserve the environment around the company [11]. This is because the company has used the natural resources that exist in the surrounding environment for the implementation of its business activities, so there needs to be reciprocity carried out by The ONE Legian Hotel regarding the management of environmental costs both socially to the community and nature [12].

The following is an analysis carried out by researchers regarding the facts of the stages of environmental cost allocation that occurred at The ONE Legian Hotel, as well as the 2019 Financial Reporting Conceptual Framework:

a. Identification

Hotel The ONE Legian identifies environmental costs into two parts, namely environmental or natural costs and social environmental costs. The identification carried out by The ONE Legian Hotel can be seen in the following table.

Table 1. Identification of Environmental Accounting Costs at The ONE Legian Hotel

Type of Cost	Description

A. Environment or Nature	1. Removal of Waste Costs
	  - Liquid waste
	  - Solid waste
	  - Hazardous Toxic Waste
	2. Pest Control Costs
	3. Room and Office Cleaning Costs

B. Social Environment	1. Mutual Assistance with the World-Wide Fund of Nature Community 2. Traditional Village Donation Fees 3. Kuta Beach Festival Donation Fees 4. Cost of Employee Training and Development 5. Cost of The ONE Legian Hotel Anniversary 6. Cost of Religious Ceremony 7. Cost of Staff Sports Activities (Futsal, Badminton, Zumba) 8. Cost of Employee Award or Achievement (Best Employee)

Source: Data from the ONE Legian Hotel Accounting Department, 2022

Based on the identification carried out, The ONE Legian Hotel has applied the Conceptual Framework for Financial Statements Paragraphs 4.72 and 7.14. Where Hotel the ONE Legian has classified costs according to the recognition method agreed by the company, namely the environmental/natural and social costs. In addition, by carrying out social activities for both employees and the surrounding community, Hotel the ONE Legian has implemented corporate social responsibility.

b. Recognition

In its recording, The ONE Legian Hotel recognizes transaction costs as costs if the transaction has been carried out or uses the Accrual Basis Method and is recorded in Other Expense in the income statement. The ONE Legian Hotel has implemented recognition in accordance with the Conceptual Framework for Financial Statements Paragraphs 5.1 and 5.6. Where Hotel the ONE Legian has recognized environmental costs which are recognized as a transaction for activities supporting business activities which are recorded in other costs which are then divided back into sub-sectors in the income statement.

c. Measurement

Hotel The ONE Legian in measuring environmental costs incurred using monetary units or units of rupiah currency. The measurement of environmental costs is different for each distribution of costs paid with reference to the realization of the budget in the previous period. So that the realization of each year is not much different, which is called historical cost [3]. The measurement is carried out so that expenditures related to environmental costs are not excessive by using the formula for the average environmental cost of the last three years plus 10%.

The ONE Legian Hotel has carried out measurements in accordance with the 2019 Financial Reporting Conceptual Framework, Paragraphs 6.1 and 6.4 which uses rupiah as the currency unit, and

uses the basis of historical cost measurement, but in determining costs there are negotiations with third parties before deter- mining the monthly price that will be determined.

d. Presentation

Presentation in this case relates to how the presentation of environmental costs is presented in the financial statements [1]. Environmental costs are presented in the company's income statement in the Other Expense section or other costs, environmental/natural costs are in the POMEC (Property Operational Maintenance Energy Cost) sub-section, while social environmental costs are presented in the Human Resources sub-section. Where all costs that have been identified are summed and presented directly in the sub-sections that have been determined.

The presentation of financial information, especially environmental costs, has been presented in accordance with the 2019 Financial Reporting Conceptual Framework, Paragraphs 3.2 and 3.3 in the profit and loss financial statements which include Other Expense which is one component of determining the profit or loss generated by the company.

e. Disclosure

This disclosure relates to if there is a policy regarding accounting or information implemented by the company, it can be disclosed or not. Based on the results of an interview with the Chief Accountant, Mr. Bagus, who said that the financial statements at The ONE Legian Hotel did not disclose the environmental costs incurred by the company in the Notes to Financial Statements in the company's financial statements. The implementation of environmental cost disclosure at The ONE Legian Hotel is not in accordance with the 2019 Financial Reporting Conceptual Framework Paragraphs 7.1 and 7.3 regarding presentation and dis- closure as a communication tool in financial statements, due to the importance of environmental costs that need to be known by parties with an interest in financial reports.

In order to facilitate understanding of the constant comparative analysis, the researcher uses a checklist method using the Dean J. Champion formula, based on the results of the analysis that has been carried out which states the stages of cost allocation at The ONE Legian Hotel, as follows:

Table 2. Constant Comparative Analysis Checklist

No	Description	Yes	No
1	Identification of environmental costs, by classifying the environmental costs incurred into certain posts so as to facilitate decision making.	✓	
2	Environmental costs are recognized as costs for a business or activity.	✓	
3	Measurement of environmental costs by using monetary units or other units of the object of cost measurement.	✓	
4	Recognizing environmental costs in one form of account or other cognate account.	✓	
5	In a financial information or accounting policy in the company, environmental costs are disclosed or not.		✓

Source: Processed by researchers, 2022

$$Percentage = NumberOfYesAnswer/NumberOfQuestion \times 100\%$$

$$Percentage = 4/5 \times 100\% = 80\%$$

According to the Dean J. Champion analysis method, the interpretation results of the formulas that have been used are:

Table 3. Dean J. Champion's Method Interpretation

No	Criteria	Interpretation
1.	1% - 25%	The entity is declared not to meet the standard
2.	26% - 50%	Entity is declared less than standard
3.	51% - 75%	Entity is declared sufficient to meet the standard
4.	76% - 100%	The entity is declared to meet the standard

Based on the calculation of the checklist data, it can be concluded that the results of the calculation of the data above are 80% with the company's interpretation being declared to have met the standards used as comparisons, especially in this study the 2019 Financial Reporting Conceptual Framework.

Conclusion

Based on the analytical technique used in the research phase, 80% of the criteria have been implemented at The ONE Legian Hotel, this can be seen from the identification, recognition, measurement and presentation that are in accordance with the 2019 Financial Reporting Conceptual Framework. However, at the disclosure stage, The ONE Legian Hotel has not disclosed the existing environmental costs, so that interested parties can only see the total realized costs incurred. The ONE Legian Hotel has also implemented corporate social responsibility in accordance with its vision, namely Tri Hita Karana by carrying out activities that are socially and environmentally beneficial. The implication of this research is that if the application of the allocation of environmental accounting costs in the five existing stages is carried out sequentially and in accordance with applicable regulations and provisions, it can facilitate understanding of financial statements, especially environmental costs. This is because environmental/natural costs are applied as a preventive and repressive measure in minimizing the impact on the company's business activities.

Reference

[1] M. Ardiana and D. Ervina, "Perlakuan Akuntansi Biaya Lingkungan," *SAINSTEKNOPAK*, vol. 5, no. 1, 2021.

[2] R. M. Franciska, J. J. Sondakh, and V. Z. Tirayoh, "Analisis Penerapan Akuntansi Biaya Lingkungan Pada PT. Royal Coconut Airmadidi," *Going Concern: Jurnal Riset Akuntansi*, vol. 14, no. 1, 2019.

[3] N. Sari, "Analisis Penerapan Akuntansi Biaya Lingkungan Sebagai Pertanggungjawaban Sosial di RSKIA PKU Muhammadiyah Kotagede Yogyakarta," STIE Widya Wiwaha, 2018.

[4] A. N. Liana, N. Hendri, and E. F. Darmayanti, "Analisis Penerapan Akuntansi Lingkungan Terhadap Pengelolaan Limbah Sebagai Salah Satu Bentuk Pertanggungjawaban Sosial (Studi Kasus Pabrik Singkong di Dusun VI Kelurahan Sidodadi Kecamatan Pekalongan Kabupaten Lampung Timur)," *Jurnal Akuntansi AKTIVA*, vol. 2, no. 2, pp. 204–209, 2021.

[5] E. Nurhidayat, A. Junaid, and J. Kamase, "Penerapan Akuntansi Lingkungan Berdasarkan Triple Bottom Line pada RSUD HM Djafar Harun Kabupaten Kolaka Utara," *Jurnal Ilmu Akuntansi*, vol. 2, no. 2, pp. 38–80, 2020.

[6]   N. Azizah, "Analisis Penerapan Akuntansi Lingkungan Terhadap Pengelolaan Limbah Sebagai Salah Satu Bentuk Pertanggungjawaban Sosial (Studi Kasus pada PTPN XIV Pabrik Pabrik Gula Takalar)".

[7]   S. Kurnia, S. Syamsinar, and A. Afdaliah, "Akuntansi Manajemen Limbah Industri Perhotelan (Studi kasus: Sebuah Hotel Bintang Empat di Makassar)," *AKUNSIKA: Jurnal Akuntansi dan Keuangan*, vol. 1, no. 1, pp. 87–101, 2020.

[8]   U. R. Sa'ida, "Penerapan Pelaporan Akuntansi Biaya Lingkungan Sebagai Bentuk Tanggung Jawab Sosial Perusahaan dalam Pengelolaan Limbah: Studi Kasus pada Koperasi Karyawan Redrying Bojonegoro," Universitas Islam Negeri Maulana Malik Ibrahim, 2018.

[9]   D. S. A. Keuangan and I. A. Indonesia, "Kerangka Konseptual Pelaporan Keuangan," *Ikatan Akuntasi Indonesia*, 2016.

[10] D. Sugiyono, "Metode Penelitian Pendidikan Pendekatan Kuantitatif, Kualitatif dan R&D," 2013.

[11] S. Zulaikhah and E. Kristiani, "Pengetahuan Biaya Lingkungan dan Konsep Green Accounting pada Hotel Klasifikasi Melati di Kota Surakarta," *Media Akuntansi*, vol. 32, no. 01, p. 17, 2020.

[12] D. M. Artiani, A. S. Sulistyawati, and I. N. Widyatmaja, "Impelementasi Corporate Social Responsibility (CSR) di Devinsky Hotel Seminyak Bali," *Jurnal Kepariwisataan dan Hospitalitas*, vol. 3, no. 2, pp. 138–144, 2019.

The Effect of Altman Z-Score as Tool for Predicting Potential Bankruptcy on Stock Prices in Retail Subsector Companies Listed on the IDX in 2019 – 2021

IGA Kade Amanda Githayoni[1), Cening Ardina[2), and I Made Wijana[3)
Accounting Department, Politeknik Negeri Bali
Jalan Bukit Jimbaran, Kuta Selatan, Badung, Bali – 80364

Email to:
[1) amandagithayoni@gmail.com
[2) cening_ardina@yahoo.co.id
[3) madewijana@pnb.ac.id

Abstract: *The purpose of this study is to determine the Effect of Altman Z-Score as Tool for Predicting Potential Bankruptcy on Stock Prices in Retail Companies Listed on the IDX in 2019 – 2021. The data collection technique in this study uses documentation methods as well as literature studies published by the company. The data in this study uses financial statements published by retail sector companies listed on the Indonesia Stock Exchange in 2019 – 2021 by sampling using purposive sampling techniques. Companies that have met the sampling criteria are 11 companies. The data analysis method in this study uses Altman Z-score bankruptcy analysis, as well as for financial ratios using the ratio of Altman Z- score consisting of Working capital on total assets, retained earnings on total assets, profit before tax and interest on total assets, and book value of total equity at the book value of total liabilities. The next data analysis technique in this study used classical assumption tests, simple liner regression, and other hypothesis test tools. The results of this study showed that the Altman Z-score had a significant effect on the Stock Price of 17.7% with a calculated t value of 2.578 > 2.03951 (0.05 significant α) from the table. Based on the results of the Calculated Altman Z-score classification, it is shown that in 2021 there are 36 companies in a state of bankruptcy, 28% are in a state of gray area, and 36% are in a safe state.*

Keyword: *Predicting Potential Bankruptcy, Financial Statement, Altman Z-score, Stock Prices*

1. Introduction

The increase in profit in an industry indicates that the industry's level of company performance is getting better [1]. Continuously increasing profits can guarantee the company's business continuity so as to avoid bankruptcy. There are many factors that can trigger bankruptcy, both internal and external factors. If these factors are not immediately attributed, it will certainly affect the company's income and will lead to bankruptcy [2]. However, in reality, a company is not only required to be able to maintain its business continuity, but the company must also be able to keep up with the times that are continuously innovating, competitive, and the arrival of unexpected business threats such as natural disasters or disease outbreaks.

The emergence of the covid-19 outbreak around the world has made the economy begin to change very drastically. Since the WHO (World Health Organization) announced that covid-19 is a global health emergency, at that time sales in the retail subsector have decreased due to reduced demand.

Table 1. Financial Performance of Retail Subsector Listed on the IDX in 2020 (in millions of rupiah)

No.	Company	Net Profit		Growth	Revenue		Growth
		2019	2020	%	2019	2020	%
1	ACES	1.017.394	733.195	-28%	8.142.71	7.412.766	-9%
2	AMRT	1.112.513	1.061.476	-5%	72.944	75.826	4%
3	CSAP	60.833.682	60.477.744	-1%	12.079	12.659	5%
4	ERAA	295.066	612.004	107%	32.944	34.113	4%
5	GLOB	(39.725)	(50.608)	-27%	238.615	30.671	-87%
6	HERO	(28.216)	(1.214.602	-4205%	12.181	8.893	-27%
7	LPPF	1.366.884	(873.181)	-164%	10.276	4.839	-53%
8	MAPI	933.493	(553.716)	-159%	21.637	14.847	-31%
9	MIDI	203.061	200.272	-1%	11.625	12.659	9%
10	MPPA	(552.676)	(405.310)	27%	8.654.64	6.746.594	-22%
11	RALS	647.898	(138.874)	-121%	5.596.39	2.527.951	-55%

Source: Secondary data processed, 2022

According to the table data, the financial data especially average net profit growth of retail subsector companies around 2020 has decreased, based on the table shown that the decrease in net profit occurred by 80% and decreased by 60% on revenue. The biggest decrease was experienced by Hero Supermarket Tbk which was -4205% and net profit decrease by 1.214.602.000.000. According to the Minister of Trade, Muhammad Lutfi stated that the trade sector, especially the retail subsector, became the business sector that declined the most due to the Covid-19 pandemic [3].

The decline in the company's profit in the retail subsector was in line with the fluctuating share price of the company.
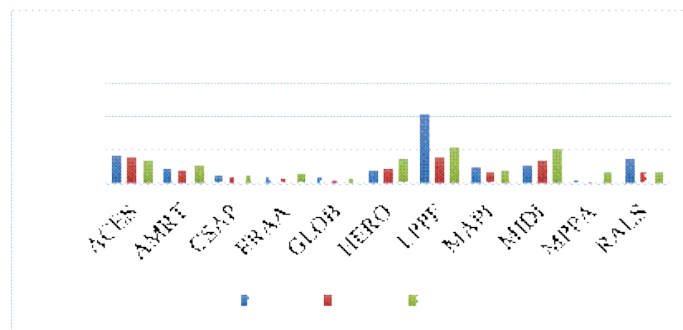
Source: Secondary data processed, 2022

According to the chart data above, the retail sector stock price data from 2019 to 2021 has fluctuated. Especially the shares of Matahari Department Store Tbk (LPPF) which have decreased significantly since covid-19 appeared in 2020 in Indonesia. So, it is very important for companies to always be swift in facing any business challenges so that profits can continue to increase, in line with the increase in stock prices, so as to avoid bankruptcy [4]. One of them is by using tools for

prediction. Various bankruptcy prediction tools can be carried out such as using the Altman method, the Springate method and the Zmijewski method. According to Hadi and Anggreni journal at Pratama Journal (2018) the Altman Z-score predictor has the greatest accuracy compared to other models [5], [6]. By using the Altman Z-score prediction tool, it will be seen which condition a company is in, namely in a healthy state, gray area, or potentially bankrupt, which of course can help investors before investing [7]. If the company's finances are healthy, investors will intend to invest, so that the company's capital increases, which will have an effect on increasing the company's profit, and will be in line with the increase in stock prices. Based on this, the focus of the research is 1) how does the Altman Z-score affect as a tool for predicting potential bankruptcy on stock prices in retail companies listed on the IDX in 2019 - 2021?

2. Method
The type of data used in this study is in the form of quantitative data. The quantitative data used is the financial statements of retail subsector companies listed on the IDX for 2019-2021. With sampling techniques using purposive sampling techniques. The data sources used in this study are secondary data, namely in the form of data that functions as a support for primary data in the form of total assets, total book value of equity, total book value of debt, retained earnings, working capital, as well as profit before interest and taxes. The data collection method used is documentation, namely the collection of research report data and financial statements and information by studying the analysis of the Altman Z-Score method and its effect on stock prices, the required documents are documents written based on the company's financial statements. The data analysis techniques used in this study are bankruptcy model analysis, descriptive statistical analysis, classical assumption test, and hypothesis UI using simple linear regression analysis [8].

3. Results and Discussion
3.1 Bankruptcy Model Analysis Results
The data used comes from the financial statements of the retail subsector listed on the IDX for 2019-2021 by sampling using purposive sampling. Based on the sample selection criteria, namely companies listed on the IDX in 2019 - 2021, publishing financial statements from 2019-2021, publishing stock prices in 2019 - 2021 and having the data needed for research, a total of 11 companies with 3 years of research obtained a total sample of 33.

Table 1. Bankruptcy Model Analysis Results

Company	2019	2020	2021
ACES	9,07	9,19	10,31
AMRT	1,83	0,91	1,31
CSAP	1,42	1,11	1,30
ERAA	3,85	3,96	4,75
GLOB	(649,33)	(595,09)	(537,10)
HERO	1,96	(1,53)	(2,62)
LPPF	66,79	(0,24)	3,34
MAPI	3,96	1,16	2,28
MIDI	0,42	(0,52)	0,14
MPPA	(2,75)	(3,56)	(2,25)
RALS	9,44	7,22	8,13

Source: Secondary data processed, 2022

Then the results of this analysis are classified into three classes, namely potential bankruptcy, gray area, and healthy [9]. The determination of the three classes is based on the Altman Z-score obtained. If the value of Z < 1.1 is potentially bankrupt, the value range of 1.1 to 2.6 is in the grey area and if Z > 2.6 is in good health. Thus, the results of the classification of Altman Z-score values from all research samples are as follows:

Table 2. Altman Z-Score Value Classification Results

Altman *Z-score*	2019	2020	2021
Bankrupt Potential	27%	55%	36%
Grey Area	18%	18%	27%
Healthy	55%	27%	36%

Source: Secondary data processed, 2022

Based on the table of the results of the Altman Z-score classification, it was found that the three categories showed fluctuations in value changes every year. The condition of sample companies that have the potential to go bankrupt increased significantly in 2020 and fell by 19% in 2021. Then the condition of the company sampled the gray area static in 2019 and 2020 and increased by 9% in 2021. Finally, the condition of sample companies with healthy conditions decreased drastically by about 50% in 2020 and increased slightly in 2021.

3.2 Descriptive Statistical Analysis Results
Then descriptive statistical analysis measurements were carried out in this study, namely the average value, maximum value and minimum value.

Table 3. Altman Z-Score Statistical Analysis Results

Variable	N	Minimum	Maximum	*Mean*
Z-Score	33	-649,3	66,8	-49,732

Table 4. Share Price Statistical Analysis Results

Variable	N	Minimum	Maximum	*Mean*
Harga Saham	33	112	4133	1073,58

Source: Secondary data processed, 2022

Based on tables 3 and 4, the company that obtained the highest score was PT Matahari Department Store Tbk (LPPF) and the one that was below average was PT Globe Kita Terang Tbk (GLOB).

3.3 Classic Assumption Test Results
Then a classical assumption test is carried out, which before carrying out the hypothesis test, should test the classical assumption as a prerequisite for the hypothesis test, because the data used is secondary data. The classical assumption tests used in this study were normality tests, autocorrelation tests, and heteroskedasticity tests.

Table 5. Normality Test Results

			Unstandardized Residual
N			33
Monte Carlo Sig. (2-tailed)	Sig.		0,327[d]
	99% Confidence Interval	Lower Bound	0,315
		Upper Bound	0,339

a. Test distribution is Normal.
b. Calculated from data.

Source: Secondary data processed, 2022

The Monte Carlo significance value of the K-S is 0.327. Which means that the significance value is above 5% (0.327 > 0.05), meaning that the data in the form of samples used in the regression model in this study are normally distributed.

Table 6. Autocorrelation Test Results

Model	Durbin-Watson	du	Dl
1	2,058	1,508	1,383

a. Predictors: (Constant), Z_Score
b. Dependent Variable: Harga_Saham

Source: Secondary data processed, 2022

The DW test was 2,058 above the upper limit (du) of 1,508 and below the 4-du value of 2,492, so that the regression model of this study was independent of autocorrelation disorders.

Table 7. Heteroscedasticity Test Results

Model		Sig.
1	(Constant)	0,000
	Z_Score	0,114

a. Dependent Variable: Abs_Res

Source: Secondary data processed, 2022

3.4 Hypothesis Test Results

Then a hypothesis test was carried out using a simple linear regression analysis by calculating the statistical test value t and the coefficient of determination test (R^2). A simple linear regression test can find out how the relationship between a free variable and its bound variable is.

Table 8. Hypothesis Test Results

Variabel	Unstandardized Coefficients		Standardized Cofficients	t	Sig.	R	Square
	B	Std. Error	Beta				
(Constant)	1166,909	131,032		8,906	0,000		
Z_Score	1,877	0,728	0,420	2,578	0,015	0,420	0,177

Source: Secondary data processed, 2022

Based on the results in table 8, the regression equation in this study can be described as follows:

Y = 1166.909 + 1.877 X

The regression equation illustrates that, if the Altman Z-Score value is 0, then the share price will be 1166,909. If the value of the Altman Z-score has increased by 1 point with a coefficient of 1,877, then the stock price also increases by 1,877.

Table 9. Statistical Test Results t

Coefficien ᵃ

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1166,909	131,032		8,906	0
	Z_Score	1,877	0,728	0,42	2,578	0,015

a Dependent Variable: Harga_Saham
Source : Secondary data processed, 2022

Obtained t-count with the table t value, which is 2.578 compared to 2.03951 (2.578 > 2.03951), indicating H0 was rejected and H1 was accepted and the calculated t value was positive so this means that Altman Z-score as a means of predicting the potential bankruptcy of the company has a positive and significant effect on the Share Price.

Table 10. Simple Coefficient of Determination Test Results (R^2)

Model	R	R Square	Adjusted R Square	Std. Error of The Estimate
1	0,420	0,177	0,150	723,427

a. Predictors: (Constant), Z-Score

Source: Secondary data processed, 2022

A yield of R^2 was obtained by 0.177 or 17.7%. This means that 17.7% of the independent variable (Altman *Z-score*) in this study can affect the dependent variable (stock price), while 82.3% cannot be explained by the variable studied.

4. Conclusion

Based on the results of the discussion and analysis that has been carried out, the conclusions that can be presented are as follows:

1. Altman Z-score in the company's financial statements for the 2019-2021 period has a significant effect on the company's Share Price. Then it can be indicated that the degree of state of the industry affects the Share Price which represents the value of the industry. Investors' decisions in investing are influenced by the condition of the company itself, the better the company's financial condition, the better value of the shares.

2. The effect of Altman Z-score is partially on the share price worth 17.7%. This is because there is an influence of other variables that arise outside of these variables.

3. Based on the results of Altman's analysis, it is known that all three categories show fluctuations in value changes every year. The condition of sample companies that have the potential to go bankrupt increased significantly in 2020 and fell by 19% in 2021. Then the condition of the company sampled a static gray area in 2019 and 2020 and increased by 10% in 2021. Finally, the condition of sample companies with healthy conditions decreased drastically by about 50% in 2020 and increased slightly in 2021.

Acknowledgement

References

[1] R. Rice, "Analisa Faktor-faktor yang Mempengaruhi Pertumbuhan Laba dengan Ukuran Perusahaan sebagai Variabel Moderating pada Perusahaan Manufaktur yang Terdaftar di Bursa Efek Indonesia," *Jurnal Wira Ekonomi Mikroskil*, vol. 6, no. 1, pp. 85–101, 2016.

[2] V. R. Prasetyo and D. Widyawati, "Pengaruh Prediksi Kebangkrutan yang Dihitung Dengan Z-Score dan S-Score terhadap Harga Saham pada Perusahaan Food and Beverage," *Jurnal Ilmu dan Riset Akuntansi (JIRA)*, vol. 9, no. 7, 2020.

[3] Luthfan, "Dampak Pandemi, Gerai Ritel Modern Bertumbangan," *Kompas.TV*, Jakarta, May 21, 2021.

[4] E. Tandelilin, "Pasar Modal Manajemen Portofolio & Investasi," *Yogyakarta: PT Kanisius*, 2017.

[5] N. B. Salsabila and W. Wahyudi, "Analisis Kinerja Keuangan Perusahaan dengan Menggunakan Altman Z Score dan Pengharuhnya Terhadap Harga Saham," *EQUITY: Jurnal Ekonomi, Manajemen, Akuntansi*, vol. 22, no. 1, pp. 75–89, 2017.

[6] P. G. Kurniawan, "Pengaruh Altman Z-Score dan Springate S-Score Sebagai Alat Prediksi Potensi Kebangkrutan Terhadap Harga Saham pada Perusahaan Batubara yang Listing di Bursa Efek Indonesia Periode 2013-2015," *Analisis Laporan Keuangan*, 2018.

[7] T. A. Marcelina and W. S. Yuliandari, "Prediksi Kebangkrutan Menggunakan Metode Z-Score dan Pengaruhnya Terhadap Harga Saham Pada Perusahaan Transportasi yang Terdaftar di Bursa Efek Indonesia Tahun 2008-2012," 2014, pp. 291–294. Accessed: Oct. 31, 2022. [Online]. Available: https://openlibrarypublications.telkomuniversity.ac.id/index.php/management/article/view/3698

[8] D. Sugiyono, "Metode Penelitian Pendidikan Pendekatan Kuantitatif, Kualitatif dan R&D," 2013.

[9] I. Ghozali, "Aplikasi Analisis Multivariate dengan Program IBM SPSS 25," 2018.

Financial Ratio's Analysis to Assess Finance Performance of Rural Owned Enterprise by Dencarik Village Bina Usaha Mandiri Buleleng Regency

Luh Sutarmi[1), I Wayan Karmana[2), and Ni Made Wirasyanti Dwi Pratiwi[3)
Accounting Department, Politeknik Negeri Bali
Jalan Bukit Jimbaran, Kuta Selatan, Badung, Bali – 80364

Email to:
[1) luhsutarmii@gmail.com
[2) karmana_wayan@pnb.ac.id
[3) madewirasyantidwipratiwi@pnb.ac.id

Abstract: *Rural Owned Enterprises are legal entities established by the village or built together with the village to manage the business, utilize the assets, develop the investment and productivity, provide services or other types of business for village community's welfare. One of them is Rural Owned Enterprise by Dencarik Village Bina Usaha Mandiri. During the last three years, in 2019, 2020 and 2021, the net profit of Rural Owned Enterprises has decreased significantly. The decrease of the profit certainly has an impact on village's income. The purpose of this study was aimed to determine the financial performance of Rural Owned Enterprises Bina Usaha Mandiri based on financial ratios. This research categorized as descriptive qualitative research to describe the company's financial performance by using analysis of liquidity ratios, profit- ability, solvency and activity. The results of financial ratios' calculations were assessed with the standard assessment of the Regulation of the Minister of Koperasi and Small and Medium Enterprises of the Republic of Indonesia Number 06/Per/M.KUKM/V/2006 about the Koperasi Award. Rural Owned Enterprises of Dencarik Bina Usaha Mandiri in 2019 received 53.6 for the assessment, in 2020 it received 46.4, and it got 42.9 in assessment in 2022. All of those scores were categorized as the poor category. With these findings, it indicated that it was necessary to make many improvements to Rural Owned Enterprises of Dencarik Village, Bina Usaha Mandiri to improve future performance.*

Keywords: *financial performance, Rural Owned Enterprises, financial ratio, financial report*

1. Introduction

Village is the smallest part of a country but plays an important role in achieving the ideals of the nation and state. Village progress can be used as a benchmark to assess the welfare of a country. Since the establishment of Law Number 6 of 2014 concerning Villages, the government has empowered village governments to manage and regulate their regions as an effort to lead autonomous villages in developing their regions, one of which has been through the establishment of Rural Owned Enterprises. Rural Owned Enterprise is an institution formed with the function of strengthening the village economy with the efforts carried out in order to obtain an outcome in the form of profit. Rural Owned Enterprise is a company managed by the village community and its management is separate from the village government [1]. Rural Owned Enterprise was formed with the aim of advancing the village economy

and was built according to the needs and potential of the village. Rural Owned Enterprise is required to submit reports on business development, one of which is with financial reports. Financial reports are the result of an accounting process that is used as a communication tool between financial information or activities of a company and parties with an interest in the company's information or activities [2]. This financial report is needed to find out the financial condition of Rural Owned Enterprise in a certain period. From the financial reports produced, it can be seen how the financial performance is. Financial performance is an analysis carried out to find out the extent to which a company has implemented financial implementation rules [3].

After the promulgation of Buleleng Regency Regulation No. 10 2015 concerning the Establishment and Management of Rural Owned Enterprises, villages in Buleleng Regency are active in establishing Rural Owned Enterprises. The Rural Owned Enterprise of Dencarik Bina Usaha Mandiri is one of the rural owned enterprises located in Banjar District, Buleleng Regency which was established in 2015. The Rural Owned Enterprise Bina Usaha Mandiri has four business units including a savings and loan business unit, village water management business unit, trading business unit and waste management business unit. The development of Rural Owned Enterprise Bina Usaha Mandiri is an alternative source of Village Income in accordance with the potential of the village. Since its establishment in 2015, Rural Owned Enterprise Bina Usaha Mandiri has not conducted an analysis of its financial statements. Judging from its financial reports, in the last three years, 2019, 2020 and 2021, the net profit of BUMDesa experienced a significant decline. It was observed from the financial statements of Rural Owned Enterprise Bina Usaha Mandiri from 2019 to 2021, there was a significant increase in current debt up to 128% from 2020 to 2021 which is not matched by a significant increase in current assets so that it is feared that Rural Owned Enterprise will not be able to settle its current obligations with available current assets. In 2021, BUMDesa assets have increased up to 8% from the previous period but their income and profits have decreased. Their business capital in 2020 has increased about 3% from the previous period. This was not accompanied by an increase in net profit, which in the 2020 period, their net profit decreased by 43%. This decrease in profit certainly has an impact on Village Income. In 2019, BUMDesa contributed 15% of the total net profit, while in 2020 and 2021 the village contribution was set at 30% of the net profit earned. With the significant decline in profits over the last 3 years, it is feared that the Rural Owned Enterprise Bina Usaha Mandiri will not be able to achieve its initial goal of strengthening the village economy in order to develop village potential.

Previous research that is relevant to this research has been carried out at BUMDesa Panca Sedana Sari where the research results obtained that the assessment of the financial performance of the Panca Sedana Sari Rural Owned Enterprises for the 2018-2020 period had an average score of 80.6 with the predicate "Good" [4]. The research on BUMDesa Arum Dalu Ngabar which resulted in the results that BUMDes Arum Dalu had sufficiently met the criteria contained in the Ministry of State of the Republic of Indonesia and the Regulation of Small and Medium Enterprises of the Republic of Indonesia No. 06/Per/M.KUKM/V/2006 but need improvement and better financial performance [5]. The research conducted a study entitled Financial Performance Analysis in Savings and Loans Cooperatives and Sharia Financing BMT Sepadan, Pasir Sakti District, East Lampung. From the research results, it is known that the liquidity of cooperatives is not sufficiently liquid as indicated by the current ratio and cash ratio which are still below the established standard [6]. The cooperative's profitability ratio for three years can be said to have not been solvable in fulfilling its long-term obligations. The profitability ratio of cooperatives for three years can be said to have been quite profitable in creating profit (SHU). The activity ratio is measured by revenue turnover, and asset turnover has met the standards set. The research conducted a study with the title Analysis of Rural Owned Enterprise Financial Performance Against Community Welfare During a Pandemic. From the research results, it is known that in 2019 before the pandemic ROA showed very good results and in 2020 during the pandemic ROA remained very good and even experienced a high increase [7]. The research conducted a study with the title of Comparative Analysis of the Financial Performance of Village Owned Enterprises (BUMDes) in Rokan Hulu Regency which showed that from the results of the study it was known that the BUMDes's turnover ratio in Rokan Hulu Regency had an average 277% (very good) [8]. The average Debt to Asset Ratio

(DAR) is 42% (good). The average Return on Asset (ROA) ratio is 8% (good). The average ratio of Total Asset Tun Over (TATO) is 0.23 (not good). The difference between this study and previous research lies in the place of research, the year of the financial statements and the number of financial ratios. Based on this description, it is considered important to carry out this research with the aim of knowing the financial performance of the Rural Owned Enterprises of Dencarik Bina Usaha Mandiri entitled "Financial Ratio's Analysis to Assess Finance Performance of Rural Owned Enterprise by Dencarik Village Bina Usaha Mandiri Buleleng Regency".

2. Method

This research was conducted at the Rural Owned Enterprises of Dencarik Bina Usaha Mandiri located in Dencarik Village, Banjar District, Buleleng Regency with the research time starting from February 2022 to Au- gust 2022. Data collection methods used in this study include interviews by conducting interviews with the BUMDesa Dencarik Bina Usaha Mandiri, documentation by collecting data from the financial statements of The Rural Owned Enterprises of Dencarik Bina Usaha Mandiri for the period 2019 to 2021 as well as with a library study by reading the literature related to research. The data analysis technique used in this study is to analyze financial ratios and then carry out an assessment in accordance with the assessment standards of the Regulation of the Minister of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia Number 06/Per/M.KUKM/V/2006 and then perform a classification of financial performance in accordance with the results of the assessment of financial ratios.

3. Result and Discussion

3.1 Financial Ratio Analysis

a. Liquidity Ratio

The liquidity ratio is a ratio that represents the company's ability to pay its short-term debt [9]. In this study, the liquidity ratio is measured by the current ratio, the following results are obtained:

Table 1. Current Ratio

Year	Current Asset	Current Liability	Current Ratio	Description
2019	1.405.361.194	381.949.563	368%	Very High
2020	1.190.466.987	212.187.491	561%	Very High
2021	1.373.274.164	483.441.889	284%	Very High

Source: Data processed, year 2022

In 2019, the percentage of the current ratio is 368%, which means that Rp. 1.00 of current liability can be financed by Rp 3,68 of assets. Meanwhile, in 2020 the current ratio percentage 561% shows an increase compared to 2019. This shows that Rp. 1,00 of current liability can be financed by Rp. 5,61 of current assets. In 2021, the percentage of current ratio is 284%. This percentage has decreased significantly from the previous period. This means that every IDR 1.00 of current debt can be financed by IDR 2.84 of avail- able current assets.

b. Profitability Ratio

Profitability is a measure of the company's ability to generate profit by using all functions and sources such as operating activities, cash, capital, number of employees and number of branches [9]

1) Net Profit Margin

Net profit margin is the ratio between profit after tax to sales.

Table 2. Net Profit Margin

Year	Net Profit after Tax	Income	Net Profit Margin	Description
2019	96.288.347	1.428.068.305	7%	Moderate
2020	54.517.087	1.673.450.402	3%	Low
2021	40.432.180	1.232.883.842	3%	Low

Source: Data processed, year 2022

Based on the calculation results, the average percentage of net profit margin Rural Owned Enterprise Dencarik Bina Usaha Mandiri is in the low range. In 2019, the percentage of net profit margin value was 7%, which indicates that it is in a moderate position. In 2020 and 2021, the percentage of net profit margin has decreased by getting a percentage of 3% which indicates it is in the low range. This percentage decrease was due to a decrease in net income.

2) Return on Asset
Return on Assets (ROA) measures the reliability of a company in utilizing assets to create profits

Table 3. Return on Asset (ROA)

Year	Net Profit After Tax	Total Assets	ROA	Description
2019	96.288.347	2.337.408.707	4%	Moderate
2020	54.517.087	2.185.072.905	2%	Low
2021	40.432.180	2.368.169.082	2%	Low

Source: Data processed, year 2022

Based on the calculation results, the average Return on Assets (ROA) of Rural Owned Enterprise Dencarik Bina Usaha Mandiri for the last three years is in the medium range with a percentage gain of 3%. The percentage of ROA from Rural Owned Enterprise Dencarik Bina Usaha Mandiri changes every year. The highest percentage of ROA was in the 2019 period, this is because the highest profit was obtained that year.

3) Return on Equity
The Return on Equity (ROE) ratio describes the percentage of net profit obtained when measured from the owner's capital.

Table 4. Return on Equity (ROE)

Year	Net Profit	Total Equity	ROA	Desc
2019	96.288.347	1.859.170.797	5%	Low
2020	54.517.087	1.918.368.327	3%	Low
2021	40.432.180	1.827.936.925	2%	Very Low

Source: Data processed, year 2022

Based on the calculation results, the average percentage of Return on Equity (ROE) of Rural Owned Enterprise Bina Usaha Mandiri is in the low range with a percentage gain of 3%. In 2019, the ROE ratio percentage was obtained at 5%. Meanwhile, in the 2020 period, the percentage ratio obtained was 4% and continued to decline until 2021, the ROE ratio percentage was 2%. This shows that the ability of Rural Owned Enterprise Dencarik Bina Usaha Mandiri in achieving maximum profit is not yet. This is due to a decrease in net profit for 3 consecutive years.

c. Solvability Ratio

Solvency ratio is a ratio that shows the company's ability to pay the long-term debts or obligations if the company will be liquidated at some point in time.

1) Debt to Asset Ratio

Debt to assets ratio, this ratio shows the extent to which debt can be covered by assets.

Table 5. Debt to Asset Ratio

Year	Total Liquidity	Total Assets	DAR	Description
2019	381.949.563	2.337.408.707	16%	Very Low
2020	212.187.491	2.185.072.905	10%	Very Low
2021	483.441.889	2.368.169.082	20%	Very Low

Source: Data processed, year 2022

Based on the calculation results, the average DAR of Rural Owned Enterprise Dencarik Bina Usaha Mandiri is in the very low range with an average percentage of 15%. In 2019, the percentage of DAR was 16% and decreased to 10% in 2020. Meanwhile, in 2021, the percentage of DAR has increased with a per- centage gain of 20%. This indicates that Rural Owned Enterprise Desa Dencarik Bina Usaha Mandiri is able to guarantee the repayment of the total debt with the available assets because it has a number of assets whose nominal value is higher than the amount of debt.

2) Debt to Equity Ratio

The debt-to-asset ratio shows the ability of the owner's capital to cover debts to other parties.

Table 6. Debt to Equity Ratio

Year	Total	Total Equidity	DER	Description
2019	381.949.563	1.859.170.797	21%	Very Low
2020	212.187.491	1.918.368.327	11%	Very Low
2021	483.441.889	1.827.936.925	26%	Very Low

Source: Data processed, year 2022

Based on calculations, the average percentage of DER is in the very low range with a percentage gain of 19%. In 2019, the DER percentage was 21% and have a significant decline in the following year to a percentage of 11%. Meanwhile, in 2021, the percentage will increase significantly to 26%. This shows that Rural Owned Enterprise Dencarik Bina Usaha Mandiri is able to cover all debts with the total capital owned. This BUM Desa has a total capital that is much higher than its total debt.

d. Activity Ratio

The activity ratio is a ratio used to assess the effectiveness of the company in utilizing available assets [10]. In this study, the activity ratio is measured by the asset turnover ratio. The asset turnover ratio describes the ability of all assets to create income

Table 7. Asset Turn Over

Year	Income	Total Assets	ATO	Description
2019	1.428.068.305	2.337.408.707	0,6	Very Low
2020	1.673.450.402	2.185.072.905	0,6	Very Low
2021	1.232.883.842	2.368.169.082	0,5	Very Low

Source: Data processed, year 2022

Based on the calculation results, the average asset turnover is in the very low range with the calculation results of asset turnover <1 times which is 0.6 times. In 2019, the calculation result of asset turnover was 0.6 times and increased in the following year with 0.8 times. This increase was due to an increase in income which was accompanied by a decrease in the number of assets. Meanwhile in 2021, asset turnover decline with a turnover of 0.5 times. This was due to a decrease in income which was accompanied by an increase in assets.

3.2 Financial Performance Assessment of Rural Owned Enterprises Dencarik Bina Usaha Mandiri
The financial ratios that have been measured are then assessed and scored based on the assessment indicators from the Regulation of the Minister of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia Number 06/Per/M.KUKM/V/2006. The results of the assessment of the ratios that have been calculated are as follows:

Table 8. Performance Result Assessment

Year	Ratio	Result	Value	Quality	Score
2019	*Current Ratio*	368%	50	3	150
	Net Profit Margin	7%	50	3	150
	Return on Asset	4%	50	3	150
	Return on Equity	5%	25	3	75
	Debt to Asset Ratio	16%	100	3	300
	Debt to Equity Ratio	21%	100	3	300
	Asset Turn Over	0,6	0	3	0
	Total			21	1125
2020	*Current Ratio*	561%	50	3	150
	Net Profit Margin	3%	25	3	75
	Return on Asset	2%	25	3	75
	Return on Equity	3%	25	3	75
	Debt to Asset Ratio	10%	100	3	300
	Debt to Equity Ratio	11%	100	3	300
	Asset Turn Over	0,8	0	3	0
	Total			21	975
2021	*Current Ratio*	284%	50	3	150
	Net Profit Margin	3%	25	3	75
	Return on Asset	2%	25	3	75
	Return on Equity	2%	0	3	0
	Debt to Asset Ratio	20%	100	3	300
	Debt to Equity Ratio	26%	100	3	300
	Asset Turn Over	0,5	0	3	0
	Total			21	900

Source: Data processed, year 2022

3.3 Classification of Financial Performance of Rural Owned Enterprise Dencarik Bina Usaha Mandiri
The implementation of performance assessment of Rural Owned Enterprise Dencarik Bina Usaha Mandiri aims to see the value of the business every year. Based on the calculation of the entire ratio, it is known that in the 2019 period, the value obtained was 53.6 and then decline for two consecutive years with the value obtained in 2020 of 46.4 and 42.9 for 2021. This indicates for three last years the Rural Owned Enterprises of Dencarik Bina Usaha Mandiri were included in the poor criteria so that they

needed to evaluate and improve from management and pay attention to the components of all posts to improve their performance in the future.

Table 9. Performance Assessment Classification

Year	Total Score	Total Quality	Value	Classification	Category
2019	1125	21	53,6	D	Poorly
2020	975	21	46,4	D	Poorly
2021	900	21	42,9	D	Poorly

Source: Data processed, year 2022

4. Conclusion

Based on the analysis of financial ratios and assessment indicators that have been discussed in the previous chapter with reference to the Regulation of the Minister of Cooperatives and Small and Medium Enterprises Number 06/Per/M.KUKM/V/2006 on the financial statements of Rural Owned Enterprises Dencarik Bina Usaha Mandiri, it is known that the liquidity ratio as measured by the current ratio is very high which indicates that the BUM Desa Dencarik Bina Usaha Mandiri is able to repay its current debt with the available current assets. Based on the profitability ratio analysis as measured by net profit margin, return on equity and return on assets, it is known that the ability of Rural Owned Enterprise Dencarik Bina Usaha Mandiri is not good enough in terms of profit. In addition, it is known that the performance of Rural Owned Enterprise Dencarik Bina Usaha Mandiri in generating profits from the assets it owns is quite good, while the performance of Rural Owned Enterprise Dencarik Bina Usaha Mandiri in generating profits from the owned capital is known to be not good enough. Based on the analysis of the profitability ratio as measured using the debt to asset ratio and debt to equity ratio, it is known that the results of both are classified as very low. This shows that Rural Owned Enterprise Dencarik Bina Usaha Mandiri is able to pay off its obligations both with assets and capital owned. Based on the activity ratio analysis measured using asset turnover, it was obtained that the asset turnover of Rural Owned Enterprise Dencarik Bina Usaha Mandiri was classified as very low. This indicates that Rural Owned Enterprise Dencarik Bina Usaha Mandiri has not been efficient in utilizing its assets to generate income. Referring to the standard in the assessment indicators of the Regulation of the Minister of State of the Republic of Indonesia and Small and Medium Enterprises of the Republic of Indonesia Number 06/Per/M.KUKM/V/2006, in 2019 the Rural Owned Enterprise Dencarik Bina Usaha Mandiri received an assessment of 53.6, in 2020 it received an assessment of 46.4, and an assessment in 2021 of 42.9, all three of which were in the poor category. With these findings, it indicates that there is a need for many improvements to Rural Owned Enterprise Dencarik Bina Usaha Mandiri to improve future performance.

Reference

[1]   I. W. Suartana, *Bali MSME Empowerment Strategy*. Denpasar: Udayana University Press., 2017.
[2]   Munawir, *Analysis of Financial Statements*. Yogyakarta: Liberty Yogyakarta, 2019.
[3]   I. Fahmi, *Financial Performance Analysis*. Bandung: Alphabeta, 2014.
[4]   P. D. Herayanti, "Analysis of the Financial Performance of Panca Sedana Sari Village-Owned Enterprises Based on Financial Ratios for the 2018-2020 Period," *Scientific Journal of Management and Business*, vol. 2, no. 1, pp. 35–46, 2021.

[5]   G. Z. Maharyani, "Financial Ratio Analysis as a Benchmark Financial Performance of Arum Dalu Ngabar Village Owned Enterprises (Bumdes)," *Scientific Journal of Management and Business*, vol. 2, no. 1, pp. 35–46, 2018.

[6]   E. Pariyanti, "Analysis of Financial Performance in Savings and Loans Cooperatives and Sharia Financing BMT Sepadan, Pasir Sakti District, East Lampung," *Scientific Journal of Finance and Banking*, vol. 2, no. 1, pp. 2621–2439, 2018.

[7]   Lidwina. Fanny, "BUMDes Financial Performance Analysis on Community Welfare During the Pandemic Period," *Journal of Competitive Accounting*, vol. 1, no. 5, 2022.

[8]   Afrijal and Ramadhani, "Comparative Analysis of the Financial Performance of Village Owned Enterprises (BUMDES)Afrijal," 2016.

[9]   S. S. Harahap, "Critical Analysis of Financial Statements (Twelfth Printing)," *Jakarta: PT. Raja Grafindo Persada*, 2015.

[10]   Kasmir, *Analisis Laporan Keuangan*. Jakarta: Rajawali Pers, 2013.

Analysis of Implementation of Financial Accounting Standards for Micro, Small and Medium Entities in the Preparation of Financial Statements in MSME Ernov Bali

Ni Luh Sri Utami Baktika[1]*, I Made Dana Saputra[2], and I Ketut Suwintana[3]

Accounting Department, Politeknik Negeri Bali
Jalan Bukit Jimbaran, Kuta Selatan, Badung, Bali – 80364

Email to:
[1] niluhsriutami227@gmail.com
[2] m94158@gmail.com
[3] tutswint@pnb.ac.id

Abstract: *SAK EMKM is a Financial Accounting Standard for Micro, Small and Medium Entities which is made simpler than SAK ETAP. There are 3 financial statements that must be prepared by MSMEs, including statements of financial position, profit and loss, and notes to financial statements. This research uses descriptive qualitative method. This research was conducted for 6 months covering preparation to implementation. The research subjects are owners and employees of MSME Ernov Bali and the object of research is the financial report of MSME Ernov Bali in 2021. Data collection techniques are carried out by interview and documentation. The results showed that MSME Ernov Bali had not fully prepared financial statements in accordance with SAK EMKM. Therefore, it is recommended that MSME Ernov Bali improve its financial statements to make it easier to prepare financial reports.*

Keywords: *MSME, Financial Report, SAK EMKM*

1. Introduction

The growing population in Indonesia is a factor that can affect people's welfare. Businesses that are currently well known and growing rapidly in Indonesia and are in great demand are MSMEs [1] stated that MSMEs have the potential to advance welfare and economic conditions. Then [2] added that an entrepreneur can have a role in creating jobs. Based on data from the Ministry of Cooperatives and Small and Medium Enterprises (2021), the number of MSMEs in Indonesia reached 64.2 million in March 2021 and gross domestic product (GDP) reached 61.07% or 8,573.89 trillion rupiah. However, many MSMEs do not make financial reports in accordance with SAK EMKM, supported by research from [3] which concludes that MSMEs do not really need accounting knowledge and understanding.

SAK EMKM is a standard that is designed to be lighter because there are transactions that are often used by MSMEs. SAK EMKM will certainly make it easier to carry out business development activities both in gaining access to capital from investors and banks. Then according to [4], if MSMEs make financial reports based on SAK EMKM then they will have reliable financial reporting. The research [5], stated that Sukma Cipta Ceramic MSMEs had not fully implemented SAK EMKM and MSME understanding, Furthermore, [6] explained that CV Mavesa Jaya MSMEs did not understand the procedure for making financial reports appropriately, and [7] stated that the opening The one owned by

Rizky Busana Shop is still very simple because it only makes a summary of the amount of cash, receivables, inventories, and payables at the end of the month. MSME Ernov Bali has made financial reports but has not fully followed SAK EMKM, namely as follows:

Table 1. Report of Ernov Bali's Financial Position in 2021

ASSET	
Cash	63.204.500
Inventory	175.900.000
TOTAL ASET	**239.104.500**
LIABILITY & EQUITY	
Account Payable	7.500.000
Tax Payable	422.500
Capital	250.000.000
Retained Earning	73.170.976
Net Income for the Year	28.850.000
TOTAL LIABILITY & EQUITY	**359.943.476**

Based on the table, Ernov Bali's MSME financial reports are inappropriate and unbalanced. Financial statements are a very important component to see business performance [8], and SAK EMKM (2016) provide an explanation of the state and finances of SAK EMKM entities. Therefore, it must be studied further on how to recognize, measure, and present in the preparation of the financial statements of MSME Ernov Bali and the application of SAK EMKM in the financial statements in order to know the application of SAK EMKM in the recognition, measurement, and presentation of the preparation of financial statements prepared by MSME Ernov Bali.

2. Method

The type of research used is qualitative with a descriptive approach. The place to carry out the research is MSME Ernov Bali. The research was carried out for six months, from February to July 2022. The data source consisted of primary data, namely from interviews and secondary data from the financial report data of MSME Ernov Bali in 2021. The validity of the data used was source triangulation, then the data analysis technique used in this study is a comparative descriptive method, the analysis technique is carried out by comparing the theory or data obtained related to the applicable standards in compiling financial reports, namely SAK EMKM with the practices that occur in these SMEs and in this study, a comparison of financial statement data made by MSME Ernov Bali with a theory based on SAK EMKM was carried out.

3. Result and Discussion

Entity, Micro, Small and Medium Financial Accounting Standards are used specifically for MSMEs. With the existence of SAK EMKM, it can be a reference for MSMEs, especially for MSME Ernov Bali so that they can be more developed and independent in carrying out accounting records, and can develop information about accounting that has an influence on the sustainability of their business. There are three types of financial statements based on SAK EMKM, income statement, financial position, and CALK. The following is a financial report that is processed based on SAK EMKM.

Table 2. Profit and Loss Statement Ernov Bali based on SAK EMKM

Ernov Bali
Profit and Loss Statement
For Years Ended Per 31 December 2021

Description	Amount (Rp)
Revenue	
Revenue	84.500.000
Total Revenue	**84.500.000**
Cost of Good Sold	
Beginning Inventory	156.300.00
Purchase	54.700.000
Ending Inventory	175.900.000
Total Cost of Good Sold	**35.100.000**
Gross Profit	**49.400.000**
Administration & General Expenses	
Salary expense	84.500.000
Transportation expenses	750.000
Office Supplies	25.000
Phone expense	875.000
Electricity expense	1.250.000
Other General & Administrative Expenses	250.000
Building Rent Expense	15.000.000
Total Administration & General Expenses	**103.017.500**
Net Profit (Loss) Before Tax	**(53.617.500)**
PP Tax Burden 23	422.500

Table 3. Statement of financial position Ernov Bali based on SAK EMKM

Ernov Bali
Statement of Financial Position
On December 31, 2021

ASSET	
Current Assets	
Cash	63.204.500
Inventory	175.900.000
Non Current Assets	-
Total Assets	**239.104.500**
LIABILITY & EQUITY	
LIABILITY	
Account Payable	7.500.000
Tax Payable	55.000
EQUITY	
Capital	250.000.000
Retained Earning	35.222.000
Net Income for the Year	(53.672.500)
TOTAL LIABILITY & EQUITY	**239.104.500**

The income statement is a report that provides information about how the company is performing in relation to business continuity over a certain period of time. MSME Ernov Bali can define the accounts in the income statement as well as evidenced by the preparation of an income statement by MSME Ernov Bali then in the profit and loss statement MSME Ernov Bali has recognized revenues and expenses, then measured them using historical costs and presented them to each income group or burden. The income statement is obtained from income minus expenses, MSME Ernov Bali uses a final tax, which is based on PP 23 of 2018 at a rate of 0.5% so that MSME Ernov Bali records a tax burden of Rp.

422,500. 23 of 2018 from January to December which is calculated through gross turnover or sales multiplied by the rate of 0.5%.

b. Statement of Financial Position

The statement of financial position is part of the financial statements that show what the financial position of a company or MSME is like. The statement of financial position of MSME Ernov Bali has not classified or described several accounts such as current assets and fixed assets and the separation of accounts between liabilities and equity then MSME Ernov Bali is not correct in recording last year's profit (loss) and this year's profit (loss). the nominal between assets and liabilities and equity is not balanced for that number should be recorded in accordance with the profit or loss in last year's report and this year's profit (loss) written with the profit (loss) earned in 2021.

c. CALK

The notes to the financial statements are the part of the financial statements that contain information and details relating to certain accounts. The notes to the financial statements serve to complete the information needed for translation in a descriptive format, the notes to the financial statements can then explain the numbers contained in the financial statements.

Based on the results of the research carried out, it was explained that the recording of financial statements carried out by MSME Ernov Bali was classified as less tidy. The recording process has been using a computer assisted by using excel to input income and expenses. MSME manager Ernov Bali is too focused on compiling the income statement so that the statement of financial position becomes unbalanced. The employee from MSME Ernov Bali already knows about the account items in the income statement and statement of financial position but does not understand in detail the components. Then the presentation of financial statements at MSME Ernov Bali is not in accordance with SAK EMKM, this can be seen from the recognition, measurement, and presentation stages. MSME Ernov Bali has correctly acknowledged the items related to each account, but in the measurement stage MSME Ernov Bali is still confused, for example in the statement of financial position, MSME Ernov Bali incorrectly recorded last year's profit and loss and current year's profit and loss. So that the understanding of accounting related to the preparation of financial statements has not been fully mastered by MSME Ernov Bali. There are many factors that cause the lack of knowledge possessed in making financial statements. So, it is recommended that MSME Ernov Bali use SAK EMKM in the preparation of its financial statements so that it can be easier to find out the performance conditions of the business being undertaken.

The results of this study have limitations on the object of research, namely this research focuses on one MSME, namely MSME Ernov Bali. Furthermore, it only focuses on discussing the three components of the financial statements, namely the statement of financial position, income statement, notes to financial statements for the 2021 period.

4. Conclusion

The conclusion of this study shows that MSME Ernov Bali has not fully prepared financial reports in accordance with SAK EMKM, then in the recognition, measurement, and presentation of financial statements made by MSME Ernov Bali has not fully complied with the applicable SAK EMKM. There are several discrepancies such as errors in measuring liabilities, then incomplete presentation as evidenced by the absence of account classification.

MSME Ernov Bali does not present notes on financial statements so that MSMEs are still having difficulties in knowing how to obtain information about their accounting policies and information about the accounts contained in the financial statements. MSME Ernov Bali can learn more about how to prepare appropriate financial reports in accordance with SAK EMKM in order to understand how the sustainability of their business is going, then the preparation of good financial reports can be useful in conducting performance assessments as a comparison for the previous year.

Acknowledgment

References

[1] S. Campin, J. Barraket, and B. Luke, "Micro-Business Community Responsibility in Australia: Approaches, Motivations and Barriers," *Journal of Business Ethics*, vol. 115, no. 3, pp. 489–513, 2013.

[2] N. M. Scarborough and T. W. Zimmerer, "Effective Small Business Management: An Entrepreneurial Approach," 1996.

[3] M. D. Lestari, "Analisis Faktor Yang Mempengaruhi UMKM Tidak Menerapkan Penyusunan Laporan Keuangan Berdasarkan SAK ETAP (Studi Kasus Pada Dusun Kerep, Kelurahan Panjang, Kecamatan Ambarawa)," *Jurnal Akuntansi*, vol. 9, no. 1, pp. 27–32, 2021.

[4] M. D. Saputra and I. M. A. Putrayasa, "Implementasi Standar Akuntansi Keuangan Entitas Mikro, Kecil dan Menengah (SAK EMKM) pada Jewelry S Celuk Sukawati," *Jurnal Bisnis dan Kewirausahaan*, vol. 16, no. 1, pp. 58–64, 2020.

[5] Nurlaila, "Penerapan Standar Akuntansi Keuangan Entitas Mikro Kecil Dan Menengah (SAK EMKM) Pada Sukma Cipta Ceramic Dinoyo-Malang," Universitas Islam Negeri (UIN) Maulana Malik Ibrahim, Malang, 2018.

[6] I. Z. N. Lailia, "Implementasi Standar Akuntansi Keuangan Entitas Mikro, Kecil, dan Menengah (SAK EMKM) Dalam Laporan Keuangan Pada Usaha Mikro Kecil Menengah (Studi Kasus CV. Mavesa Jaya Magelang)," 2021.

[7] I. Iswandir, "Penerapan Standar Akuntansi Keuangan Entitas Mikro, Kecil dan Menengah (Emkm) pada Usaha Dagang Toko Rizky Busana Tahun 2019," *Jurnal Mitra Manajemen*, vol. 12, no. 1, pp. 83–98, 2021.

[8] A. Sugiono, Y. N. Soenarno, and S. M. Kusumawati, "Akuntansi dan Pelaporan Keuangan untuk Bisnis Skala Kecil dan Menengah," *Grasindo. Jakarta*, 2010.

Accounting Application on Financial Statements Based on SAK EMKM at Save and Loan Cooperatives in Karangasem Regency

N M Ari Meliana Sativa Sandi[1], Jeni Susanti[2], I Dewa Made Mahayana[3]
Accounting Department, Politeknik Negeri Bali
Jalan Bukit Jimbaran, Kuta Selatan, Badung, Bali – 80364

Email to:
[1] melianasativa6@gmail.com
[2] jeni_s154@yahoo.com
[3] dewamademahayana@pnb.ac.id

Abstract: *In 2009 IAI has issued SAK ETAP (Financial Accounting Standards for Entities Without Public Accountability), but in 2018 IAI issued a new policy for entities without public accountability and micro, small and medium income, known as the Financial Accounting Standards for Micro Small and Medium Entities. Savings and loan cooperatives are one of the entities that are classified as micro, small and medium entities because they have complied with Law no. 20 of 2008 about Micro, Small and Medium Enterprises. The research using the Financial Statements of Savings and Loan Cooperatives in Karangasem Regency. Researchers took 30 savings and loan cooperatives for the samples. This study uses purposive sampling to determine the suitability between the financial statements consisting of the Balance Sheet, Report on Calculation of Remaining Operating Results and Notes on Financial Statements. The data collection method in this study used the questionnaires or structured interviews and uses descriptive analysis techniques to determine the application of accounting in preparing the financial statements of savings and loan cooperatives in Karangasem Regency. Standard-compliant theory is compared with the content of financial statements. According to the study of the application of the financial statements for savings and loan cooperatives in Karangasem Regency with SAK EMKM are very good. From the weighted score, the results obtained 82% where the scale is at 76% - 100% on the Guttman scale, that's known by financial statements of savings and loan cooperatives in Karangasem Regency are very in accordance with SAK EMKM.*

Keywords: *financial statements, SAK EMKM, savings and loan cooperatives*

1. Introduction

The purpose of cooperatives is to move forward the welfare of individual and society in general, as well as an indistinguishable portion of a majority rule and fair national financial arrange. In this case, the government has established the Cooperatives and Business, Micro, Small and Medium (UMKM) Office as a regional government affair based on the principle of autonomy and assistance in the fields of cooperatives, MSMEs and industry (UU No 17 of 2012). One type of cooperative business that really

requires the preparation of quality financial reports is the sort of reserve funds and credit agreeable commerce since investment funds and credit cooperatives are money related teach that carry out their trade exercises by collecting and dispersing reserves from and for individuals, imminent individuals, other cooperatives and or their individuals, which ought to be overseen professionally in agreement with the prudent rule, so as to extend believe and give the most extreme advantage to individuals and the encompassing community [1], [2].

When the cooperative is unable to carry out the RAT at the stipulated time, the cooperative can be declared inactive because it is unable to fulfill its obligations. Therefore, cooperatives in general must be encouraged to grow and develop and generate profits with graphs that increase from year to year, one way is by compiling financial reports in accordance with generally accepted standards. Financial reports are one of the basic but important things, because financial statements contain information that can be used to assess the company's performance which is also used for internal and external parties in making decisions [3].

SAK EMKM is less difficult which points to supply high quality financial reports with the estimate and complexity of client data to create it easier for clients to get it SAK EMKM could be a stand-alone financial standard that can be utilized by substances that meet the definition of a substance without critical open responsibility as characterized in SAK ETAP and the definition and run of amounts in UU no. 20 of 2008. Throughout 2019 there were still several cooperatives in Karangasem that did not use financial accounting rules for small and medium income businesses [4], so that when carrying out the process of making forms of financial accountability they still experienced difficulties and would lead to mis- representation of financial accountability [5]. Therefore, it is necessary to analyze the application of financial reports based on SAK EMKM in savings and loan cooperatives in Karangasem Regency so that they can produce quality financial reports and avoid misstatement of financial statements.

2. Method

This study aims to obtain an in-depth picture of the application of accounting standards in the financial statements of savings and loan cooperatives in accordance with SAK EMKM with a mix method approach [6]. This research also uses descriptive research methods, which describe actual phenomena and analyze them Research and data collection was carried out at the Savings and Loans Cooperative in Karangasem Regency [7]. This research was conducted from March 2022 to July 2022.

The population in this study were loan and saving Cooperatives registered at the Department of Cooperatives and SMEs of Karangasem Regency as many as 139 Savings and Loans Cooperatives. Based on the results of purposive sampling calculations, the sample used in this study consisted of 30 savings and loan co- operatives spread over eight (8) sub-districts in Karangasem Regency [8].

3. Result and Discussion

This study using the application of accounting to financial statements that have been presented in the 2021 accountability report of savings and loan cooperatives in Karangasem Regency which consists of a balance sheet, calculation of the remaining operating results, and notes to the 2021 financial statements through a comparison of the theory of accounting standards, namely Financial Accounting Standards [9]. Micro, Small and Medium Entities (SAK EMKM). To determine the application of SAM EMKM used a questionnaire measuring instrument which refers to the research. Respondents in this study were limited to savings and loan cooperatives in Karangasem Regency, where data on a list of cooperatives in Karangasem Regency was obtained by submitting a data request letter to the Department of Cooperatives and SMEs of Karangasem Regency totaling 335 cooperatives of all types of service businesses, consumers, marketing, producers, and savings and loans which can be seen in Appendix 1. Then from the list of cooperatives in Karangasem Regency, they were sorted according to sample considerations and focused on loan and saving cooperative and obtained 30 savings and loan cooperatives which can be seen in Appendix 2. The questionnaire compiled is a structured interview

form which can be seen in Appendix 3. This study uses a Guttman scale questionnaire where the respondent's answer choices are Yes and No. The criteria used in this study to state the suitability of the financial statements of savings and loan cooperatives use SAK EMKM.

3.1 Understanding of SAK EMKM at Saving and loan cooperative Karangasem Regency
The outcome of the analysis of the knowledge of SAK EMKM by the respondents are in accordance with table 1. The table shows that most of the financial persons in charge of loan and saving cooperatives as much as 60% of respondents have heard or received information about SAK EMKM. One respondent stated that the respondent had heard or received information from the Cooperative Service and the Regional Cooperative Council (Dekopinda) and only knew to fulfill financial reporting needs. From the over- all results of the analysis of understanding of SAK EMKM in table 1, 60% of the people in charge of savings and loan cooperatives in Karangasem Regency understand and know about SAK EMKM, which means that respondents are quite good at understanding SAK EMKM.

Table 1.
Results of Understanding of SAK EMKM at
Saving and loan cooperative Karangasem Regency

Question	Yes	No	%
Understanding of SAK EMKM at Saving and loan cooperative Karangasem Regency.	18	12	60%
Total Persentase Answer Yes			60%

Source: Researcher Data Processed Results, 2022

3.2 *Components of SAK EMKM Financial Statements on Savings and Loan Cooperatives in Karangasem Regency*
According to the outcome of Table 2, all savings and loan cooperatives that became the research sample presented balance sheets and reports on the calculation of operating results, but for the notes on the financial statements there were 2 savings and loan cooperatives which stated that they did not present notes on financial statements (CALK). From the results of the documentation obtained, from 2 respondents who stated that they did not present CALK in the answers to the questionnaire. While the results of the documentation there are still savings and loan cooperatives that do not present CALK in full. Whereas in this CALK there is a lot of information and also includes applicable accounting policies, but there are still cooperatives that do not understand and do not present CALK in full.

Table 2.
Presentation of Components of SAK EMKM Financial Statements on
Savings and Loan Cooperatives in Karangasem Regency

Question	Yes	No	%
Components of SAK EMKM Financial Statements on Savings and Loan Cooperatives in Karangasem Regency.	29	1	98%
Total Persentase Answer Yes			98%

Source: Researcher Data Processed Results, 2022

3.3 Components of SAK EMKM Financial Statements on Savings and Loan Cooperatives in Karangasem Regency

Table 3 shows the results of 30 cooperatives or 93% presenting financial statements exactly what will be represented and free from material errors and bias. There are 27 cooperatives that use the accrual basis or 90%. While savings and loan cooperatives that present information in financial statements that can be compared between periods to recognize trends in financial position and performance, there are 30 savings and loan cooperatives or 100%.

Table 3.
Presentation of Components of SAK EMKM Financial Statements on
Savings and Loan Cooperatives in Karangasem Regency

Question	Yes	No	%
Components of SAK EMKM Financial Statements on Savings and Loan Cooperatives in Karangasem Regency.	28	2	94%
Total Persentase Answer Yes			94%

Source: Researcher Data Processed Results, 2022

3.4 Statement of Financial Position on Savings and Loan Cooperatives in Karangasem

According Based on the table 4, it can be seen that the suitability of the application of the statement of financial position with SAK EMKM is 82%, which means that every savings and loan cooperative in the statement of financial position is in accordance with SAK EMKM. It's just that there are still savings and loan cooperatives in their application that are not in accordance with SAK EMKM on certain accounts.

Table 4.
Presentation of the Statement of Financial Position on
Savings and Loan Cooperatives in Karangasem

Question	Yes	No	%
Components of SAK EMKM Statement of Financial Position on Savings and Loan Cooperatives in Karangasem Regency.	25	5	82%
Total Persentase Answer Yes			82%

Source: Researcher Data Processed Results, 2022

3.5 Statements for Calculation of Operating Results on Savings and Loan Cooperatives in Karangasem Regency

From table 5 it can be seen that 4 savings and loan cooperatives in revenue recognition are not in accordance with EMKM accounting standards. Meanwhile, 3 savings and loan cooperatives stated that the expense recognition was not in accordance with accounting standards. In SAK EMKM 2.19 states that substances plan financial articulations utilizing the gathering premise. Beneath the collection premise, things are recognized as resources, liabilities (liabilities), value, pay and costs when they meet the definitions and acknowledgment criteria for each of these things [10]. While the savings and loan cooperatives that present information in financial statements that can be compared between periods to recognize trends in financial position and performance are all savings and loan cooperatives or 100%.

The application of the report on the calculation of the results of savings and loan cooperatives in Karangasem Regency is very much in accordance with SAK EMKM. Based on the results of the analysis in table 5, it is known that 88% of cooperatives are appropriate. Then it can be shown that the savings and loan cooperatives in Karangasem Regency are in accordance with SAK EMKM in the report on the calculation of business results.

Table 5.
Presentation of Financial Statements for Calculation of Operating Results on Savings and Loan Cooperatives in Karangasem Regency

Question	Yes	No	%
Components of SAK EMKM Financial Statements for Calculation of Operating Results on Savings and Loan Cooperatives in Karangasem Regency.	26	4	88%
Total Persentase Answer Yes			88%

Source: Researcher Data Processed Results, 2022

3.6 Notes to Financial Statements at Savings and Loan Cooperatives in Karangasem Regency
According Based on the table 6, shows that 83% of savings and loan cooperatives in Karangasem Regency in the notes to the financial statements are very in accordance with SAK EMKM. However, judging from the results of the documentation of 11 savings and loan cooperatives, they are presenting notes on financial statements that are not complete. Overall, the 11 savings and loan cooperatives do not contain an overview of the accounting policies used in the notes to the financial statements that have been presented. Accounting policies are the specific principles, rules, and practices that a reporting entity chooses in preparing and presenting financial statements. The function of accounting policies in the notes to financial statements is intended so that financial statements can be understood by a broad readership, not limited to certain readers or the management of reporting accounting entities. In addition, the notes to the financial statements are very necessary because they contain an explanation of the accounts in the financial statements and also various accounting policies, including the use of accounting standards used by the cooperative. So, from the explanation, overall savings and loan cooperatives in Karangasem Regency strongly apply SAK EMKM, with a percentage of 63% of savings and loan cooperatives in Karangasem Regency that have been in accordance with SAK EMKM. Obtained from 25 respondents who said yes (83%) after seeing the report documentation. In the finance of savings and loan cooperatives, 11 cooperatives did not contain an overview of accounting policies. Karangasem has not fully presented the components of the financial statements, namely in the Notes to Financial Statements, although the scale criteria are stated to be sufficient in accordance with SAK EMKM.

Table 6.
Presentation of Notes to Financial Statements at Savings and Loan Cooperatives in Karangasem Regency

Question	Yes	No	%
Components of SAK EMKM Notes to Financial Statements at Savings and Loan Cooperatives in Karangasem Regency.	23	7	77%
Total Persentase Answer Yes			77%

Source: Researcher Data Processed Results, 2022

3.7 Constraints in the Preparation of Financial Statements

Table 7 shows the results of respondents' answers show that 47% of savings and loan cooperatives have problems in preparing financial statements and 53% of savings and loan cooperatives have no obstacles in preparing financial statements. The following are the obstacles to applying accounting to the financial statements of savings and loan cooperatives in Karangasem Regency: (a) The factor of lack of human resources is observed through quality or quantity. Lack of understanding of accounting standards is either caused by employees who do not have the same education field or by advancing age that does not support continuing education. Human resources in savings and loan cooperatives are not all qualified in using Excel. (b) Inadequate access to computer applications, and computer application access is required to facilitate financial report preparation. But the cost of buying computer applications is quite expensive. Sometimes savings and loan cooperatives cannot afford to buy and only use manual Excel.

Table 7.
Constraints in the Preparation of Financial Statements

Question	Yes	No	%
Constraints in the Preparation of Financial Statements	14	16	47%
Total Persentase Answer Yes			47%

Source: Researcher Data Processed Results, 2022

Based on Table 8, the average result obtained is a weighted score of 82% or 0.82 which refers to the criteria for the Guttman scale analysis technique in Table 4.1 the figure is at 76% - 100% which shows in the savings and loan cooperative report in Karangasem Regency very in accordance with the policies of the Financial Ac- counting Standards for Micro, Small, and Medium Entities (SAK EMKM).

Table 8.
Distribution of Conformity Scores for the Application of Financial Statements
in Savings and Loan Cooperatives with SAK EMKM

Question Number	Score		Amount	Average
	Yes	No		
1	18	11	19	60%
2	16	12	18	53%
3	28	2	28	93%
4	27	3	27	90%
5	30	0	30	100%
6	30	0	30	100%
7	25	5	25	83%
8	24	6	24	80%
9	25	5	25	83%
10	30	0	30	100%
11	26	4	26	87%
12	27	3	27	90%
13	28	2	28	93%
14	19	11	19	63%
15	20	10	20	67%
16	30	0	30	100%
17	14	16	14	47%
Total Persentase Answer Yes				82%

Source: Researcher Data Processed Results, 2022

4. Conclusion

The results showed that the suitability of the application of the financial statements of savings and loan cooperatives in Karangasem Regency with SAK EMKM was very good. From the weighted score, the results obtained 82% where the scale is at 76% - 100% on the Guttman scale indicating that the financial statements (balance sheet reports, reports on operating results, and notes to financial statements) savings and loan co- operatives in Karangasem Regency are very appropriate. with SAK EMKM. It is known that in the balance sheet, 82% have presented in accordance with SAK EMKM. While the report on the calculation of operating results is 88% in accordance with SAK EMKM, and the notes to the financial statements present in accordance with SAK EMKM by 63% seen from the results of questionnaire analysis and documentation data where 11 savings and loan cooperatives do not contain an overview of accounting policies.

Reference

[1] V. Sujarweni, *Analisis Laporan Keuangan. .* Yogyakarta: Pustaka Baru Press. , 2017.

[2] G. Noviyanti, "Penerapan Standar Akuntansi Keuangan Entitas Mikro, Kecil dan Menengah (SAK EMKM) Untuk Menyusun Laporan Keuangan pada Apotek Makmur Bersama Banjarmasin.," 2019.

[3] S. Mulyawan, *Manajemen Keuangan*. Bandung: CV Pustaka Setia, 2015.

[4] I. K. Susila, "Pengaruh Pemahaman Akuntansi, Pemanfaatan Teknologi Informasi Dan Kompetensi Sumber Daya Manusia Terhadap Kualitas Laporan Keuangan Koperasi ," Universitas Pendidikan Ganesha, Singaraja, 2020.

[5] R. C. Aditama, "Analisis Penerapan Standar Akuntansi Keuangan Entitas Mikro Kecil dan Menengah (SAK EMKM) Dalam Penyusunan Laporan Keuangan pada Koperasi Simpan Pinjam (KSP) Bhakti Abadi," 2020.

[6] Kasmir, *Analisis Laporan Keuangan*. Jakarta: Rajawali Pers, 2013.

[7] I. Fahmi, *Financial Performance Analysis*. Bandung: Alphabeta, 2014.

[8] A. Sugiono, Y. N. Soenarno, and S. M. Kusumawati, "Akuntansi dan Pelaporan Keuangan untuk Bisnis Skala Kecil dan Menengah," *Grasindo. Jakarta*, 2010.

[9] R. Yunita and M. Mahsun, "Evaluasi Penerapan Standar Akuntansi Keuangan Entitas Mikro, Kecil Dan Menengah (SAK EMKM) Pada Laporan Keuangan Koperasi Simpan Pinjam (KSP) Adil Dlingo," STIE Widya Wiwaha, 2018.

[10] D. Wahyuningsih, "Implementasi Standar Akuntansi Keuanga Entitas Mikro Kecil dan Menengah (SAK EMKM) pada UMKM (Studi Kasus Pada UMKM Histlalova. ," STIE PGRI Dewantara, Jombang, 2021.

Financial Ratio Analysis in Assessing Financial Performance of Denpasar City Government for the Year 2018 – 2021

Ida Ayu Putu Jyotisna Garbania[1], I Made Bagiada[2], and I M Agus Putrayasa[3]
Accounting Department, Politeknik Negeri Bali
Jalan Bukit Jimbaran, Kuta Selatan, Badung, Bali – 80364

Email to:
[1] dayujyotisnagarbania@gmail.com
[2] Mbagiada@gmail.com
[3] goes_sa07@yahoo.com3

Abstract: *The execution of the standard of decentralization with regards to understanding the local independence of city in the Province of Bali has not been completely ready to investigate provincial pay sources which will uphold the outcome of carrying out territorial independence. Monetary information written in the Regional Government Budget isn't adequate to give sufficient data with respect to monetary administration execution in a specific locale. This exploration looked to evaluate the presentation of territorial monetary administration in Denpasar City during 2018-2021, as estimated by the local monetary reliance proportion, adequacy proportion, productivity proportion, the provincial consumption similarity proportion, the level of financial decentralization proportion and development proportion. Monetary Ratio Analysis utilizing the Budget Realization Report can be an estimating instrument for evaluating the monetary exhibition of nearby government. The exploration results uncovered that the monetary administration execution of Denpasar City during 2018-2021 still generally low in a few proportions explicitly the territorial monetary reliance proportion, productivity proportion, the level of monetary decentralization proportion and development proportion, while viability pro- portion and the local consumption similarity proportion show great monetary execution. It tends to be seen from its low territorial independence and its high reliance on the focal government. Furthermore, the territorial government has not had the option to smooth out the local funds in which provincial consumptions were more prominent than provincial incomes. The development pace of provincial monetary administration can be sorted as bad, since there is a lessening in pay consistently during the estimation time of the financial year.*

Keywords: *financial ratio; budget realization report; regional financial performance*

1. Introduction

The local government as the party authorized to carry out government activities, development, and services to the community is required to be able to build good performance measures. The performance of regional financial management reflects the results of achieving work in the regional finance department which includes activities in realizing the APBD. APBD is a unit consisting of three components, namely regional in- come, regional expenditure, and regional financing. Sources of Regional Income, namely Regional Original Income (PAD), Part of balancing funds and other legitimate income.

Denpasar City is one of the cities in Indonesia, precisely the capital city of Bali Province. The city of Denpasar is actively carrying out regional development to support regional development, it is hoped that this development can go straight with good financial performance. The structure of the Denpasar City Budget during the 2018 to 2021 fiscal year in terms of Regional Expenditures and Regional Revenues shows a significant increase and decrease. However, in terms of regional income, Denpasar City is still dominated by the Balancing Fund compared to PAD. In addition, in 2019 the realization of regional expenditures was greater than the realization of regional revenues, this shows that the level of use of PAD to finance regional expenditures is still low. Then from 2019 to 2020 there was a decline in Regional Expenditures and Regional Revenues, this happened due to the impact of the Covid-19 pandemic. Data from the realization of regional expenditure and the realization of regional income from Denpasar City can be seen in table 1.1

Table 1.1
Regional Expenditure Realization and Revenue Realization
Denpasar City 2018 – 2021

Year	Expenditure Realization	Revenue Realization
2018	Rp 2.098.037.222.612,33	Rp 2.121.040.458.231,59
2019	Rp 2.255.312.785.830,37	Rp 2.193.530.987.449,51
2020	Rp 1.722.827.837.846,61	Rp 1.964.054.093.227,60
2021	Rp 1.925.696.066.384,40	Rp 1.996.441.141.259,54

Table 1.2 shows the elaboration of the realization of regional income. It can be seen that the realization of Denpasar City's regional income in 2018-2021 is more dominated by the Balancing Fund or assistance funds from the central government than PAD (Regional Original Income) especially for 2020 and 2021.

Table 1. 2
The description of Regional Revenue Realization Denpasar City 2018 - 2021

Year	PAD	Transfer Funds	Other Legitimate Regional Income
2018	Rp 940.110.334.564,11	Rp 879.456.756.672,00	Rp 301.473.366.995,48
2019	Rp 1.010.779.481.697,88	Rp 869.958.857.558,00	Rp 312.792.648.193,63
2020	Rp 731.261.280.905,53	Rp 1.120.461.025.768,16	Rp 112.331.786.553,91
2021	Rp 792.362.413.752,87	Rp 1.115.074.616.004,87	Rp 89.004.111.501,80

Based on the data shown in table 1.1 which shows the realization of regional spending which is higher than the realization of regional income and table 1.2 which shows regional income which is dominated by the Balancing Fund, so the research is aimed at finding out about the financial performance of the Denpasar City government.

This study aims to find out about the financial performance of the Denpasar City government. The purpose of this study is to assess the performance of Denpasar City's regional financial management in 2018-2021 as measured by the calculation of the regional financial dependence ratio, effectiveness ratio, efficiency ratio, regional expenditure compatibility ratio, degree of fiscal decentralization ratio and

growth ratio. Financial Ra- tio Analysis using the Budget Realization Report can be a measuring tool to assess the financial performance of local governments.

Regional Revenue and Expenditure Budget (APBD) is a list containing details of regional revenues and regional expenditures/expenditures for one year [1]. APBD consists of locally-generated revenue (PAD), Balance fund section, Other Legitimate Regional Income, Expenditure Budget, Financing. Budget Realization Report is a report that contains information regarding the realization of income, expenditure and financing of an entity compared to the budget of the three posts [2]. It is stated that regional financial performance is an achievement obtained from the results of work in the regional finance department which includes activities of receiving funds and spending or regional expenditures [3]. The Budget Realization Report, an analysis of regional income can be carried out using Financial Ratios [4]. The financial ratios used in assessing the performance of local governments are as follows: Regional Financial Dependency Ratio, Effectiveness Ratio, Efficiency Ratio, Harmony Ratio of Regional Revenue and Expenditure Budgets, Fiscal Decentralization Degree Ratio, Growth Ratio.

2. Method
2.1 Types of research
This study uses a qualitative approach with data analysis methods using descriptive analysis. Research with this method has the aim of describing, summarizing a condition, a situation or a phenomenon of social reality that exists in people's lives as the object of research.

2.2. Place and time of research
The place that is the object of this research is the Denpasar City Regional Secretariat Office which is located at Gajah Mada Street No. 1, Denpasar. This research was conducted for 6 months starting from February to July 2022.

2.3. Data source
The data used in this study is secondary data in the form of the Denpasar City Government Budget Realization Report for 2018-2021

2.4. Data Collection Techniques and Instruments
This study uses data collection techniques with Documentation Techniques. Documentation is information or data that comes from important records from an institution or organization or from individuals.

2.5. Data Validity
This study uses the credibility of the data by testing the triangulation technique. This study uses moderate participation observation techniques, by participating directly in several activities to collect data.

2.6. Data analysis
The data analysis technique used in this study is financial ratio analysis, with the following steps:
1). Regional Financial Dependency Ratio
The steps in analyzing the Regional Financial Dependency Ratio are:
a. Create a Transfer Revenue Table and Total Regional Revenue
b. Calculating the Regional Financial Dependency Ratio using the formula:

$$\frac{Transfer\ Revenue}{Regional\ Revenue} \times 100\%$$

2). Effectiveness Ratio
The steps in analyzing the Effectiveness Ratio are:
a. Create a Table of Realization of PAD Revenue and PAD Targets

b. Calculating the Effectiveness Ratio using the formula:

$$\frac{Realization\ of\ PAD\ Revenue}{PAD\ Targets} \times 100\%$$

3) Efficiency Ratio
The steps in analyzing the Efficiency Ratio are:
a. Create a Table of Total Regional Expenditure Realization and Revenue Realization
b. Calculating the Efficiency Ratio using the formula:

$$\frac{Total\ Regional\ Expenditure\ Realization}{Revenue\ Realization} \times 100\%$$

4) Harmony Ratio of Regional Revenue and Expenditure Budgets
The steps in analyzing the Shopping Harmony Ratio include:
a. Make a table of Total Operations, Total Capital Expenditures and Total Regional Expenditures.
b. Calculating the Operating Expenditure Ratio and Capital Expenditure Ratio with the formula

$$Operating = \frac{Total\ Operations}{Total\ Regional\ Expenditures} \times 100\%$$
$$Capital = \frac{Total\ Capital\ Expenditures}{Total\ Regional\ Expenditures} \times 100\%$$

5) Fiscal Decentralization Degree Ratio
The steps in analyzing the Fiscal Decentralization Degree Ratio are:
a. Create a table of PAD and Total Regional Income.
b. Calculating the Fiscal Decentralization Degree Ratio using the formula:

$$\frac{Realization\ of\ PAD}{Total\ Regional\ Income} \times 100\%$$

6) Growth Ratio
The steps in analyzing the Growth Ratio are:
a. Creating a Table of Regional Income, PAD
b. Calculating Growth Ratio using the formula:

$$R = \frac{Pn}{Pn - P0}$$

R = Growth Ratio
Pn = Total Regional Income/PAD calculated in the (n) year
Po = Total Regional Income/PAD calculated in the (0) year (year before n)

3. Result and Discussion
The ratios used in analyzing the financial performance of Denpasar City in this study are: Regional Financial Dependency Ratio, Effectiveness Ratio, Efficiency Ratio, Regional Expenditure Harmony Ratio, Fiscal Decentralization Degree Ratio and Growth Ratio. The data used in conducting this research is the Denpasar City Government Budget Realization Report obtained from the Denpasar City BPKAD. From this data, it will be known the Financial Performance of Denpasar City. The results of the ratio analysis are:

Financial Ratio Analysis Calculation Results

Descriptiom	Financial Year				Aver-age
	2018	2019	2020	2021	
Regional Financial Performance :					
Regional Financial Dependency Ratio	41%	39%	57%	55%	48%
Effectiveness Ratio	109%	106%	111%	118%	111%
Efficiency Ratio	98%	102%	87%	96%	96%
Harmony Ratio of Regional Revenue and Expenditure Budgets :					
- Operations	51%	49%	92%	85%	69%
- Capital	49%	51%	8%	15%	31%
Fiscal Decentralization Degree Ratio	44%	46%	37%	39%	41%
Growth Ratio					
- Income	-	342%	-104%	165%	-
- PAD	-	752%	-276%	836%	-

From the results of the study in terms of the benchmarks presented [4] it can be seen that the average level of regional financial performance of the Denpasar City Government during the last 4 years is still low in several ratios, namely the Regional Financial Dependence Ratio, Efficiency Ratio , Degree Ratio of Fiscal Decentralization and Growth Ratio, while several other ratios namely Effectiveness Ratio, Operational Expenditure Harmony Ratio and Capital Expenditure Harmony Ratio show good financial performance.

The performance of Denpasar City Government Financial Management as measured using financial ratio analysis in the period 2018 to 2021 is in an unfavorable condition. This happens because the Central Government provides large donations in the financial management of the Denpasar City area, thus causing the level of independence from the Denpasar City area to be included in the low category.

The calculation of the Regional Financial Dependency Ratio shows the size of the contribution of funds from the Central Government. Until now, every year the level of regional financial dependence in Denpasar City is still very high, this condition illustrates the dependence of the region on external funding sources from the Central/Provincial Government is still very high.

The Efficiency Ratio also describes a condition that is quite worrying. The large amount of regional expenditure compared to the income received by the region also causes the regional financial efficiency ratio to show a poor condition. Inefficient conditions due to the fact that the realization of regional expenditures is greater than the realization of regional revenues, especially for 2019.

The results of the research on the Ratio of Degrees of Fiscal Decentralization which show the contribution of PAD (Regional Original Income) to regional income, the results are quite low. This is due to the Covid-19 pandemic situation which began to spread in 2020 and caused a decrease in the number of tourists coming to Bali and had an impact on tourism which is an income asset for local revenue.

The results of the Growth Ratio research for 2019 to 2021 experienced a very drastic decline for that year and the following year, this was due to the income received by the Denpasar City Government was less than optimal. This income growth can be categorized as good if the income growth is positive and

has a tendency to increase, if the growth is negative, it indicates a declining income performance, especially in 2020 where the percentage value is negative.

4. Conclusion

4.1 Conclusion

Based on the research results obtained in line with the theory and previous research that has been described in previous chapters, it can be found benchmarks of government financial performance so that conclusions can be drawn. The following conclusions can be drawn from the results of data analysis in Chapter IV, namely, when viewed from the Effectiveness Ratio, Operational Expenditure Harmony Ratio and Capital Expenditure Harmony Ratio, the financial management and financial performance of Denpasar City in 2018-2021 shows a good percentage value. However, when viewed from the Regional Financial Dependency Ratio, Efficiency Ratio, Degree Ratio of Fiscal Decentralization and Growth Ratio, the financial management and financial performance of Denpasar City in 2018-2021 is in poor condition. This can be seen from the high level of regional dependence caused by Regional Original Income which cannot be maximized by the regional government so that the level of regional independence is still lacking. In addition, local governments are still less efficient in their regional finances so that regional expenditures are greater than regional revenues.

4.2. Implication

1). Practical Implications

This research is expected to provide consideration for the government in making decisions related to improving the financial performance of local governments. Based on the results of the study, it was found that PAD and balancing funds can affect the financial performance of local governments and conclude that this research is expected to provide consideration so that local governments are able to increase their own regional revenues and reduce balancing funds in their regions, in order to maximize the income received by local governments. so that local governments are able to maintain and improve the success that has been achieved from the previous period to the next period.

2). Theoretical Implications

This research is expected to provide theoretical contributions related to the analysis of local government financial performance. In this study, the local government's financial performance may not be in accordance with the regional financial capabilities, so that local governments need to conduct an analysis every year in order to find out the weak points of their regional financial performance.

Reference

[1]   I. Bastian, *Sistem Akuntansi Sektor Publik*. 2006.

[2]   R. Basri, "Analisis Penyusunan Anggaran Dan Laporan Realisasi Anggaran Pada BPM-PD Provinsi Sulawesi Utara," *Jurnal EMBA*, vol. 1, no. 4, 2013.

[3]   M. Syauqi, H. Siregar, and Y. Syaukat, "Strategi Meningkatkan Efisinesi dan Efektivitas Kinerja Keuangan Pemerintah Kota Bogor dalam Pengelolaan APBD," *Jurnal Manajemen Pembangunan Daerah*, vol. 9, no. 1, 2019, doi: 10.29244/jurnal_mpd.v9i1.27540.

[4]   Mahmudi, *Analisis Laporan Keuangan Pemerintah Daerah*. 2019.

[5]   F. R. Amalia and I. B. P. Purbadharmaja, "Pengaruh Kemandirian Keuangan Daerah Dan Keserasian Alokasi Belanja Terhadap Indeks Pembangunan Manusia," *Statistik Daerah Kecamatan Kartasura Tahun*, vol. 3, no. 6, 2015.

[6]   B. Bungin, *Penelitian Kualitatif: Komunikasi, Ekonomi, Kebijakan Publik, Dan Ilmu Sosial Lainnya*. 2007.

[7]   N. M. S. Dewantari and ..., "Analisis Kinerja Pengelolaan Anggaran Pendapatan Dan Belanja Daerah Pada Pemerintah Kota Denpasar Tahun Anggaran 2014 …," *Hita Akuntansi dan …*, no. 32, 2021.

[8]   R. N. Fathah, "Analisis Rasio Keuangan untuk Penilaian Kinerja pada Pemerintah Daerah Kabupaten Gunung Kidul," *EBBANK*, vol. 8, no. 1, 2017.

[9]   A. Halim and M. S. Kusufi, *Teori, Konsep, dan Aplikasi Akuntansi Sektor Publik*. 2014.

[10]   Hanum, "Analisis Anggaran Pendapatan Dan Belanja Daerah Pada Kabupaten Serdang Bedagai," *Jurnal Ilmiah Manajemen dan Bisnis UMSU*, vol. 10, no. 2, 2011.

[11]   J. J. Pilat and J. Morasa, "Analisis Rasio Keuangan Anggaran Pendapatan dan Belanja Daerah (APBD) Kota Manado Untuk Menilai Kinerja Keuangan Pemerintah Kota Manado Tahun Anggaran 2011 - 2015," *ACCOUNTABILITY*, vol. 6, no. 1, 2017, doi: 10.32400/ja.16026.6.1.2017.45-56.

[12]   R. RISWAN and A. Affandi, "Pengaruh Kinerja Keuangan Daerah Terhadap Belanja Modal Untuk Pelayanan Publik Dalam Perspektif Teori Keagenan," *Jurnal Akuntansi dan Keuangan*, vol. 5, no. 2, 2014, doi: 10.36448/jak.v5i2.545.

[13]   E. J. G. Santie, J. J. Tinangon, and L. M. Mawikere, "Analisis penyajian laporan realisasi anggaran pada dinas energi dan sumber daya mineral provinsi sulawesi utara," *Jurnal EMBA*, vol. 3, no. 2, 2015.

Analysis of the Effect of Remote Audit, Professional Scepticism and Going Concern Assessment on Audit Quality During the Covid-19 Pandemic (Case Study at Public Accountant Firm in Bali Province)

D Angeliney She Maharaja[1], Ida Bagus Anom Yasa[2], and Paulus Subiyanto[3]
Accounting Department, Politeknik Negeri Bali
Jalan Bukit Jimbaran, Kuta Selatan, Badung, Bali – 80364

Email to:
[1] deswiangelina@gmail.com
[2] ibanomyasa@gmail.com
[3] iin_paul@yahoo.com

Abstract: *Audit quality plays an important role in ensuring the fairness of financial statements to improve decision- making by interested parties. However, there were several cases of suspension of public accountants' licenses in recent years reflecting the low audit quality. The existence of the Covid-19 Pandemic which causes business economic instability conditions and changes in the auditor work mechanism make audit quality increasingly need to be considered. Remote audit during the pandemic cause limited scope for inspection, availability of technological tools, and weak document validity. Fraud increasing is also note for auditors to sharpen their professional skepticism. Another thing in supporting audit quality during the pandemic is the accuracy of going concern assessment which can provide an overview of the company's sustainability. This study aims to analyze and explain the effect of remote audit, professional skepticism, and going concern assessment on audit quality during the Covid-19 Pandemic at Public Accountant Firms in Bali Province. The population in this study are 115 auditors in 17 Public Accountant Firms registered in IAPI Bali with a total of 69 respondents based on convenience sampling method. Primary data were obtained from questionnaires and analyzed with Partial Least Square (PLS) through SmartPLS 3.0 application with a significance level of 5%. The results showed that remote audit, professional scepticism, and going concern assessment have a positive and significant impact on audit quality during the Covid-19 Pandemic at Public Accountant Firms in Bali Province.*

Keywords: *remote audit, professional skepticism, going concern assessment, audit quality*

1. Introduction

Audit quality plays an important role to ensure that the financial statements are presented fairly to improve the decision-making of interested parties [1]. Audit quality is defined as the opportunity for public accountants to find and report violations of the financial information [2]. However, there were several cases of permit suspension such as to AP Kasner Sirumapea in July 2019, AP Marlinna and Merliyana Syamsul in 2018, and also happened in Bali to AP Ketut Gunarsa in May 2007 reflecting the low audit quality. Audit quality is increasingly being considered during unstable economic and the implementation of remote audit that has an impact on the limitation of physical inspection, technological tools, and low

document validity which can reduce audit quality [3]. The result of previous research state that remote audit has a negative effect on audit quality [4], [5], meanwhile the others states the opposite [6]–[8].

The survey results by RSM Indonesia state that fraud is increasing and KPAP states that the risk of fraud is more difficult to detect during the pandemic, so auditors need to sharpen their professional skepticism. The previous research state that professional skepticism has a positive effect on audit quality [9]. Based on this background, this research aims to analyze and explain the effect of remote audit, professional skepticism and going concern assessment on audit quality during the Covid-19 Pandemic at Public Accountant Firms in Bali Province.

2. Method

This study uses a quantitative approach with causality associative type. The study started from February to July 2022. The sampling method is convenience sampling with total population are 115 auditors who work at 17 Public Accountant Firms in Bali according to IAPI 2021. The number of questionnaires distributed was 72 copies and returned as many as 69 copies so that the respondent's rate of return was 95.83%.

Primary data was obtained from observation and a 5-point scale questionnaire and secondary data through documentation. The research questionnaire has been tested for validity and reliability through the IBM SPSS Statistics 23 application. Hypothesis testing was carried out using Partial Least Square (PLS) through the SmartPLS 3.0 application with a significance level of 5%. The steps for testing the hypothesis are: (a) designing the outer model which in this study the relationship between indicators and latent variables is reflective, (b) designing the inner model, (c) building path diagrams, (d) conversion paths of system equations diagrams, (e) estimation, (f) goodness of fit evaluation and (g) hypothesis testing.

3. Result and Discussion

3.1 Research Results

Instrument Test

The validity and reliability test of the instrument was carried out on 30 respondents with the results that all instrument indicators had met the validity criteria assessed based on the Pearson correlation value >0.30 with a significance level of < 0.05. All indicators have also been reliably assessed based on the Cronbach alpha value > 0.70.

3.2 Model Evaluation

Measurement Model (Outer Model)

Evaluation of the measurement model with reflective indicators is carried out to describe the relationship between latent variables and their indicators. The validity test was carried out by two methods, namely convergent validity and discriminant validity. Convergent validity describes the measuring instrument of a construct that should have a high correlation value. Convergent validity criteria for confirmatory research is loading factor value > 0.70 while explanatory research is 0.60-0.70. Another criterion is the AVE value > 0.50 [10]. The results of validity testing on SmartPLS are as follows:

Table 1. Indicator List Variable

Variable	Indicator	Code
Remote Audit (X_1)	Understanding technological developments.	$X_{1.1}$
	Remote Audit as a future breakthrough.	$X_{1.2}$
	Audit planning becomes more efficient.	$X_{1.3}$
	Document review, physical check, interview, closing are not constrained by time and space.	$X_{1.4}$
	Auditors take careful decisions during remote audit.	$X_{1.5}$
	Consider appropriate technology and methods.	$X_{1.6}$
	Study the details of previous audit reports, business structure, and client internal controls in detail.	$X_{1.7}$
	Technology can ensure the correctness of audit evidence.	$X_{1.8}$
Professional Skepticism (X_2)	Do not simply believe the evidence provided by the client.	$X_{2.1}$
	Evaluate audit evidence.	$X_{2.2}$
	Questioning evidence with dubious validity.	$X_{2.3}$
	Ask for additional evidence if unsure.	$X_{2.4}$
	Gather sufficient and detailed audit evidence.	$X_{2.5}$
	Skeptics are influential in finding violations.	$X_{2.6}$
	Skeptic with audit findings related to the fairness of financial statements.	$X_{2.7}$
Going concern assessment (X_3)	Taking into account the financial, operation, and other relevant conditions.	$X_{3.1}$
	Pay attention to the conditions that cause business uncertainty.	$X_{3.2}$
	Assess going concern based on management's future considerations.	$X_{3.3}$
	Going concern assessment is based on sufficient, precise, relevant information.	$X_{3.4}$
Audit Quality (Y)	Have professional skills.	Y_1
	Comply with ethical & independence requirements.	Y_2
	The timing of the engagement determines the quality of the audit.	Y_3
	Public Accountant Firms is required to establish a quality control system.	Y_4
	Internal and external audits drive audit quality.	Y_5
	Take into account the responsibilities of the engagement at the same time.	Y_6
	Public Accountant Firms must have adequate structure and governance.	Y_7
	Get an adequate audit service fee.	Y_8

Table 2. Results of Outer Loading Test

Latent Variable	Indicator	Outer Loading	Information
Remote Audit	$X_{1.1}$	0.790	Valid
	$X_{1.2}$	0.802	Valid
	$X_{1.3}$	0.778	Valid
	$X_{1.4}$	0.779	Valid
	$X_{1.5}$	0.842	Valid
	$X_{1.6}$	0.743	Valid
	$X_{1.7}$	0.879	Valid
	$X_{1.8}$	0.854	Valid
Professional Skepticism	$X_{2.1}$	0.723	Valid
	$X_{2.2}$	0.810	Valid
	$X_{2.3}$	0.822	Valid
	$X_{2.4}$	0.844	Valid
	$X_{2.5}$	0.841	Valid
	$X_{2.6}$	0.909	Valid
	$X_{2.7}$	0.843	Valid
Going Concern Assessment	$X_{3.1}$	0.962	Valid
	$X_{3.2}$	0.881	Valid
	$X_{3.3}$	0.894	Valid
	$X_{3.4}$	0.848	Valid
Audit Quality	Y_1	0.883	Valid
	Y_2	0.850	Valid
	Y_3	0.772	Valid
	Y_4	0.818	Valid
	Y_5	0.896	Valid
	Y_6	0.862	Valid
	Y_7	0.870	Valid
	Y_8	0.744	Valid

Table 3. Results of Average Variance Extracted (AVE) Test

Variable	Score AVE
Remote Audit	0.655
Professional Skepticism	0.687
Going Concern Assessment	0.805
Audit Quality	0.703

Based on Table 2, the value of the loading factor of all indicators are > 0.70 so that all indicators have met the convergent validity. The higher the loading factor score means the bigger influence indicator on the latent variable. Based on Table 3, all variables get average variance extracted (AVE) score > 0.50 so that all variables have met the convergent validity.

Discriminant validity is used for knowing the correlation between indicator construct and other indicator constructs. The criterion of validity discriminant is the score of cross loading indicator must be greater compared to other indicators construct. Another method is with the fornell-larcker test with the criterion root square of AVE must be greater compared to other indicators construct [10]. Discriminant validity test results are as follows:

Table 4. Results of Cross Loading Test

Indicator	Remote Audit	Professional Skepticism	Going Concern Assessment	Audit Quality
$X_{1.1}$	0.790	0.529	0.593	0.608
$X_{1.2}$	0.802	0.588	0.472	0.656
$X_{1.3}$	0.778	0.522	0.499	0.644
$X_{1.4}$	0.779	0.524	0.528	0.628
$X_{1.5}$	0.842	0.569	0.606	0.628
$X_{1.6}$	0.743	0.487	0.549	0.565
$X_{1.7}$	0.879	0.570	0.696	0.677
$X_{1.8}$	0.854	0.588	0.733	0.708
$X_{2.1}$	0.429	0.723	0.385	0.439
$X_{2.2}$	0.424	0.810	0.383	0.366
$X_{2.3}$	0.508	0.822	0.355	0.533
$X_{2.4}$	0.696	0.844	0.523	0.570
$X_{2.5}$	0.681	0.841	0.501	0.550
$X_{2.6}$	0.580	0.909	0.462	0.613
$X_{2.7}$	0.552	0.843	0.453	0.599
$X_{3.1}$	0.696	0.553	0.962	0.814
$X_{3.2}$	0.759	0.627	0.881	0.852
$X_{3.3}$	0.513	0.330	0.894	0.631
$X_{3.4}$	0.587	0.329	0.848	0.634
Y_1	0.721	0.595	0.746	0.883
Y_2	0.710	0.512	0.803	0.850
Y_3	0.618	0.600	0.616	0.772
Y_4	0.569	0.395	0.704	0.818
Y_5	0.727	0.581	0.750	0.896
Y_6	0.700	0.628	0.674	0.862
Y_7	0.699	0.511	0.735	0.870
Y_8	0.528	0.501	0.489	0.744

Table 5. Results of Fornell-Larcker Criterion Test

	Remote Audit	Professional Skepticism	Going Concern Assessment	Audit Quality
Remote Audit	0.810			
Professional Skepticism	0.677	0.829		
Going Concern Assessment	0.725	0.532	0.897	
Audit Quality	0.792	0.645	0.830	0.838

Based on Table 4, each cross-loading indicator value is higher than the correlation value with other con- structs, as well as the fornell-larcker criterion test in table 5 shows that the entire value of the square root of the AVE of each variable is greater than the other variables so that all variables have met the requirement of discriminant validity.

The reliability test is used to measure the consistency of the questionnaire measurement. The reliability requirement is the value of Cronbach's alpha and composite reliability which must be > 0.70 [10]. The results of reliability test are as follows:

Table 6. Results of Reliability Test

Variable	Cronbach's Alpha	Composite Reliability
Remote Audit	0.924	0.938
Professional Skepticism	0.924	0.939
Going Concern Assessment	0.920	0.943
Audit Quality	0.939	0.950

Based on Table 6, the value of Cronbach's alpha and composite reliability was greater than 0.70 so that all questionnaire items were reliable.

Structural Model (Inner Model)

Evaluation of the structural model (inner model) is carried out by reviewing the values of R2 Adjusted (R Square Adjusted) and F2 (F Square). R2 Adjusted value describes the level of variation changes in exogenous variables on endogenous variable without any measurement confounding value (error) [11]. The results of the R2 and F2 tests are as follows:

Table 7. Results of R Square Adjusted Test

	R Square	R Square Adjusted
Y _Quality Audit	0.779	0.769

Table 8. Results of F Square Test

Information	F Square	Big Effect
Remote Audit → Audit Quality	0.146	Small
Professional Skepticism → Audit Quality	0.063	Small
Going Concern Assessment → Audit Quality	0.593	Big

Based on Table 7, the value of R2 Adjusted is 0.769, which means that 76.90% of audit quality can be explained by variables of remote audit, professional skepticism, and going concern assessment, while the remaining 23.10% is explained by variables outside the study. Based on the test results, the research model is considered strong because it exceeds the value of 0.67.

Another inner model evaluation is through F2 which is used to see the magnitude of the substantive effect of exogenous on endogenous variable. Based on Table 8, the F-square of remote audit and professional skepticism have small effect on the audit quality variable because the value is < 0.15, while the going concern assessment has a large effect on the audit quality variable because its value > 0.35.

4. Discussion

Hypothesis test is done by performing a bootstrapping procedure by reviewing the path coefficient and the significance value of t-statistics and p-values. The results of the hypothesis test are shown as follows:

Table 9. Results of Hypothesis Test

Information	Original Sample	T Statistics	P Values
Remote Audit→ Audit Quality	0.301	2,417	0.016
Professional Skepticism → Audit Quality	0.161	2,198	0.028
Going Concern Assessment →Audit Quality	0.527	5,437	0.000

4.1. The Effect of Remote Audit on Audit Quality

H1 states that remote audit has a negative and significant effect on audit quality. Based on the Table 9, the path coefficient value is positive at 0.301, indicating that the relationship between remote audit and audit quality is positive. The p-value of $0.016 \leq 0.05$ and the t-statistic value of $2.417 \geq 1.989$ (t-table) show that the relationship between remote audit and audit quality is significant. Based on the test results, then H1 is reject- ed. The test results show that remote audit has a positive and significant impact on the audit quality of Public Accountant Firms in Bali Province during the Covid-19 Pandemic. The remote audit procedure has the same stages as a direct audit but has technical differences in the implementation through technology and communication tools [6]. This alternative procedure can be the auditor's response to keep doing the audit process to maintain audit quality. Although remote audit is an alternative that is considered responsive, it does not rule out other risks that arise such as fraud in the data provided. The results of the study support the agency theory where with the approval of the ability to carry out remote audit between the auditor and the auditee, the auditor as a third party can maintain audit quality so that the auditor can handle owner and management agency problems such as information asymmetry and differences in interests [6]. Based on the results of the descriptive test, most of the auditors at Public Accountant

Firms in Bali agree with the statements X1.5 and X1.7. This reflects auditors at Public Accountant Firms in Bali can minimize remote audit risk by being careful in making decisions during remote audit (X1.5) and previously study the audit reports, business structure, and internal controls in detail (X1.7) to find out the right procedure to be carried out next. Based on the previous explanation, it can be stated that the higher the remote audit activity, the higher the audit quality with the requirement that the remote audit implementation is supported by adequate technology and communication tools for auditors and auditees. The results of this study are supported by research by [6] and [7] which state that auditors feel the same level of efficiency, and effectiveness of audit quality during remote audits. Another similar study by [8] stated that the higher the remote audit activity, the higher the audit quality. However, contradicts to the research by [4] and [5].

4. 2. The Effect of Professional Skepticism on Audit Quality

H2 states that professional skepticism has a positive and significant effect on audit quality. Based on Table 9, the path coefficient value is positive at 0.161 indicating the relationship between professional skepticism to audit quality is positive. The p-value of $0.028 \leq 0.05$ and the t-statistic value of $2.198 \geq 1.989$ (t-table) indicate the relationship between professional skepticism to audit quality is significant. Based on the test results, then H2 is accepted. The test results show that professional skepticism has a positive and significant effect on the audit quality of Public Accountant Firms in Bali Province during the Covid-19 pandemic. Paragraph thirteen of Auditing Standard 200 explains professional skepticism is an attitude and mind that is alert to conditions that indicate fraud. The risk of fraud becomes more vulnerable and difficult to detect in the difficulties of audit procedures such as direct inspections. This makes the implementation of professional skepticism being one thing to support audit quality in the high risk of fraud. The results of the study support the agency theory, that professional skepticism helps auditors to be critical in finding violations, collecting and assessing evidence so that the auditor's opinion is based on sufficient and appropriate evidence [12]. Thus, the auditor can handle the existence of information asymmetry between management and company owners such as investors. Based on the results of the descriptive test, most of the respondents strongly agree with the statement X2.6. This shows that most of the auditors at Public Accountant Firms in Bali agree on the importance of applying

professional skepticism in carrying out their profession as an auditor. Based on the previous explanation, it can be stated that the high- er the application of professional skepticism, the higher the audit quality.

4.3. The Effect of Going Concern Assessment on Audit Quality

H3 states that the going concern assessment has a positive and significant effect on audit quality. Based on Table 9, the path coefficient value is positive at 0.527, indicating that the relationship between the assessment of going concern assessment on audit quality is positive. The p-value of $0.000 \leq 0.05$ and the t- statistic value of $5.437 \geq 1.989$ (t-table) indicate the relationship between the going concern assessment on audit quality is significant. Based on the test results, then H3 is accepted. The test results show that the going concern assessment has a positive and significant effect on the audit quality of Public Accountant Firms in Bali Province during the Covid-19 Pandemic. Based on SA 570, the going concern assumption is an assessment of whether an entity can carry on its business in the future without the intention or obligation to liquidate, cease operations, or have no other alternatives. The Covid-19 pandemic has added to the challenge for auditors to conclude going concern which has been assumed by management [9]. To ensure that going concern assessment can represent the actual situation, the auditor must communicate to managers regarding plans to reduce going concern problems along with supporting evidence. The evidence obtained must be relevant and obtained from the results of the examination to reduce the existence of an auditor's opinion error which results in a decrease in audit quality [5]. The results of this study support the signal theory, that the going concern opinion as a signal or information on the final condition of the company to users of financial statements as signal recipients [13]. The going concern assessment helps in making decisions so that the more accurate the going concern opinion can improve the audit quality because it can represent the state of the company in the future (Sari, 2021). Based on the results of the descriptive test, most of the auditors at Public Accountant Firms in Bali agree with the statement X3.1. This shows that the auditor assesses going concern based on the company's financial condition related to the company's liquidity and cash flow, operating conditions related to the smooth running of the company's operations, as well as other conditions related to non-operational and financial matters such as legal cases and others. Based on the previous explanation, it can be stated that the higher the accuracy of the going concern assessment, the higher the audit quality.
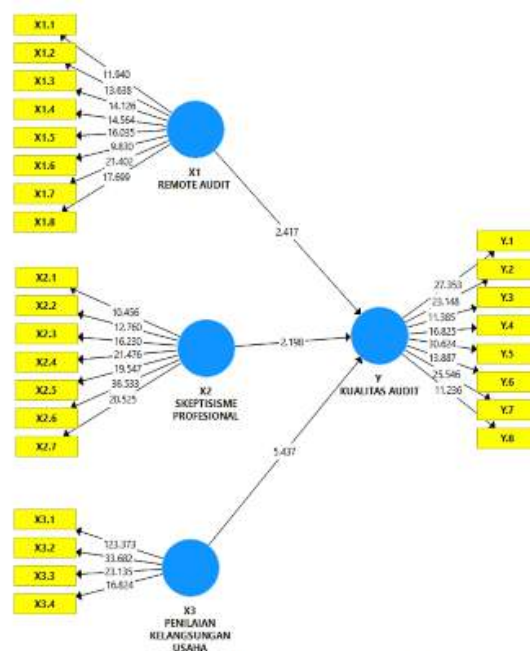

Figure 1. Output Bootstrapping

5. Conclusion

Based on the results of testing and discussion, the conclusions obtained are:

1) Remote Audit has a positive and significant impact on audit quality during the Covid-19 Pandemic at Public Accountant Firms in Bali Province. This means that the higher the implementation of remote audit, the more the audit quality will im-prove on the condition that the implementation of remote auditing is supported by adequate technology and communication tools for auditors and auditees.
2) Professional skepticism has a positive and significant impact on audit quality during the Covid-19 Pandemic at Public Accountant Firms in Bali Province.
3) Going concern assessment has a positive and significant impact on audit quality during the Covid-19 Pandemic at Public Accountant Firms in Bali Province.

Acknowledgment

Reference

[1] K. Shahzad, T. Pouw, G. Rubbaniy, and O. El-Temtamy, "Audit quality during the global financial crisis: The investors' perspective," *Res Int Bus Finance*, vol. 45, pp. 94–105, 2018, doi: https://doi.org/10.1016/j.ribaf.2017.07.137.

[2] D. Dickins, A. J. Johnson-Snyder, and J. T. Reisch, "Selecting an auditor for Bradco using indicators of audit quality," *Journal of Accounting Education*, vol. 45, 2018, doi: 10.1016/j.jaccedu.2018.07.001.

[3] J. W. Goodell, "COVID-19 and finance: Agendas for future research," *Financ Res Lett*, vol. 35, 2020, doi: 10.1016/j.frl.2020.101512.

[4] S. Rizai, "Pengaruh Independensi Auditor, Time Budget Pressure Dan Fee Audit Terhadap Kualitas Audit Dengan Remote Audit Sebagai Pemediasi," 2021.

[5] K. Albitar, A. M. Gerged, H. Kikhia, and K. Hussainey, "Auditing in times of social distancing: the effect of COVID-19 on auditing quality," *International Journal of Accounting and Information Management*, vol. 29, no. 1, 2021, doi: 10.1108/IJAIM-08-2020-0128.

[6] W. Khoirunnisa, W. A. Fadhilah, W. W. Astuti, Y. I. Mawarni, and A. Gunawan, "Tinjauan Kualitas Audit Jarak Jauh Di Masa Pandemi Covid-19," *IRWNS: Prosiding The 12th Industrial Research Workshop and National Seminar*, vol. 12, 2021.

[7] M. Eulerich, M. Wagener, and D. A. Wood, "Evidence on Internal Audit Effectiveness from Transitioning to Remote Audits Because of COVID-19," *SSRN Electronic Journal*, 2021, doi: 10.2139/ssrn.3774050.

[8] A. R. Zhafirah, E. Sukarmanto, and M. Maemunah, "Pengaruh Remote Auditing terhadap Kualitas Audit yang Dimoderasi oleh Teknologi Informasi Audit," *Bandung Conference …*, 2022.

[9] C. W. A. Sari and N. Novita, "FAKTOR-FAKTOR YANG MEMPENGARUHI KUALITAS AUDIT PADA MASA PANDEMI COVID-19," *Jurnal Akuntansi Dan Bisnis Indonesia (JABISI)*, vol. 2, no. 2, 2021, doi: 10.55122/jabisi.v2i2.264.

[10] W. Abdillah and Jogiyanto, *Partial Least Square (PLS) Alternatif Structural Equation Modelling (SEM) Dalam Penelitian Bisnis. Penerbit: CV Andi Offset (Penerbit Andi)*, vol. 22. 2015.

[11] Riswan and H. Dunan, *Desain Penelitian dan Statistik Multivariate.* CV Anugrah Utama Raharja, 2019.

[12] D. E. Pratiwi and A. Rohman, "Pengaruh Independensi, Skeptisme Profesional, Prosedur Audit terhadap Tanggung Jawab Auditor dalam Mendeteksi Kecurangan pada Laporan Keuangan (Studi Empiris pada Auditor Kantor Akuntan Publik di Kota Semarang)," *Diponegoro Journal of Accounting*, vol. 10, no. 2, 2021.

[13]   M. Kurniasih and A. Rohman, "Pengaruh Fee Audit, Audit Tenure, Dan Rotasi Audit Terhadap Kualitas Audit," *Diponegoro Journal of Accounting*, vol. 0, no. 0, 2016.