



Analysis Of Financial Performance on The Dividend Policy of Mining Companies Listed On The IDX in 2017-2021

¹Anggi Mulianur Nasution, ²Cahyo Pramono

^{1,2}Jurusan Manajemen, Universitas Pembangunan Panca Budi, Medan

¹muliaanggi60@gmail.com

Abstract. The rapid development of the mining sector that has occurred in Indonesia in recent years attract investors to invest in this sector. financial reports that describing the financial condition of a company is information that can be used to help investors and other capital market participants to make decisions as well assess the condition or financial performance of a company. One of the analytical tools used by investors to assess the company's financial performance mining sector is to use financial ratio analysis (financial ratio analysis), both liquidity ratios, solvency ratios and profitability ratios obtained from Company Financial Statements. This research is a descriptive study, with a purposive sampling technique sampling and using secondary data in the form of annual financial reports over a period of time 5 (five) years from 2017-2021 from 3 (three) large companies in the mining sector listing on the Indonesia Stock Exchange, namely PT. Adaro Energy Tbk, PT. Indika Energy Tbk, and PT. Dian Swastika Sentosa Tbk. The research results show that overall during the last 5 years the sub-sector Mining has experienced quite significant growth marked by an increase the average financial ratio of the mining industry. During the research period PT. Adaro Energy Tbk and PT. Dian Swastika Sentosa Tbk has a value of liquidity ratios, solvency ratios and good profitability ratios while PT. Indika Energy Tbk. have a high liquidity ratio good, suffered a loss in 2017-2019 but has made a profit in 2021 and The company is still in an insolvent position. The research results are expected to help investors in comparison with other companies from various types of various industries.

Keywords: Investment, Financial Performance, Mining Sector

Article history: Received: 18-6-2023; Revised: 15-7-2023; Accepted: 21-7-2023; Available online: 15-8-2023

How to cite this article: Nasution, A.M., Pramono, C. (2023) ANALYSIS OF FINANCIAL PERFORMANCE ON THE DIVIDEND POLICY OF MINING COMPANIES LISTED ON THE IDX IN 2017-2021. *Journal of Community Research and Service*,7(2).

1. Introduction

Investment is a term with multiple financial and economic connotations. This pertains to the accumulation of assets in anticipation of future profits. Occasionally, investment is referred to as capital investment. Mining is one of the industrial sectors that attracts investors. In recent years, the mining industry in Indonesia has encountered rapid growth. There are production restrictions, particularly in regional Mining Business Permits (IUP), so that there is no oversupply and the demand for consumption in Asia continues to rise, which encourages investors to continue to seek out opportunities in this sector.

This encourages companies to create continuous innovations and develop new concepts or methods within the company so that the company continues to have added value in the eyes of investors amidst intensifying competition. Sundjaja and Barlian (2001:47) state that. A financial report is a report that describes the results of the accounting process and is intended to provide stakeholders with information regarding financial reports or company activities. The financial statements include a balance sheet, a comprehensive income statement, a statement of changes in equity, and a statement of changes in financial position that may be presented as a statement of cash flows. Therefore, the financial statements can also be utilized by external parties. Investors can, for instance, determine the condition or direction of a company's finances based on the availability of financial reports. By analyzing balance sheet items, we will be able to determine or gain an understanding of the company's financial position. While the analysis

of the income statement provides an overview of the business results of the company in question, the cash flow statement provides a more detailed look.

The efficacy of a company will be evaluated based on ratios over a specific time period (Munawir, 2000). Analysis of the company's financial ratios is crucial for potential investors, whose investment capacity will be determined by this report. The results of the above analysis can be used as a guide for business development, so not only investors but also company management require this report. According to (Harvarindo, 2010), a ratio is a set of numbers that will be compared to another set of numbers to establish a relationship. In the meantime, finance relates to accounting and includes management and financial reports. Therefore, a financial ratio is an index that compares two accounting numbers by dividing one by the other (Kasmir, 2008). One of the ratios used to evaluate company performance or financial performance is the profitability ratio, which relates two financial variables. The profitability ratio provides information about the quantity of return or gain (profit) relative to sales or assets. This profitability ratio will provide information regarding the effectiveness of company management and financial management (Yanti and Oktari, 2018). Therefore, it is necessary to analyze the profitability ratios of mining companies to determine the extent to which the company has implemented effective management and financial management in terms of ratios such as Return on investment (ROI).

2. Method

This study employs descriptive research methods. This investigation was conducted at the PT Medan Indonesia Stock Exchange and on the website <http://www.idx.co.id> (Indonesia Stock Exchange, n.d.). In January of 2023, the research was conducted. There are a total of 17 companies in the population. Purposive sampling is employed in this study, with the following criteria:

1. During 2017-2021, large-scale companies, particularly those with a total annual asset value of at least 30 trillion Indonesian Rupiah (IDR), will be favored.
2. Financial reports for 2017-2021 were published, and no empty data was used in the research. PT Adaro Energy Tbk, PT Indika Energy Tbk, and PT Dian Swastika Sentosa Tbk were identified as the three entities that met the aforementioned criteria. This study will analyze three operational variables: liquidity ratio (current ratio), solvency ratio (debt to equity ratio), and profitability ratio (net profit margin, return on investment). This study utilizes secondary data, and the ratio financial ratios liquidity ratios, solvency ratios, and profitability ratios are utilized for data analysis. This analysis is conducted by contrasting different types of estimates, including R/L estimates, balance sheets, and R/L estimates with balances.

3. Discussion

Discussion In financial statement analysis, a ratio is a number that indicates the relationship between one element and other elements. The relationship between the elements of the financial statements is expressed in an easily understood mathematical format. If the standard used as a basis for comparison does not exist based on the interpretation of the above ratios in a company, then an analyst cannot determine whether the ratio indicates favorable or unfavorable conditions. In this investigation, the calculation of the standard ratio is determined as follows:

1. Collecting financial statement information from companies (in industries being compared) that are being compared.
2. Have similarities in accounting systems and accounting procedures, including similarities in account classification, depreciation methodologies, and accounting periods.
3. Computes the specified ratios for each company in the industry, then calculates the average. Using this ratio comparison, we can determine whether the company's ratio is above, at, or below the average. A decent standard ratio is one that describes the most relevant average, namely the industry ratio (combination of similar companies).

Table 1. Mining Company Financial Ratios for 2017-2021.

| Ratio | Adaro Energy Tbk | | | | | | Indika Energy Tbk | | | | | | Dian Swastika Sentosa Tbk | | | | | |
|----------|------------------|-------|-------|-------|-------|-------|-------------------|-------|-------|--------|--------|-------|---------------------------|-------|-------|-------|-------|-------|
| | 2017 | 2018 | 2019 | 2020 | 2021 | AVR | 2017 | 2018 | 2019 | 2020 | 2021 | AVR | 2017 | 2018 | 2019 | 2020 | 2021 | AVR |
| ROI (X1) | 2.86 | 2.53 | 5.22 | 7.87 | 7.89 | 4.62 | -1.33 | -3.57 | -5.72 | 8.85 | 8.98 | -0.44 | 0.68 | -0.39 | 0.02 | 4.69 | 4.87 | 1.25 |
| DER (X2) | 0.97 | 0.78 | 0.72 | 0.67 | 0.78 | 0.79 | 1.51 | 1.59 | 1.46 | 2.26 | 2.30 | 1.71 | 0.55 | 0.89 | 0.94 | 0.88 | 0.92 | 0.82 |
| CR (X3) | 164.17 | 240.3 | 247.1 | 255.9 | 235.7 | 226.9 | 209.5 | 163.6 | 213.2 | 205.28 | 221.11 | 197.9 | 190.1 | 153.2 | 136.5 | 165.9 | 124.6 | 161.5 |
| DPR (Y) | 0.49 | 0.4 | 0.4 | 0.40 | 0.43 | 0.44 | 0.60 | 0.61 | 0.59 | 0.69 | 0.70 | 0.62 | 0.36 | 0.47 | 0.49 | 0.47 | 0.48 | 0.45 |

Table 2. Average Mining Industry Financial Ratios 2017-2021.

| Ratio | Year | | | | | AVARAGE |
|----------|--------|--------|--------|--------|--------|-----------|
| | 2017 | 2018 | 2019 | 2020 | 2021 | 2017-2021 |
| ROI (X1) | 4.05 | 2.32 | 4.98 | 21.32 | 23.15 | 8.17 |
| DER (X2) | 0.98 | 1.03 | 0.88 | 0.80 | 0.87 | 0.92 |
| CR (X3) | 180.92 | 225.12 | 260.45 | 228.67 | 229.70 | 223.79 |
| DPR (Y) | 0.43 | 0.43 | 0.40 | 0.40 | 0.43 | 0.42 |

3.1 Liquidity Ratio Analysis

Current ratio compares current assets and current liabilities; it is the most common metric used to determine whether a person can meet his short-term obligations. The formula for the current ratio is as follows (Munawir, 2000):

$$CR = \frac{\text{Current Asset}}{\text{Current Liabilities}} \times 100\%$$

The average current ratio for 2017-2021 for PT Indika Energi Tbk (199.03) and PT Dian Swastika Sentosa Tbk (223.79) is below the average current ratio for the industry (223.79), whereas the average current ratio for PT Adaro Energy Tbk (226.9) is above the average current ratio for the industry. The optimal liquidity ratio is between 100 and 200 percent, so the three companies in the sample have a decent liquidity ratio.

3.2 Solvability Ratio Analysis

Solvency is used to demonstrate or assess a company's ability to meet all of its financial obligations and if the company is liquidated. This ratio, also known as the leverage ratio, assesses the proportion of the owner's funds to those borrowed from the company's creditors.

3.3 Debt to Equity Ratio (DER)

The debt-to-equity ratio compares the total debt and equity funding of a company. This ratio indicates the capacity of the company's own capital to meet all of its obligations in the event of liquidation (Munawir, 2000).

$$\text{Debt to Equity Ratio} = \frac{\text{Total Amount of Debt}}{\text{Owner's Equity}} \times 100\%$$

It can be seen from table 2 that the average debt to equity ratio of mining companies is quite high at 0.92, and from table 1 that PT. Indika Energy Tbk has a higher average DER than the industry (1.71),

whereas PT. Adaro Energy Tbk and PT Dian Swastika Sentosa Tbk have lower average DERs than the industry. A high DER level will result in decreased company performance due to high interest expenses; therefore, investors favor securities with low DER.

3.4 Profitability Ratio Analysis

The profitability ratio is a comparison used to determine a company's ability to generate profit from sales, assets, and equity based on a set of measurements. Return on investment, or ROI, is the ratio of an investment's profits and losses relative to the quantity of money invested. Simply stated, this definition of ROI is the proportion of profit that can be generated from the total amount of invested assets.

$$ROI = (Total\ Sales - Investment) : Investment \times 100\%$$

If the results are positive then there is profit from the investment made. If the results are negative, then there is a sign that the investment is losing profit from the investment.

The increase in industry ROI from 2017-2021 occurred due to an increase in after-tax profit obtained by the company. An increase in assets followed by an increase in operating results will increase the trust of outsiders, making this sector more attractive. From table 2 it can be seen that the average ROI of the mining industry is 8.17, but from table 1 we can see that the average ROI of all companies that we observe has a lower ROI than the industry's ROI, even PT. Indika Energy Tbk has a negative average (-0.44) this happens because in 2017-2019 the company suffered losses but in 2021 the company experienced a significant increase in profit.

3.5 Dividend Policy

A company's dividend policy determines the proportion of profits to be distributed to shareholders in the form of dividends or retained earnings for future investment financing. In this study, the dividend payout ratio (DPR) is used to evaluate dividend policy. DPR is a percentage comparison between dividends per share and earnings per share. According to Istanti (2013), dividend policy may be expressed as follows:

$$DPR = \frac{TDivident\ Per\ Share}{Earning\ Per\ Share} \times 100\%$$

Table 2 reveals that the average dividend payout ratio for the industry from 2017 to 2021 is 0.42, while the optimal debt-to-assets ratio is 40:60; the higher this ratio indicates, the greater the amount of debt owed by the company. At the time of liquidation, a company is solvable if it has sufficient assets to pay off all of its debts, both short- and long-term. From table 1, it is evident that PT Indika Energy Tbk is insolvent (0.62), whereas PT Adaro Energy Tbk and PT Dian Swastika Sentosa Tbk are solvent.

4. Conclusion

Conclusion The following conclusions can be drawn from the results of research and discussion regarding the analysis of liquidity, solvency, and profitability ratios: 1) Based on the results of the five-year liquidity ratio analysis, all of the observed companies have adequate liquidity, with PT Adaro Energy Tbk being the most liquid. 2) PT Adaro Energy Tbk and PT. Dian Swastika Sentosa Tbk are in a solvable condition, whereas PT Indika Energy Tbk is in an insolvent condition, as determined by the results of the solvency ratio analysis. 3) PT Adaro Energy Tbk is profitable from 2017 to 2021, PT Dian Swastika Sentosa Tbk is profitable from 2017 to 2021, and PT Indika Energy suffered losses from 2017 to 2019 and only turned a profit in 2021, according to the results of the calculation of the principal profitability ratio analysis net profit margin.

The following recommendations result from the analysis, discussion, and conclusions described above: 1) PT Indika Energy Tbk, which experienced losses for three years (2017-2021) but profits in 2021, should re-plan production, inventory, and sales activities, as well as increase cash/receipts turnover.

Maximizing marketing and/or increasing the product's value so that it can compete on the global market.
2) PT Adaro Energy Tbk and PT Dian Swastika Sentosa Tbk, which have strong liquidity, solvency, and profitability ratios, are expected to maintain and improve their performance going forward.

References

- [1] Bursa Efek Indonesia. (t.thn.). idx. Diambil kembali dari www.idx.co.id
- [2] Munawir. (2000). Analisis Laporan Keuangan. Yogyakarta: Liberty.
- [3] Riyanto, B. (2010). Dasar-Dasar Pembelanjaan Perusahaan. Yogyakarta: BPFE Yogyakarta.
- [4] Soetjipto, K., Susanto, I., & F, I. M. (2002). Analisa Pengaruh Akuntansi Tingkat Harga Umum Terhadap Laporan Keuangan Dan Rasio Keuangan.
- [5] Wild, J., Subramanyam, K., & Halsey, R. (2005). Analisis laporan keuangan.
- [6] Edisi Delapan, Buku Kesatu. Jakarta: Salemba Empat.
- [7] Yanti, L. D., & Oktari, Y. (2018). Pengaruh Tingkat Profitability, Solvability, Ukuran Perusahaan dan Ukuran Kantor Akuntan Publik Pada Penundaan pemeriksaan (Studi Empiris: Perusahaan Manufaktur Terdaftar di BEI Tahun 2013-2016). *eCo-Buss*, 15-32.