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Financial Health Analysis of Banks Listed on LQ 45 Index for Period 2015-2019

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Abstract: Financial health is a condition in which the company is able to operate the company properly because of financial performance that can work properly. Financial performance is a picture of the achievement of the company's success. The study aimed to find out how the financial health level of banks listed in the Lq45 Index. This study was measured using the Zmijewski Model approach to see how much bankruptcy predictions were. The population used is four Banks listed on the Lq45 Index. The results of the analysis showed that the average Bank listed in the Lq45 Index detected Xi > = 0.00 which means the financial health is prone to bankruptcy.

Keywords: Financial Health, Index LQ45, Zmijewski Model.

INTRODUCTION

The banking sector is one of the sectors whose operational activities are quite closely guarded by the government. This is done because banking has an important role in people's lives. Proper financial management needs to be done to avoid mistakes that result in decreased company performance both in the form of financial difficulties and financial failures or Financial Distress. Problems that arise so that it can result in bankruptcy, namely, short-term financial difficulties that lead to difficulties that are not solvabel. According to (Sarwani &N Sunardi 2018: 158), the difficulty that is not solvabel is that the company has difficulty in paying debts due to limited assets. If it is not solvabel, the company can be liquidated or reorganized. Banks are now becoming more flexible in the services provided, not just as a place to store money for excess parties and (surplus funds) and as a source of funds for those who need funds (deficit funds) Sunardi (2018: 50).

Financial performance is information that can be used by potential investors or investors in the capital market to decide investment decisions. Market participants or investors can see a company's financial performance from financial statement data published by the company. The company's health and performance don't always go according to plan. According to (Sarwani & Sunardi: 2018: 157), In certain situations, companies may experience mild financial difficulties such as experiencing liquidity difficulties (unable to pay employees, debt interest). If not resolved properly, those small difficulties can develop into greater difficulties, and can lead to bankruptcy." A financial's performance shows the comparison between profit and the asset or capital that generates the profit. Financial performance has significance for the company because it is one of the basis for the assessment of the condition of a company Kadim & Sunardi (2018:1).

Efficiency for a bank is an important aspect to be considered in the effort to realize the financial performance of a healthy and sustainable bank, Sunardi (2018). Financial analyses are conducted through the calculation of ratios, so the financial condition of companies in the past, present, and future can be assessed (Syamsudin, 2011).

Liquid 45 Index (LQ-45) is an index consisting of 45 stocks consisting of stocks that have high liquidity and is also calculated based on the market capitalization of these stocks. The Indonesia Stock Exchange will evaluate the stocks included in the LQ45 index every six months. If there are stocks that no longer meet the selection criteria then the stock will be replaced with another eligible stock. Sunardi at all (2018:19). Therefore, the types of stocks listed in the LQ45 index will vary, but the number remains the same, which is 45 types of shares. The composition of the 45 types of stocks that have been set will be applied for the next six months period, to be reevaluated in the next period. The replacement of the shares is effective every early February and August.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Bank

Law No. 10 of 1998 on Banking, defines a bank as "a business entity that collects funds from the community in the form of credit and or other forms in order to improve the standard of living of many people.

Financial Performance

Sugiono and Untung (2008) said that financial performance reflects the company's fundamental performance and will be measured using company fundamental data, i.e. data derived from the company's financial statements. Financial performance seen based on financial statements presented by management will give meaning when analyzed to the implementation of performance that has been done. The purpose of establishing a company is to maintain the continuity of its business, earn profits, and expand its business; it will lead to the goal of improving the welfare of its shareholders (Sunardi, Husain & Kadim 2020).

Financial ratio

According to Harahap (2007: 297), the financial ratio is "a figure obtained from the comparison of one financial statement post with another post that has a relevant and significant relationship (meaning)".

Financial Ratio Analysis

Ratio analysis has advantages over other analytical techniques, including the following (Harahap, 2007: 298): (1) Ratios are numbers or statistical overviews that are easier to read and interpret, (2) It is a simpler substitute for the information presented by very detailed and complicated financial statements, (3) Knowing the company's position in other industries, (4) It is very useful for materials in filling out decision-making models and prediction models. (x-score), (5) Standardize the size of the company, (6) It is easier to compare the company with other companies or see the company's development periodically or "time series", (7) It is easier to see the company's trends and make predictions in the future. The types of financial ratios that are commonly used in the business world are as follows:

1. Liquidity ratio. Liquidity of a business venture is defined as a company's ability to meet all of its obligations that are due. Company liquidity is the company's strength in paying off its obligations that are due in the short term (Kadim & Sunardi 2018). According to Miswanto and Widodo (1998), the liquidity ratio is a ratio that measures a company's

short-term capabilities by looking at the company's current assets relative to its current debt (debt in this case is a corporate liability).

2. Leverage ratio. The leverage ratio is the ratio that concerns the use of debt. There are two types of leverage: operating leverage and financial leverage. Operating leverage occurs when a company uses assets that incur a fixed load that must be closed from the results of its operations. While financial leverage occurs when the company uses debt and raises interest to be paid from the results of operations.
3. Profitability ratio, is a ratio that is useful to show the success of the company in making profits. Potential investors will carefully analyze the smooth running of a company and its ability to profit, as they expect dividends and market prices from its stock. Darsono (2005) Profitability ratio describes a company's ability to maintain financial stability to always be in a stable and profitable condition. Because if this condition decreases, it tends to put the company in a condition to watch out for feasibility and safety in investing.
4. Activity ratio. Activity ratio is a form of measurement of the level of effectiveness of the utilization of company resources that have an impact on the company. Management and investors are very interested in the use of this activity ratio to find out the results of operations that have been carried out and how the financial position of the company concerned. The higher the turnover of this ratio, the more active the assets in the company concerned (Rahardjo, 2005: 125).

Bankruptcy Theory

The level of health according to POJK No. 3 of 2016 concerning the Bank's Health Level Assessment is the result of an assessment of the Bank's condition conducted on the bank's risks and performance. Meanwhile, financial distress is often referred to as financial difficulties which is a condition where a company experiences difficult financial conditions where the company cannot perform its obligations. Bankruptcy begins with financial distress, which is a situation in which the company is unable to pay obligations at maturity that causes the company to go into bankruptcy, or causes a case agreement with creditors to reduce or clear its debts (Munawir, 2010). According to Toto Prihadi (2013: 332), bankruptcy, is a condition where the company can no longer afford to pay off its obligations. The company experiences shortages and lack of funds to run or continue its business so that the economic goals that the company wants to achieve cannot be achieved. This condition usually does not just appear in the company. There are early indications of the company that can usually be recognized early if the financial statements are analyzed more closely by looking at financial ratios.

METHODS

The research used in this study is descriptive research with quantitative methods and data analysis used in this study is secondary data analysis with purposive sampling techniques. The criteria used in this research sample are the banking sector listed in the Lq45 Index where the sample results are obtained as follows:

Table 1. Research Sample

Number	Sample	Name of Bank
1	BMRI	Bank Mandiri (Persero) Tbk.
2	BBNI	Bank Negara Indonesia (Persero) Tbk.
3	BBRI	Bank Rakyat Indonesia (Persero) Tbk.
4	BBCA	Bank Central Asia (Persero) Tbk.

Zmijewski Model (X-Score)

Zmijewski's model analysis uses financial ratios that measure a company's performance, laverage and liquidity to develop its model. At the beginning of his research, Zmijewski (1984), required one crucial thing. The proportion of the sample and population must be determined at the beginning, so that the amount of financial distress frequency is obtained. The cut-off value that applies in this model is 0. This means that companies whose X value is greater than or equal to 0 are predicted to experience Financial Distress in the future. Conversely, companies that have an X value smaller than 0 are predicted not to experience distress.

Table 2. Model Results

Number	Ratio	Predikat
1	Xi >= 0,00	Prone to Bankruptcy
2	Xi < 0,00	Healthy

RESULT AND DISCUSSION

The results of the data that are a sample of the company are processed to get descriptive static values using Microsoft Excel and obtained the following results:

Table 3. Data Results

Bank	Period	X1/ROA			X2/Leverage			X3/Likuidity		
		EAT	Total Asset	ROA	Current Liabilities	Total Asset	DAR	Current Asset	Current Liabilities	CR
BMRI	2015	21.152	910.063	0,023	736.198	910.063	0,809	882.259	698.696	1,263
	2016	14.650	1.038.706	0,014	824.559	1.038.706	0,794	983.539	788.461	1,247
	2017	21.443	1.124.700	0,019	888.026	1.124.700	0,790	1.065.501	852.131	1,250
	2018	25.851	1.202.252	0,022	941.953	1.202.252	0,783	1.158.279	889.613	1,302
	2019	28.455	1.318.246	0,022	1.025.749	1.318.246	0,778	1.252.932	970.956	1,290
BBNI	2015	20.862	508.595	0,041	412.727	508.595	0,812	486.373	390.204	1,246
	2016	11.410	603.031	0,019	492.701	603.031	0,817	579.728	459.735	1,261
	2017	13.770	709.330	0,019	584.086	709.330	0,823	685.634	539.416	1,271
	2018	15.091	808.572	0,019	671.237	808.572	0,830	780.769	619.113	1,261
	2019	15.508	845.605	0,018	688.489	845.605	0,814	817.731	631.153	1,296
BBRI	2015	25.410	878.426	0,029	765.299	878.426	0,871	849.406	729.818	1,164
	2016	26.227	1.003.644	0,026	856.831	1.003.644	0,854	987.274	821.818	1,201
	2017	29.044	1.126.248	0,026	958.900	1.126.248	0,851	1.077.137	929.492	1,159
	2018	32.418	1.296.898	0,025	1.090.664	1.296.898	0,841	1.241.489	1.050.206	1,182
	2019	34.413	1.416.758	0,024	1.183.155	1.416.758	0,835	1.361.349	1.152.233	1,181
BBCA	2015	18.035	594.372	0,030	501.945	594.372	0,844	561.911	484.927	1,159
	2016	20.632	676.738	0,030	560.556	676.738	0,828	780.775	543.465	1,437
	2017	23.321	750.319	0,031	614.940	750.319	0,820	721.290	594.064	1,214
	2018	25.851	824.787	0,031	668.438	824.787	0,810	786.400	656.384	1,198
	2019	12.862	870.457	0,015	706.239	870.457	0,811	875.328	731.588	1,196

The entire financial data collected and categorized into companies, then analyzed using Zmijewski's model equation and concluded whether the company falls into the category of distressed or non-distressed.

The fault tolerance limit used in this study was 15%. Furthermore, the level of accuracy and error is used to infer whether or not the Zmijewski Model is accurate in predicting financial distress conditions in banks listed in the LQ45 index. The results of the Zmijewski Model test received the following results:

Table 4. Descriptive Statistics

Name of Bank	2015	2016	2017	2018	2019	Xi	Predicate
BMRI	0,41	0,28	0,28	0,26	0,23	0,292	Prone to Bankruptcy
BBNI	0,85	0,65	0,64	0,57	0,54	0,648	Prone to Bankruptcy
BBRI	0,79	0,68	0,66	0,60	0,56	0,660	Prone to Bankruptcy
BBCA	0,65	0,55	0,51	0,46	0,39	0,509	Prone to Bankruptcy
Bankruptcy Rate						0,527	Prone to Bankruptcy

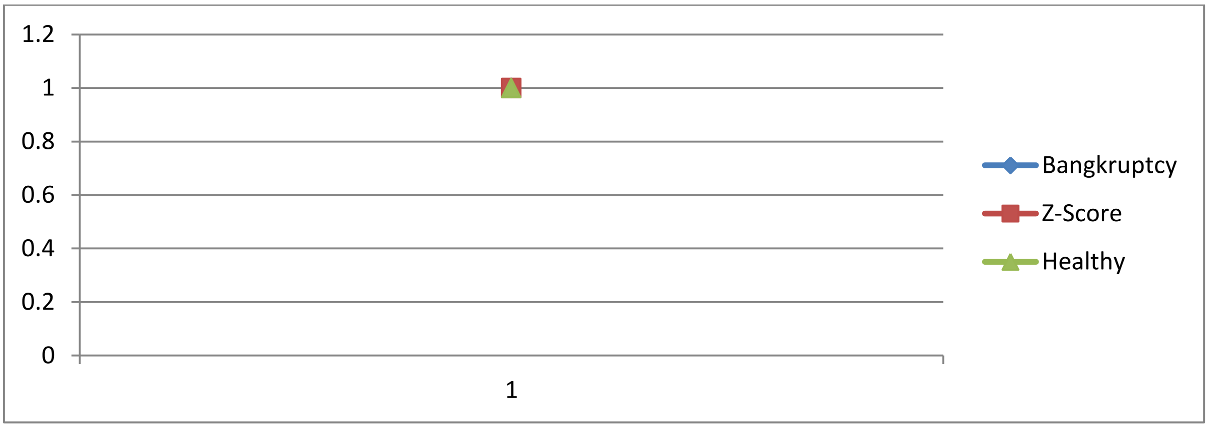

Figure 1. Z-Sore possition Healthy

CONCLUSIONS

The results of Zmijewski Model analysis average XI BMRI is 0.292. The results showed the condition of Financial Distress BMRI prone to bankruptcy. The results of Zmijewski Model analysis on average xi BBNI is 0.648. The results show the condition of Financial Distress BNI prone to bankruptcy. The results of Zmijewski Model analysis of XI BBRI's average is 0.660. The results showed that bri's financial distress condition was prone to bankruptcy. The results of Zmijewski Model analysis on average XI BBCA is 0.509. The results showed that bca's financial distress condition was prone to bankruptcy. Xi's overall average yield of 0.527 shows Xi >= 0.00 means that the banking industry on the Lq45 Index is prone to benching.

ACKNOWLEDGEMENT

Investors need to consider Zmijewski's results model in predicting bankruptcy related to the chosen investment plan. The banking industry must also pay more attention to financial health in order to improve the financial performance of companies and get out of the category of bankruptcy prone and become healthy. For future researchers, it is expected to use other models or methods of bankruptcy prediction models and expand the objects and samples of the study. Because, in this study only limited by the banking industry listed in the Lq45 Index.

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