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THE FINANCIAL PERFORMANCE OF SOE HOLDING CEMENT COMPANY

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Abstract:-
The government has a strategic plan to establish a SOE holding company that oversees certain companies by division based on the business sector to create an added value in terms of improvement in business performance, one of which is a state-owned holding company of the cement industry. The purpose of this study was to assess the extent of the effect of the establishment of a state-owned holding company PT. X on company's performance. This research was applied research, specifically aimed at measuring company's performance before and after the establishment of a Holding Company. The performance assessment was measured by analyzing the ratio of the Consolidated Financial Statements to the observation period between2009-2016. The data analysis adopted was the financial ratios including liquidity, solvency, profitability and activities ratios with paired sample t test. The strategy in this study was comparative because this research emphasized on the comparison of financial performance before and after the establishment of the Holding Company PT.X. The research finding as a whole is that the financial ratios tested indicated good value, because in its reality it is positive. However, statistically the Current Ratio, Gross Profit Margin, Net Profit Margin, ROA, ROE and Inventory Turnover showed significant differences before and after the establishment of a holding company, where the six ratios have the better values in the period before the holding company establishment. While, statistically the calculation results revealed that there was no significant differences in the Quick Ratio, Debt to Equity Ratio, Debt to Assets Ratio, Price to Earnings Ratio and Dividend Pay-out Ratio.

Keywords:- *Holding Company, SOE, financial ratio, liquidity ratio, solvability ratio, profitability ratio, activity ratio, current ratio, net profit margin, ROA, ROE.*

I. INTRODUCTION

The business of a company or even a state-owned company has developed so large, various and broad that it is necessary to fragment it by its business groups, thereby it can be more focused and independent although it is still in the same ownership. Control can be centralized by one holding company established. A holding company or also called a parent company, is a company that has an objective to own shares in one or more other companies and/or control one or more other companies. A holding company commonly has several companies operating in various businesses that are highly diverse. The process of establishment of a holding company is at least intended, among others, to synergize all operational activities thereby they are more efficient & effective in attaining their objectives, expand market networks & able to compete globally, expand funding networks and increase the financial performance of members of a merging company. The initial idea of establishment of a holding company as an option for restructuring of SOE was to optimize management. If there is holding of several SOEs in the same sector, then there will be at least a share support in the holding, for example human capital, distribution, information communication and technology and so on (Pranoto et al., 2013). The key of the successful SOE restructuring lies at the government decisive act in choosing the most appropriate methods in attaining the agreed outcomes, such as the efficiency of policy control, and enforcement of the activities chain, to attain the increase in the corporate value. Referring to the practice carried out in many countries, there are several options of restructuring method, such as the establishment of a Holding Company, mergers, amalgamation and takeovers (mergers and acquisitions), initial public offering (IPO), sales to strategic partners (Strategic Sale), sales to management manager (MBO), Management Contract, and other strategic alliances (Pranoto et al., 2013).

This attractive phenomenon certainly needs serious attention, especially in the establishment of state-owned holding, since it is the first time conducted for state-owned companies in Indonesia. The process of establishment of a holding company should be made cautiously, structured and not hastily as those already conducted and that just planned to be carried out by the ministry of SOEs. The holding company is indeed a step that must be implemented to improve efficiency, win competition, increase capital, and improve management to bring about SOEs that are able to compete nationally and globally for the increase in the state revenues (Kiik Ro, 2018). Until 2019 there were 6 SOE holding companies already established by the government and one of them is a strategic holding company of SOEs in the cement industry sector, that was established since 2012 to early 2013, to administer several operating companies with the objective to further strengthen and improve the company itself both in terms of finance, assets and market/business prospects.

It is therefore important to carry out this research. Since Indonesian SOEs are known as bureaucratic companies, the establishment of a holding company for SOEs which was the first time conducted in Indonesia was considered as a restructuring measure to improve performance. In addition, there was no research specifically examining the impact of the establishment of this BUMN holding company on the performance of all group companies in a fairly long period of time, namely 4 years before and after the establishment of a holding company. This research was aimed at assessing the impact of the establishment of a state-owned holding company on the company performance in PT.X Group and to know whether the holding's objective to increase the company's financial performance after the establishment of the holding company is attained.

Lakhwani et al (2017) conducted a research to 24 sample companies from various sectors in India that had acquired companies in the financial year of 20052006, to measure M&A financial performance in the long term with the support of Du Pont ROA Analysis and concluded that M&A was a good strategy for the long term and the company could gain optimal return provided that the selection of target is conducted wisely with a well-considered plan. M&A gained benefits in the long run but entirely depending on the company that selected this path and how to take it forward. The company is the party that gains benefit from M&A.

Ficbauer et al (2014) conducted the first research on the establishment of a holding company and its performance in the Republic of Czech, stating that research on the holding company was aimed at identifying the reasons for companies grouping, identifying the impacts and determining the correlation between the level of associations of subsidiaries and company's performance. The required information was obtained through examination to questionnaire and interview and by analyzing the financial statements and other documents describing the relationship between the companies concerned. There were shareholders that manage their cash flow more efficiently, operate with higher net working capital. To their subsidiaries, they adopted an aggressive strategy and operate with lower net working capital. It caused a decrease in the capital invested, cheaper financing, and an improvement in the performance of the holding company.

PT.X as one of the outputs of the establishment of a SOE holding company has controlled the 20th largest cement production capacity in the world since 2015, with total production in 2015 reaching 31 million tons and in 2017 the production capacity reached 35.5 million tons. In 2014 the market capitalization of PT.X reached 95 trillion rupiah with total assets of about 20 trillion rupiah. However, in line with the keener competition in the cement industry, the financial performance of PT.X decreased in the periods of 2015, 2016 and 2017.

The description above revealed that the establishment of holding company in several countries has a positive impact on the holding companies. Data on the financial performance of PT.X indicated that after the establishment of holding in 2014, there was still an increase, but since 2015 there was a decrease. Hence, there was a research gap from the theory explained, so that further research is still needed ino order to be able know the impact of the establishment of the holding referred on PT.X. The research question of this paper is “Does the establishment of a state owned holding company in the cement industry have a positive impact on the increase in financial performance at PT. X?”

II. LITERATURE REVIEW

To discuss the theoretical basis of Merger & Acquisition (M&A), there must be several detailed analyses of previous studies to each and every type of M&A theories and their impact on company performance in the post M&A period. This research was conducted by reviewing and synthesizing several academic literatures about various M&A theories and re-evaluating various previous studies to find out the various motives underlying the implementation of M&A strategies by the company. Merger and Acquisition (M&A), in of which one of the structure is the holding, is an important business strategy for the company's growth and development. M&A has kept on increasing, both in its volume and value. There are various types of M&A offering and each transaction is unique. So, the motives behind each agreement vary from one another. Therefore, a single theory is insufficient to explain the motives for mergers, acquisitions or takeovers. The literature shows various merger theories explaining the different motives that can be used for M&A agreements. The motives subsequently may result in an increase, decrease or status quo of a value (Leepsa et al., 2016).

Hosseini, S. R., et al (2013) provided an overview of the definition and implications of holding companies and their types. To separate holding from structure and other combinations, the researchers compared it to the investment companies, large-scale companies, and merger and Trust structures, and mentioned the difference from the holding forms. Holding Company is an investment company and the only difference is that it tries to manage a subsidiary not to make money by selling shares, and different from large-scale companies, they have no certain competitors nor customers, and the subsidiaries of ownership like joint ventures do not lose their legal entity, and they buy company shares to manage them, and they are not supervisors of the shares of other companies, like Trust models.

Djohanputro (2017) stated that Holding is a group establishment and transfer of ownership to a company appointed as a holding, bringing about company in a large-scale, or relatively large. This is one of the necessary requirements to be at the same level as the multinational or even global companies. Size only is not enough, it needs to be accompanied with a redesign of the organization to have excellent competitiveness, especially not with national private companies but with foreign companies or joint ventures or companies overseas. Organizational re-design is carried out whether only through limited business process engineering, business process reengineering, and organizational transformation.

The establishment of a BUMN holding will increase the company’s flexibility, that in turn the subsidiary will operate as a pure corporate. It may be in term of: financial (investment) holding company, strategic holding company (with existing variant types), or operational holding company, that depends on the differences in the characteristics of the subsidiary, the expected value from the holding. The establishment of this holding company is different from the holding company that has been established and establishing subsidiaries to support its activities (Pranoto et al., 2013).

The process of establishment of a holding company varies depending on the condition of the SOEs, whether through functional holding, operational holding, investment holding or strategic holding. It can also be established vertically, horizontally or conglomeration. Therefore it is necessary to map each SOE to establish a holding company starting from that is established already first. However the holding company is expectedly able to bring about value creation, efficiency and increase the capacity that ultimately will improve the performance of the subsidiary. Indeed, its implementation requires process and time (Rokhim, 2017)

The ideal form of SOE management is through super holding at the reason that the holding’s perspective based on the sector or industry currently applied will not always be effective in restoring and improving the company’s performance. It is contrary to the principle of business diversification and the objective of establishment of the holding itself, namely to become an investment company, not only as a holding company. Problems potentially arising from the establishment of Holding by its sector are: (1) It is unreliable to provide cheap cross financing if most subsidiaries managed are financially non-performing, (2) The possibility of loss if a good company is merged to non-performing company only because of the same sector, (3) there is no guarantee that the holding will successfully create efficient use of capital for its subsidiaries, especially those requiring significant amount of capital such as oil and gas, plantations, airports and ports. It is recommended that the establishment of state-owned holding is not sector-based but performance-based as carried out by Temasek Group-Singapore or Khazanah Group-Malaysia. In addition to merger and holding establishment, the government must also have the courage to think about spinoffs in order to separate business-oriented SOEs and those are assigned to carry out public service obligations or distributing subsidies. It is also to SOE’s performance comparable to private companies (Setiawan, 2017).

In all over the world, M&A has become a prominent route to attain inorganic growth for corporations, but they must still choose targets to acquire or merge after cautious analysis of the costs and benefits associated with the M&A. An appropriate integration plan must be designed in advance to facilitate M&A (Lakhwani et al., 2017).

The initial idea of establishment of a holding company was to optimize management (Judhanto, 2018). It is as conducted by the Government in the plan to establish a SOE holding. Theoretically, the establishment of a holding has a good goal, but in practice there is possibility that the opposite occurs, namely the decrease in the performance of companies merged to the holding (Sipayung et al., 2013). It can be caused, among others, by merging with inappropriate business entities, merging with other business entities financially non-performing, or retrenchment of business activities as the consequence of subsidiaries' business activities adjustment with the theme of holding companies (Sipayung et al., 2013).

Research on the holding companies is aimed identifying the reasons of companies grouping, identifying impacts and determining the correlation between association rates and performance of the company (Ficbauer et al., 2014).

According to Pranoto (2018), generally the establishment of holding companies was to bring about the value creation process. It being understood that the value of holding must be higher than that of the stand-alone company. The establishment of this holding is aimed at increasing the market capitalization value of the holding SOE, thereby increasing the competitiveness in the global economic market. The increase in the value of assets recorded by the holding company will drive the increase in the company's ability to carry out the values of large-scale projects.

Soetjipto (2014) stated that the basic idea of establishment of a Holding Company is to create value added, increase company competitiveness, and resolve conflicts occurring between state-owned cement industry sectors. The main strategy adopted is the synergy between state-owned cement companies that is conducted out gradually (there is a process to readiness). While to attain synergy, in addition to the process, there should also be a leadership that is able to build trust, thereby the changes are acceptable and able to be implemented properly.

Consideration and background of the company conducting M & A are dominantly due to their desire to gain added value for the company based on the decision taken. Moin (2010) explained that there are several benefits of M&A viewed from effectiveness aspect including: Gaining cash flow quickly since the product and market are clear, Obtaining funds/financing facility since the creditors have more trust to the companies already constructed and well-established, Obtaining experienced employees, Obtaining existing customers without necessity to start from the beginning, Obtaining an established operational and administrative system.

According to Brigham & Houston (2012) there are several advantages and disadvantages of holding companies. The advantages include: the existence of control to the part of the ownership and the risk separation. While the disadvantages include: partial double taxation and easily forced to dispose the shares.

The Holding will strengthen the company's position in the creation of added value and optimization of business development that will have an impact on the community, government and state-owned companies being the subsidiaries of the holding. Funding capacity and capital expenditure are projected to increase, there is also an increase in revenue and cost efficiency. Hence, it is expected to increase profits and equity. Analysts from several securities stated that the establishment of a holding will minimize competition in the market capture and can be spread on a
Territorial basis, strengthen funding & investment sources, thereby driving the new revenues rate and corporate's profits (Pratomo, 2019)

The Holding Company philosophy is to manage strategically a non-listed company. If a Holding Company is able to run their own non-listed company better than when they were still independent and also better than other managing organizations, then a value has been created, and it is a very competitive advantage expected in large-scale companies (Hosseini et al., 2013).

Lakhwani. V. M., et al (2017) concluded that M&A provides more specific results for companies than certain sectors. Even from the estimated value obtained by applying the ARIMA model, it was found that M&A gains benefits in the long run but it is entirely dependent on the company that chooses this path and how to take it forward. This finding was confirmed by previous results that it is not the sector but the company that is the party that gains benefit from M&A.

Still according to Moin (2010), he explained that the advantages and benefits of M&A viewed from performance aspect include: Decreasing the risk of business failure since it is unnecessary to look for new customers, Save time to enter new businesses, Obtain infrastructure to attain faster growth.

The establishment of BUMN sectoral holding may provide various benefits including financial aspects where the holding will improve the capital structure in the consolidated financial statements thereby increasing credit rating and creating financial independence owing to the increase in the company's leveraging capacity. If viewed from the operational aspect, SOE sectoral holding will allow SOEs make business models alignment and prevent duplication thereby creating synergy and efficiency. If seen from the strategic aspects of sectoral portfolio management, SOE holding is expected to create economies of scale allowing the implementation of projects such as infrastructure and accelerating the strategic decision making and focus on the company's resources management (Kiik Ro, 2018)

Leepsa, N. M., et al (2016) analyzed various researches conducted to identify the empirical evidence of performance pre and post M&A in M&A cases in India to find out whether managers would merge for value enhancements or merely be motivated by arrogance. The results of the review indicated that different companies have different motives for M&A.

Few cases of M&A have been found with arrogance motives. Companies were mainly looking for M&A to gain benefit from synergies through joint ventures. The practical implication of this research is to be able to identify M&A as a financial and investment decision that is feasible or not to attain their M&An objectives

Ficbauer, D., et al (2014) confirmed the main benefit of the holding company, namely improving cash flow management. Forty-two percent of respondents stated their opinion that the decline in the volume of capital invested was as the determinant factor. As a consequence of the possibility mentioned above for transferring cash between subsidiaries, the need for capital invested and bank loans decreased. The ownership structure of the holding company significantly decreased the risk of responsibilities which diversifies overall business risk. Part of the research consisted of determining the correlation between effective cash level management as an indicator of subsidiary association levels and company performance indicators from the category of value driving force. The direct correlation was proven between the extent of cash flow management and the amount of net working capital of the shareholders. This research was the first time published in the Republic of Czech.

In many cases, most companies carried out M&A smoothly and successfully. The examples of the success of the merger of state-owned companies in Indonesia are Bank Mandiri, that is now at the top of the list of banks with the largest assets and one of the best banks in Indonesia, the result of the merger of four state-owned banks which at that time all had negative Capital Adequacy Ratio (CAR) and capital during the 1997-1998 monetary crisis. In October 1998, they officially merged to become Bank Mandiri. Entering the year 2000-2001, its performance started increasing viewed from its revenue, profits and able to provide dividends to the government. In 2003 Bank Mandiri officially made IPO and was listed on IDX. After a long journey, the success of the merger of Bank Mandiri is currently indicated by the Market Cap performance of Rp. 364 Trillion, 22% CAR, and Q3-2019 Profit of Rp. 21 Trillion. Another example, as stated by Pranoto (2011) who conducted a comparative study stated that the establishment of the Khazanah National Berhad super holding as the holding company of commercial SOEs in Malaysia has successfully increased the value of its portfolio calculated based on Net Worth Adjusted (NWA) tripled for the recent 10 years, where the value in 2004 of RM 33.3 billion or equivalent to US $ 10.63 billion has grown to RM 103.5 billion or equivalent to US $ 33.04 billion at the end of 2013. As an investment holding company Khazanah currently operates globally, including investment in countries such as Singapore, India, China, Indonesia and several countries in Europe. Sources of success in increasing Khazanah's value include: a) clear industry and regulatory structures and reporting lines; b) professional management and board working in unision; c) independence in key decision making; d) strong internal culture of performance and emphasis on systems and control; e) focus on financial discipline in addition to service delivery; f) discipline access to credit and orderly competition. Several factors mentioned above also determine the success of the merger made by Bank Mandiri.

On the other hand, there were also a number of failed M&A actions that were widely known, for example in 1998, the acquisition and merger of German car manufacturer "Daimler" with "Chrysler" through a stock exchange of USD 39 billion. Daimler was the 13th largest automotive multinational company in the world, while Chrysler was a sports car and luxury car manufacturer from the United States since 1925. Shortly after the merger, Chrysler shareholders were dissatisfied and filed a class action suit. The integration process that took a long time in fact only last 4 years. In 2007, 98% of Daimler-Chrysler's shareholders agreed to release the Chrysler group to another party and only owned 19.9%. Two years later the new owner Chrysler filed petition for bankruptcy and it was rewarded with a bailout funded by American taxpayers. The different case in 2000, American Online (AOL) officially became the holding company for Time Warner with a purchase value reaching USD 164 billion. Within 18 months after the merger, the company reported a loss of USD 99 billion and tried to restore the existing conditions, but it was too late. In addition, the value of the company also dropped dramatically from USD 226 billion to USD 20 billion.

From the examples of case above, we conclude several factors that cause failure as explained by Moin (2013), among others: Plans & Processes of integration that is not planned well in all resources and the failure of cultural integration, Determining the value of the target company is in fact not easy because of the tendency of the target company not to show/open to all information (financial or nonfinancial) owned, a reality that is contrary to the purpose of M&A where there is no guarantee for the increase in the company's performance & value, the target company has a low strategic suitability with the taking over company, the Manager makes not optimal decision on M & A, it being understood that decisions are made only to attain individual goals, only relying on good strategic analysis is not enough to attain successful M&A.

This research would use data on a consolidated financial statement before and after the establishment of a holding company, as an instrument to evaluate the performance of the PT. X by using parameters of financial ratios consisting of liquidity, solvency, profitability, activity, and growth ratios. It is to assess the impact on company performance, before and after the establishment of a holding company. Fahmi (2014) stated that the financial statements are information that describes the condition of a company, which then will be an information that describes the performance of a company. The financial ratios are the results obtained from the comparison of amounts, from one amount to another. (Kasmir, 2016) stated that the activity ratio is the ratio used to measure the effectiveness of a company in using its assets. (Harahap, 2016) stated that the growth ratio reflects the presentation of the growth of company entries from year to year. Fahmi (2014) stated that financial performance is a description of the achievement of the company's success that can be interpreted as the results that have been attained on various activities already carried out. It can be explained that financial performance is an analysis conducted to identify the extent to which a company has carried out by using the rules of financial implementation properly and correctly.

The previous research by Rustiani, et al. (2017) by quantitative descriptive data analysis techniques conducted to measure the financial performance of the 3 largest cement industries in Indonesia, namely: PT Indocement Tunggal Prakarsa, Tbk, PT. X, Tbk, and PT Holcim Indonesia, Tbk by using financial ratio analysis (liquidity, solvency, profitability, activity, and growth ratios), indicated that the three companies, PT Indocement Tunggal Prakarsa, Tbk had the best performance compared to the other two companies. It can be seen from the results of the average liquidity, profitability, activity, and growth ratios that were above the sample average and from the results of the average solvability ratios that were below the sample average. However, the results of another study conducted by Syaiful Bahri (2013) revealed that the financial performance of PT X, Tbk as a whole was still better compared to other cement industries. If seen from the average value of liquidity, activity and profitability, PT.X was above the industry average, although the average its solvency value was still below the industry average.

PT. X is the largest cement manufacturer in Indonesia. It was first established in Gresik on 7 August 1957 under the name PT.A (now as a subsidiary-1) and was the first listed SOE in Indonesia in 1991. In 1995 it made acquisition and consolidation of PT.A with two other cement companies namely PT.B (subsidiary-2) & PT.C (subsidiary-3). In 2012 it became a very significant moment for the company after successfully expanding business expansion abroad and becoming the first SOE with the status of Multi National Company (MNC) by acquiring TLCC Vietnam (subsidiary-4) and expanding its business as Operating Company - Operating Holding. In the same year in 2012, through the Extraordinary General Meeting of Shareholders (EGMS), the company officially changed its name from PT.A to PT.X. The change of name also marked the first step of an effort to realize the transformation as a Pure Strategic Holding Company that was intended and believed to be able to synergize all the operational activities of the companies merged therein and focused as a holding company managing the funding management and managing investment strategies. After PT. X became a pure strategic holding company, the former PT.A was re-established and only focused on operating as a company. Currently the built capacity of the PT.X Group is 29 million tons of cement per year, and controls about 42% of the domestic cement market share. PT.X has subsidiaries inter alia: PT.A, PT.B, PT.C, TLCC and PT.D (newest subsidiary), which were just acquired in early 2019.

III. RESEARCH METHOD

The objective of this paper is to identify the impact of the establishment of a holding company in the cement industry BUMN on the financial performance of PT.
X. This research will use comparative method to compare the financial performance before and after the establishment of PT.X Holding Company.
The variable to compare is the consolidated financial ratios of all merging companies, both before and after the establishment of a holding company.
The secondary data collection method that would be used in this research was the documentation method.
The data to be analyzed were secondary data in the form of quantitative data. Secondary data were data obtained by researchers indirectly from the existing sources or through other parties providing the same.

Data were from the Consolidated Financial Statements from 2009 to 2016 that were obtained through the PT.X website. Please note that the analysis of financial ratio of 4 years before the establishment of holding, namely from 2009 to 2012 used the Financial Statements of PT.A, which has consolidated the entire financial statements of several companies that at the time were all them were the subsidiaries of PT.A as shareholders. Before the establishment of the holding company, PT.A in addition to being an operating company, also acted as the holding of several stateowned cement companies. The financial ratios from 2013 to 2016 were consolidated financial ratios after the establishment of the PT.X holding company, while PT.A was focused only on operating companies being part of the PT.X Group. Additional limitation in the selection of the financial statement period began in 2009 because in 2007 there was a global economic crisis so that there was worry that financial performance in 2008 was still affected by the crisis. By the above considerations, this research used the financial statement data for the year of 2009 - 2012 before the establishment of holding and financial statements in 2013 - 2016 after the establishment of holding.

The variables used in this research were the company's financial ratios which were generally considered to be able to describe the condition of the company. The ratios were obtained from the financial statements that were processed using the appropriate calculation to obtain the financial ratio. There were 11 financial ratios that would be examined in this research consisting of 2 Liquidity Ratios, 2 Solvability ratios, 6 Profitability Ratios and 1 Activity Ratio. The variables in this study use the univariate method which meant that each variable was tested individually and considered having an independent contribution to the company's financial performance.

Analysis of the data in this study used a paired sample t test (paired sample t test). Paired samples were the same subject, but experiencing different treatment. Although the company's financial data have high volatility from year to year and paired sample t-test was one of the parametric statistical techniques, no normality test was required because the ratio calculation resulted in was the real condition of the company and is not intended to represent the population.

Liquidity Ratio

Liquidity ratio is a ratio that indicating a company's ability to meet short-term obligations already past due. The liquidity ratios analyzed in this research were:

a. Current Ratio

$$Current\ Ratio = \frac{Current\ Assets}{Current\ Liabilities}\ x\ 100\%$$

b. Quick Ratio

$$Quick\ Ratio = \frac{Current\ Assets - Inventory}{Current\ Liabilities}\ x\ 100\%$$

Solvability Ratio

Solvability ratio is a ratio indicating the company's ability to pay its obligations if the company is liquidated. The solvability ratios analyzed in this research were:

a. Debt to Equity Ratio

$$Debt\ to\ Equity\ Ratio = \frac{Total\ Liabilities}{Total\ Equity}\ x\ 100\%$$

b. Debt to Assets Ratio

$$Debt\ to\ Assets\ Ratio = \frac{Total\ Liabilities}{Total\ Assets}\ x\ 100\%$$

Profitability Ratio

Profitability ratios are ratios used to measure the extent of the company's ability to yield profits, both in relation to assets and profits for capital owned. The profitability ratios analyzed in this research were:

a. Gross Profit Ratio

$$Gross\ Profit\ Ratio = \frac{Gross\ Profit}{Net\ Sales}\ x\ 100\%$$

b. Net Profit Margin

$$Net\ Profit\ Margin = \frac{Net\ Income}{Net\ Sales}\ x\ 100\%$$

c. Return on Assets

$$Return\ on\ Assets = \frac{Net\ Income}{Total\ Assets}\ x\ 100\%$$

d. Return on Equity

$$Return\ on\ Assets = \frac{Net\ Income}{Total\ Assets}\ x\ 100\%$$

e. Price to Earnings Ratio

$$Price\ to\ Earning\ ratio = \frac{Market\ Value\ per\ Share}{Earning\ Per\ Share}\ x\ 100\%$$

f. Dividend Pay-out Ratio

$$Divident\ Payout\ Ratio = \frac{Total\ Divident}{Net\ Income}\ x\ 100\%$$

Activity Ratio

Activity ratio is the ratio indicating the extent to which companies efficiently manage and utilize resources optimally. The Activity Ratio analyzed in this research were was Inventory Turnover.

$$Inventory\ Turnover = \frac{Cost\ of\ Goods\ Sold}{Average\ Inventory}$$

IV. RESULT AND DISCUSSION

The results of the calculation of liquidity ratios, solvability ratios, profitability ratios and activity ratios were presented in the following table:

Table 1. Financial Ratios before the Establishment of SOE Holding.

Ratio	Year				Mean	Median	Standard Deviation
	2009	2010	2011	2012			
Liquidity Ratio							
Current Ratio	357.63%	291.79%	264.65%	170.59%	271.17%	278.22%	0.7759
Quick Ratio	296.29%	227.27%	195.20%	123.24%	210.50%	211.23%	0.7186
Solvability Ratio							
Debt To Equity Ratio	25.82%	28.51%	34.53%	46.32%	33.80%	31.52%	0.0911
Debt To Assets Ratio	20.33%	22.00%	25.67%	31.66%	24.91%	23.83%	0.0502
Profitability Ratio							
Gross Profit Ratio	47.08%	47.48%	45.71%	47.44%	46.93%	47.26%	0.0083
Net Profit Margin	23.12%	25.33%	24.15%	25.14%	24.43%	24.64%	0.0102
Return on Assets	25.68%	23.35%	20.12%	18.54%	21.92%	21.73%	0.0321
Return On Equity	32.68%	30.26%	27.06%	27.12%	29.28%	28.69%	0.0271
Price to Earning Ratio	17.67%	16.31%	15.11%	12.24%	15.33%	15.71%	0.0231
Dividend Payout Ratio	48.27%	50.36%	37.55%	40.11%	44.07%	44.19%	0.0620
Activity Ratio							
Inventory Turnover	5.10	4.97	4.90	4.80	4.9411	4.9340	0.1245

Source: Data processed

Table 1. Financial Ratios after the Establishment of SOE Holding

Ratio	Year				Mean	Median	Standard Deviation
	2013	2014	2015	2016			
Liquidity Ratio							
Current Ratio	188.24%	220.90%	159.70%	127.25%	174.02%	173.97%	0.3997
Quick Ratio	138.29%	167.58%	123.19%	94.48%	130.89%	130.74%	0.3047
Solvability Ratio							
Debt To Equity Ratio	41.23%	37.25%	39.04%	44.65%	40.54%	40.13%	0.0319
Debt To Assets Ratio	29.19%	27.14%	28.08%	30.87%	28.82%	28.63%	0.0160
Profitability Ratio							
Gross Profit Ratio	44.67%	42.98%	39.51%	37.71%	41.22%	41.24%	0.0317
Net Profit Margin	21.85%	20.65%	16.79%	17.35%	19.16%	19.00%	0.0247
Return on Assets	10.80%	10.59%	10.37%	11.14%	10.72%	10.70%	0.0033
Return On Equity	15.26%	14.53%	14.41%	16.11%	15.08%	14.89%	0.0078
Price to Earning Ratio	11.05%	10.66%	13.12%	13.12%	11.99%	12.09%	0.0132
Dividend Payout Ratio	41.30%	43.54%	49.42%	40.10%	43.59%	42.42%	0.0414
Activity Ratio							
Inventory Turnover	5.50	5.64	6.25	6.41	5.9480	5.9422	0.4463

Source: Data processed

Statistical Test of Liquidity Ratio

The following is the table of comparison of the mean, median and standard deviation used to test the difference in paired t-test averages with two samples at each liquidity ratio.

Table 3. Comparison of Liquidity Ratio

Ratio	Before Holding	After Holding
Liquidity Ratio		
Current Ratio		
Mean	271.17%	174.02%
Median	278.22%	173.97%
Standard Deviation	0.7759	0.3997
Quick Ratio		
Mean	210.50%	130.89%
Median	211.23%	130.74%
Standard Deviation	0.7186	0.3047

Source: Data processed

The table above indicated that the average current ratio and quick ratio before holding are better when compared to the current ratio after establishment, namely 271.17% and 210.50%, respectively. It indicated that before the establishment of the holding, PT.A's ability to pay its obligations using its current assets was better than after the establishment of the holding. However, the standard deviation of the current ratio and quick ratio after establishment is smaller than before the establishment of holding, namely 0.3997 and 0.3047. It indicated that after the establishment of holding the level of current ratio and quick ratio at PT.X became more stable. To find out the significance of the difference between the average current ratio and quick ratio before and after the establishment of holding in PT.X, a paired sample t test was carried out with the results as follows:

Table 4. T-test Results for Liquidity Ratios Before and After Establishment of Holding Std Error 95% Confidence Interval Mean

RATIO	Mean	Std Deviation	Std Error Mean	95% Confidence Interval of the Difference		t	df	Sig. (2-tailed)
				Lower	Upper			
Current Ratio	0.9714	0.5436	0.2718	0.1065	1.8364	3.5741	3.0000	0.0374
Quick Ratio	0.7962	0.5533	0.2767	-0.0843	1.6766	2.8777	3.0000	0.0637

Source: Data processed using SPSS

The table of the results of t-test liquidity ratio showed that the current ratio has a significance = 0.0374 <from α = 0.05 means that there is a significant difference between the current ratio before and after the establishment of holding. In real time the current ratio before holding is better than after holding. While the quick ratio has a significance = 0.0637> from α = 0.05 which means that there is no significant difference between the quick ratio before and after the establishment of holding. Even though in real time the quick ratio before establishment of a holding has a higher average value than after establishment of a holding, statistically the quick ratio before establishment of a holding is not higher than the quick ratio after establishment of a holding.

Statistical Test of Solvability ratio

The following table presents the mean, median and standard deviation used to carry out paired sample t test at each solvability ratio.

Table 5. Comparison of Solvability Ratio

Ratio	Before Holding	After Holding
Solvability Ratio		
Debt To Equity Ratio		
Mean	33.80%	40.54%
Median	31.52%	40.13%
Standard Deviation	0.0911	0.0319
Debt To Assets Ratio		
Mean	24.91%	28.82%
Median	23.83%	28.63%
Standard Deviation	0.0502	0.0160

Source: Data processed

The table above presented that the average Debt to Equity ratio and Debt to Assets Ratio before the establishment of the holding was 33.80% and 24.91% better compared to after the establishment of the holding, it was the lower DER value and the better DAR values since it showed a small percentage of equity and assets that originated from debt. The standard deviation of the two solvability ratios after the establishment of the holding was 0.0319 and 0.0160 smaller than the standard deviation before the establishment of the holding namely 0.0911 and 0.0502.
To test the significance of the difference in the average DER and DAR before and after the establishment of the holding, a paired sample t test was carried out with the following results:

Table 6. T-test Results of Solvability Ratio Before and After Holding Establishment

RATIO	Mean	Std Deviation	Std Error	95% Confidence Interval of the Difference		t	df	Sig. (2-tailed)
				Lower	Upper			
Debt to Equity Ratio	-0.0675	0.0718	0.0359	-0.1818	0.0469	-1.8782	3.0000	0.1570
Debt to Assets Ratio	-0.0391	0.0410	0.0205	-0.1042	0.0261	-1.9063	3.0000	0.1527

Source: Data processed using SPSS

T-test in Debt to Equity Ratio resulted in significance = 0.1570> from α = 0.05. This means that there is no significant difference between the Debt to Equity Ratio before and after the establishment of the holding. Likewise, the t-test Debt to Assets Ratio produces significance = 0.1527> from α = 0.05, meaning that there is no significant difference in Debt to Assets Ratio before and after holding establishment. So it can be concluded that the Debt to Equity Ratio and Debt to Assets Ratio in real terms have a better value than after holding, but statistically the difference in the value of the ratio is not significant. It means that after the establishment of a holding both assets and equity were only a small part that was from debt, same as the period before the holding was established.

Statistical Test of Profitability Ratios

The following table presents the mean, median and standard deviation used to carry out paired sample t test at each profitability ratio.

Table 7. Comparison of Profitability Ratios

Ratio	Before Holding	After Holding
Profitability Ratio		
Gross Profit Ratio		
Mean	46.93%	41.22%
Median	47.26%	41.24%
Standard Deviation	0.0083	0.0317
Net Profit Margin		
Mean	24.43%	19.16%
Median	24.64%	19.00%
Standard Deviation	0.0102	0.0247
Return on Assets		
Mean	21.92%	10.72%
Median	21.73%	10.70%
Standard Deviation	0.0321	0.0033
Return On Equity		
Mean	29.28%	15.08%
Median	28.69%	14.89%
Standard Deviation	0.0271	0.0078
Price to Earnings Ratio		
Mean	15.33%	11.99%
Median	15.71%	12.09%
Standard Deviation	0.0231	0.0132
Dividend Pay-out Ratio		
Mean	44.07%	43.59%
Median	44.19%	42.42%
Standard Deviation	0.0620	0.0414

Source: Data processed

In the table above showed that overall the average profitability ratio before establishment of a holding is better than after establishment of a holding. Before the establishment of holding, the average Gross Profit Ratio was 46.93% greater than the average Gross Profit Ratio after Holding, namely 41.22%. The contribution of net sales to gross profit in 2009-2012 was better than in 2013-2016. The average Net Profit Margin was 24.43% in the 2009-2012 period, while in 2003-2016 it experienced a decline in the average Net Profit Margin by 19.16%. It means that the control over both operational and non-operational costs before establishment of a holding was better than after establishment of a holding. The average ROA and ROE in 2009-2012 were 21.92% and 29.28% better than in 2013-2016 namely 10.72% and 15.08%. It indicated that before the establishment of the holding assets PT.A was more productive and the rate of return to shareholders' equity was also better. Before the establishment of holding, the average Price to Earnings Ratio of 15.33% and Dividend Pay-out Ratio by 44.07% was also better than after the establishment of holding, namely 11.99% and 43.59%. It means that the ability to provide returns to outstanding shares was better in the period before the establishment of the holding.

The results of the significance test to differences in profitability ratios are presented in the table as follows:

Table 8. T-test Results of Profitability Ratios Before and After Establishment of Holding

RATIO	Mean	Std Deviation	Std Error	95% Confidence Interval of the Difference		t	df	Sig. (2tailed)
				Lower	Upper			
Gross Profit ratio	0.0571	0.0310	0.0155	0.0078	0.1064	3.6887	3.0000	0.0345
Net Profit Margin	0.0528	0.0300	0.0150	0.0050	0.1005	3.5123	3.0000	0.0391
Return on Assets	0.1120	0.0329	0.0165	0.0596	0.1644	6.8022	3.0000	0.0065
Return on Equity	0.1420	0.0290	0.0145	0.0958	0.1882	9.7836	3.0000	0.0023
Price to Earning Ratio	0.0335	0.0345	0.0173	-0.0215	0.0884	1.9386	3.0000	0.1479
Dividend Payout Ratio	0.0048	0.0885	0.0443	-0.1360	0.1457	0.1090	3.0000	0.9201

Source: Data processed using SPSS

The table above showed the significance value of the Gross Profit R t-test by 0.0035, smaller than α = 0.05, meaning that there is a significant difference between the Gross Profit Ratio value before and after the establishment of holding. Net Profit Margin has a significance value = 0.0391 less than α = 0.05, so it can be concluded that there were significant differences in Net Profit Margin before and after the establishment of holding. Return on Assets and Return on Equity have a significance value by 0.0065 and 0.0023, respectively, the two significance values are smaller than α = 0.05. There were significant differences between Return on Assets and Return on Equity before and after the establishment of holding. Different results can be seen in the significance value of Price to Earnings Ratio and Dividend Payout Ratio. Price to Earnings Ratio has a significance value = 0.1479> from α = 0.05, meaning that there was no significant difference between Price to Earnings Ratio before and after the establishment of holding. The significance value of the t-test of Dividend Payout Ratio is 0.9201 greater than the value of α = 0.05, meaning there was no significant difference between the Dividend Payout ratio before and after the establishment of holding. So it can be concluded that although the average Price to Earnings Ratio and Dividend Payout Ratio prior to the establishment of holding has a higher value compared to the average value of Price to Earnings Ratio and Dividend Payout Ratio after holding the establishment, however statistically there is no differences in the average value Price to Earnings Ratio and Dividend Payout Ratio before or after the establishment of a holding company.

Statistical Test of Activity Ratio

Herein below is a table showing the comparison of the mean, median, and standard deviation used to carry out paired sample t test in the inventory turnover ratio.

Table 9. Comparison of Inventory Turnover

Ratio	Before Holding	After Holding
Activity Ratio		
Inventory Turnover		
Mean	4.9411	5.9480
Median	4.9340	5.9422
Standard Deviation	0.1245	0.4463

Source: Data processed

The table above showed the average inventory turnover after the establishment of holding by 5.9480 better than before the establishment of holding namely 4.9411. The higher value of inventory turnover indicated the more efficient in managing their inventory. In other words that after the establishment of a holding company the inventory turnover was higher than before the holding establishment so that it was faster in generating cash.

T-test to determine the significance of differences in inventory turnover before and after the establishment of holding is shown in the table as follows:

Table 8. Result of Inventory turnover T-test before and after the establishment of holding

RATIO	Mean	Std Deviation	Std Error	95% Confidence Interval of the Difference		t	df	Sig. (2-tailed)
				Lower	Upper			
Inventory Turnover	-1.0070	0.5646	0.2823	-1.9053	-0.1086	-3.5672	3.0000	0.0376

Source: Data processed using SPSS

The average t-test results of the Inventory Turnover resulted in a significance value = 0.0376 <from α = 0.05, so it can be concluded that there was a significant difference between the average Inventory Turnover before and after the establishment of Holding.

The discussion that has been carried out above provides a description of the impact that then arises from the establishment of a holding company on the changes in financial performance before and after the establishment of holding company. Statistically the establishment of the Holding Company in SOE Cement Industry proved that there was no significant change in the company's financial performance. Liquidity ratios reflected in the Current Ratio and Quick Ratio averagely decreased in the period after the establishment of a holding company. It statistically showed that the current ratio has a significance = 0.0374 <from α = 0.05 means that there was a significant difference between the current ratio before and after the establishment of the holding, where the current ratio was better before the establishment of the holding company. Statistically quick ratio has a significance = 0.0637> from α = 0.05 meaning that there was no significant difference between before and after the establishment of a holding company. Therefore, the establishment of a holding company provides no improvement in the liquidity ratio. Likewise, the solvability ratio showed that there was no significant increase in Debt to Equity Ratio and Debt to Assets Ratio. Statistically Debt to Equity Ratio resulted in significance = 0.1570> from α = 0.05 meaning that there was no significant difference between Debt to Equity Ratio before and after the establishment of a holding company. Statistically Debt to Assets Ratio resulted in significance = 0.1527> from α = 0.05, meaning there was no significant difference in Debt to Assets Ratio before and after the establishment of a holding company. The overall profitability ratio also did not show an increase, but indeed showing a decrease in the company's profitability capabilities. Statistically there are four dominant profitability ratios resulting in significance <of $\alpha = 0.05$ that indicate a difference before and after the establishment of a holding company, where such ratios are better before establishment of a holding company. It is worth-noted for management in determining the concrete steps of the company's operating policies to increase Net Income as an indicator in determining profitability ratios so that it can be in line with the objectives of establishment of a holding company. Different results were found in activity ratios where inventory turnover was even faster after the establishment of a holding company. Statistically it showed a significance value of 0.0376 or smaller than than $\alpha = 0.05$ meaning that there was a significant difference in average Inventory Turn Over between before and after the establishment of holding company. In this research the activity ratio became the only ratio that experienced a significant increase after the establishment of a holding company. It is not yet in line with the objective of establishment of a holding company, where it is expected that the establishment of a holding company is able to provide an increase in the company's financial performance. It can be said that the establishment of a holding company could not provide positive improvements to the financial performance of PT.X. It can be a material consideration for the Ministry of SOEs in making decisions related to the establishment of BUMN Holding Companies.

V. CONCLUSION AND IMPLICATION

Conclusion

Financial ratios is able to reflect the value of company's financial performance. Companies with good financial performance can attract investors to invest. However, investors still consider the company's performance based on other indicators, because the financial ratio analysis only assesses the company's financial performance based on the figures contained in the company's financial statements. From the overall results of the analysis of PT.X's financial ratios, both in real and statistical terms (t-test), it can be concluded as follows:

1. Overall financial ratios tested in this research show good value, since they are positive.
2. 6 out of 11 financial ratios tested in this research have a significant difference between before and after the establishment of a holding, where the ratio before the establishment of a holding company shows a better value than after the establishment of a holding company. Financial ratios that have better value before establishment of a holding are Current Ratio, Gross Profit Ratio, Net Profit Margin, ROA, ROE and Inventory Turnover. Whereas 5 other financial ratios namely Quick Ratio, Debt to Equity Ratio, Debt to Assets

Ratio, Price to Earnings Ratio and Dividend Payout Ratio tested indicated that there were no significant differences between before and after the establishment of holding. Even though in real terms the five ratios before holding were better, statistically the results of the calculations did not experience a significant difference.

Implication

1. It is recommended for the Government to conduct a review to the plan to establish a SOE holding in other industrial sectors, so that the objective of establishment of a holding is to increase the company's financial performance.
2. For further research, it is expected to examine further the cause of the decline in financial ratios that occur in the period after the establishment of the holding.

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