



Company Financial Health Assessment of PT. Properti Aset Kemakmuran: In Response to the Ongoing Company Financial Projection

Daryl Raihan Muhammad¹, Ana Noveria²

^{1,2} School of Business and Management, Institut Teknologi Bandung, Indonesia

ABSTRACT: This study delves into the company's financial health of PT. Properti Aset Kemakmuran, a subsidiary of one of the biggest State-owned Enterprise (SOE) in Indonesia, PT. Induk Aset Kemakmuran. The company is engaged in the field of asset & property development of PT. Induk Aset Kemakmuran, and currently executing a five yearly Company Long-Term Plan for the period of 2021-2025 that contains three financial projection schemes: Conservative, Base, and Aggressive scheme. During the strategic planning period, PT. Properti Aset Kemakmuran had only achieved the Conservative scheme that was prone to pessimistic targets, rather than the Base scheme that is projected as the middle standard scheme. Therefore, the author conducted an in-depth company financial health assessment consisting of Company's Strategic Analysis and Company Financial Health Assessment that utilizes Financial Ratio Benchmarking & Financial Health Scoring with Government Regulation of the Decree of State-owned Enterprises Ministry Number KEP-100 / MBU / 2002 on the Health Assessment of State-owned Enterprises, in order to observe the contributing factors and company's financial health that caused the low revenue achievement – based on the current financial projection scheme. The analysis concludes that there is a congruence between the financial achievement and Company's Strategic Analysis & Company Financial Health Assessment. The company's low revenue achievement was indicated and signified by its low Company's Financial Health level result and Strategic Analysis' result, that are lack of Digitalization & Digitization and lack of Sustainable Competitive Advantages.

KEYWORDS: Company's Financial Health, Financial Ratio Analysis, Strategic Analysis, Government Regulation, Benchmarking Analysis.

A. BACKGROUND

As Indonesia approaches the 2024 presidential election, the political climate has introduced broader economic uncertainties, impacting various sectors, including the property market. These uncertainties, potentially exacerbated by new policies and regulations, pose significant challenges for the business sustainability of property companies, including both private firms and state-owned enterprises (SOEs) like PT. Properti Aset Kemakmuran. To remain competitive amidst this volatility, maintaining the company's financial health is crucial. Bank Indonesia's third quarter 2023 report highlights the instability in the commercial property market, showing fluctuating year-on-year growth rates in both rental and selling categories. Despite some positive quarterly growth, the supply side struggled to keep pace with demand, indicating a potential mismatch that could affect future market dynamics. For PT. Properti Aset Kemakmuran, which leverages assets from PT. Induk Aset Kemakmuran and operates in sectors such as retail and hospitality, assessing and ensuring financial stability of the company is essential to navigate the uncertainties of the upcoming election and the changing political and economic landscape.

B. LITERATURE REVIEW

The literature review encompasses theories and journals that utilize financial ratio analysis, guided by the Government Regulation KEP-100 / MBU / 2002, to assess the financial health of State-owned Enterprises. Fernando & Iskandar (2016), Helmi & Daryanto (2020), and Daryanto & Hestiwati (2020) specifically focus on the *financial health aspect*, one of the three predetermined aspects in the law. This adjusted method was applied to analyze PT. Properti Aset Kemakmuran's financial health, with further comprehensive company financial health analysis details provided in the Research Method section.

Several journal literatures highlight the strong correlation between digital capabilities and company performance, attributing the widespread adoption of digital practices to their positive impact. Studies by Pertiwi et al. (2023), Fernández-Portillo, et al (2021), Zugrav (2019), Bouwman et al. (2018), Kumar et al. (2016), and Venturini (2015) show significant performance improvements due



to digital capabilities. Notably, Nasiri et al. (2020) found that digital-related human and collaboration skills enhance financial performance more than technical and innovation capabilities alone. This underscores the importance of digitalization, particularly in developing human skill sets, for improving a company's financial performance.

Financial Health

Financial health refers to the overall well-being and stability of an organization's financial condition, encompassing factors such as solvency, liquidity, profitability, and efficiency. It reflects the entity's ability to meet its financial obligations, generate profits, and sustain long-term viability in a dynamic business environment. Assessing financial health involves a comprehensive analysis of various financial metrics to gauge the company's fiscal soundness and resilience (Higgins, 2014). Financial health generally can be assessed through a comprehensive financial statement analysis. Financial statement analysis provides managers with valuable feedback regarding their company's performance. For example, managers may study trends in their company's financial statements to assess whether performance has been improving or declining. (Garrison, Noreen, and Brewer 2018).

Specifically, for state-owned enterprises in Indonesia, the company's financial health and/or overall company's health can be measured with the Government Regulation of the Decree of Minister of State-Owned Enterprises number KEP-100 / MBU / 2002 on the health assessment of State-owned Enterprises. Based on the decree, there are three main aspects of a company's performance; the Financial Aspect, Operational Aspect, and Administration Aspect. For this thesis the scope of the assessment is limited to the *financial aspect* only that consists of eight main financial ratios, the eight financial ratios that are measured for the assessment are Return on Equity (ROE), Return on Investment (ROI), Cash Ratio, Current Ratio, Collection Periods, Inventory Turnover, Total Asset Turnover, and Owner's / Shareholders' Equity to Total Assets Ratio.

Financial Ratios

A financial ratio is a quantitative metric that expresses the relationship between two or more financial variables, providing insights into various aspects of a company's performance, profitability, and financial health. Financial ratios are crucial tools for financial analysis, offering a systematic means to assess and compare different aspects of a company's financial statements, such as balance sheets and income statements (Brigham & Houston, 2019). According to Ross, Westerfield, and Jordan (2017), ratio analysis is categorized into five main categories, that are: Liquidity, Asset Management, Financial Leverage, Profitability, and Market Value. As mentioned before, the financial ratio formula that are going to be used in this thesis is Return on Equity (ROE), Return on Investment (ROI), Cash Ratio, Current Ratio, Collection Periods, Inventory Turnover, Total Asset Turnover, and Owner's / Shareholders' Equity to Total Assets Ratio.

Financial Projection

Financial projection refers to the process of forecasting a company's future financial performance based on historical data, current trends, and various assumptions. It involves the creation of detailed estimates and predictions of income, expenses, and other financial metrics over a specified period. Financial projections serve as a valuable tool for strategic planning, budgeting, and decision-making, helping organizations anticipate potential outcomes and allocate resources effectively (Ross, Westerfield, & Jordan, 2017). In this thesis, the financial projection - that is elaborated on the Company Financial Projection Period 2021-2025 - of PT. Properti Aset Kemakmuran is going to be used as the threshold reference to the company's actual financial achievement.

C. RESEARCH METHOD

This study will use a *mixed methods design*. Based on Creswell & Creswell (2018), *mixed methods design* is an approach that is beneficial when neither quantitative nor qualitative methods alone can fully address a research problem. By combining both methods, the research aims for a more robust and valid outcome. The *mixed methods design* involves collecting and integrating both types of data, using designs that may include philosophical and theoretical frameworks. Specifically, this study uses the convergent mixed methods approach, where quantitative and qualitative data are collected simultaneously and then integrated for a comprehensive analysis. Any contradictions in the data are further investigated (Creswell & Creswell, 2018). For this study, qualitative data is obtained through secondary sources and analyzed through Strategic analysis, while quantitative data is sourced from the company's financial statements and processed by utilizing financial ratio assessment.

The author's research framework first identified three main business issues for PT. Properti Aset Kemakmuran: financial disruptions, cost leadership policy, and digital skillset inadequacy, with the primary issue being low financial projection achievement. An in-



depth analysis of these issues, using VRIO (Hitt, Ireland, & Hoskisson, 2016) and SWOT (Helms & Nixon, 2010) for internal assessment, and PESTLE (Johnson, Scholes, & Whittington, 2019) and Porter’s Five Forces (Porter, 2008) for external environment analysis, aims to uncover the contributing factors. These factors will support an empirical quantitative analysis of financial issues. The financial health of PT. Properti Aset Kemakmuran will be evaluated through financial ratio analysis, benchmarking, and the company health assessment guidelines from Government Regulation KEP-100 / MBU / 2002 that is limited to using the *financial aspect only*, based on Fernando & Iskandar (2016), Daryanto & Hestiwati (2020), and Helmi & Daryanto (2020). Here is below the author’s conceptual framework:

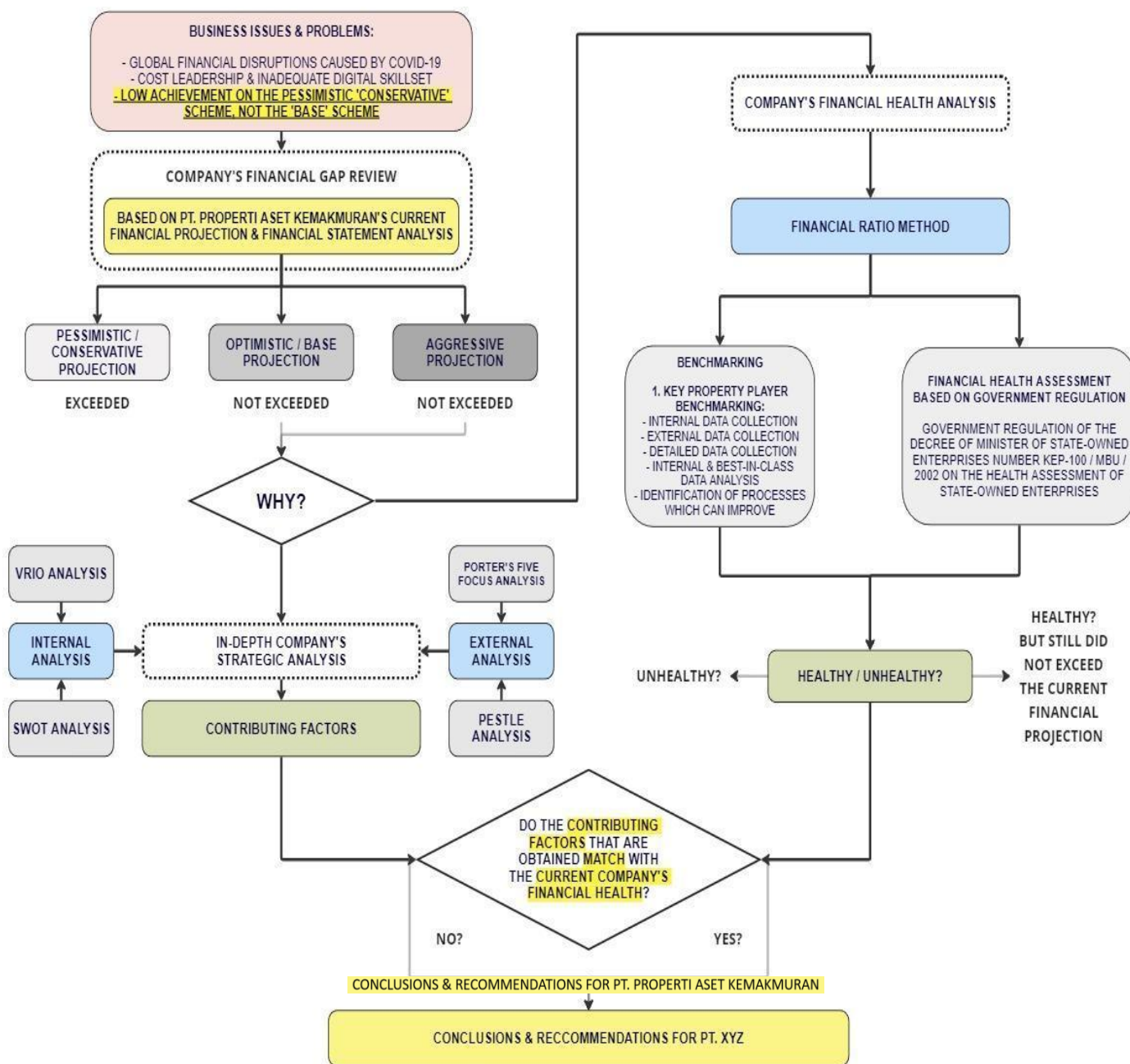


Figure 1. Conceptual Framework.

Source: Author, adapted and modified from Jetmarová, B (2016).



D. FINDINGS AND ANALYSIS

Findings

The findings emerged as the occurrence of the PT. Properti Aset Kemakmuran’s achievement in a pessimistic financial modeling projection scheme, named the Conservative. According to PT. Properti Aset Kemakmuran's 2021-2025 Long-Term Plan, the company has three financial projection schemes: Conservative, Base, and Aggressive, each with different average YoY growth expectations. The Conservative model is pessimistic due to COVID-19 recovery, the Base model is the standard expectation supported by digitalization, and the Aggressive model is highly optimistic, considering digital resilience. In 2022, the company only met the Conservative revenue projection, falling short of the Base projection, which is considered the minimum middle standard. The following data presents PT. Properti Aset Kemakmuran's actual and projected revenue and net profit for 2021-2022, and bar charts of actual and projected revenue for 2019-2022:

Table 1. PT. Properti Aset Kemakmuran’s actual – projected revenue & net income with *Conservative* scheme (~4% average YoY expected growth).

Actual & Projected Data	Revenue	Net Income
Actual 2021	3.004.937.679.197	20.544.703.939
Projected 2021	3.406.160.718.651	20.122.977.776
Actual 2022	3.533.971.928.506	31.071.928.871
Projected 2022	3.513.563.507.688	34.873.115.301

Source: Private Archive of PT. Properti Aset Kemakmuran’s Financial Modelling Projection (Period 2021-2025) and PT. Properti Aset Kemakmuran’s financial statement.

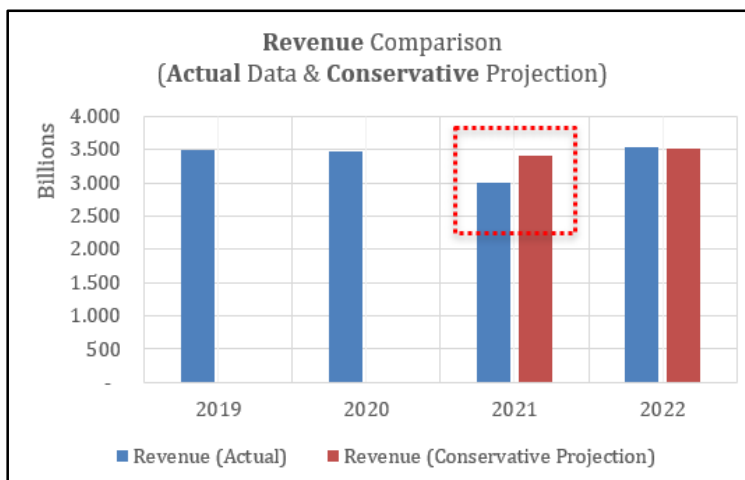


Figure 2. PT. Properti Aset Kemakmuran’s actual – projected revenue comparison with *Conservative* projection (~4% YoY expected growth).

Source: Private Archive of PT. Properti Aset Kemakmuran’s Financial Modelling Projection (Period 2021-2025) and PT. Properti Aset Kemakmuran’s financial statement.

Table 2. PT. Properti Aset Kemakmuran’s actual – projected revenue & net income with *Base* scheme(~8% average YoY expected growth).

Actual & Projected Data	Revenue	Net Income
Actual 2021	3.004.937.679.197	20.544.703.939
Projected 2021	3.684.813.049.815	34.363.585.517
Actual 2022	3.533.971.928.506	31.071.928.871
Projected 2022	3.873.864.556.764	54.135.947.164

Source: Private Archive of PT. Properti Aset Kemakmuran’s Financial Modelling Projection (Period 2021-2025) and PT. Properti Aset Kemakmuran’s financial statement.

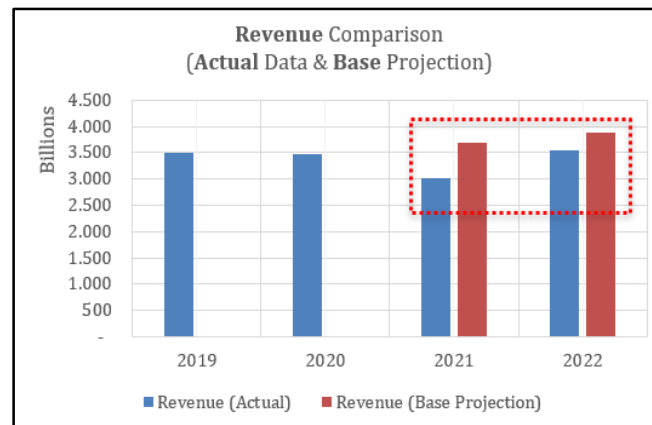


Figure 3. PT. Properti Aset Kemakmuran's actual – projected revenue comparison with *Base* projection (~8% average YoY expected growth).

Source: Private Archive of PT. Properti Aset Kemakmuran's Financial Modelling Projection (Period 2021-2025) and PT. Properti Aset Kemakmuran's financial statement.

In 2021-2022, PT. Properti Aset Kemakmuran's actual financial performance only exceeded the lowest, *conservative* scheme, which is the financial projection with ~4% average YoY growth for 2021-2025. This indicates that the company's financial growth could only achieve the pessimistic *conservative* targets, rather than the expected standard *Base* scheme, during the first two years of its 2021-2025 Long-Term Plan.

In concern of intensifying the business problem more in detail, historical data analysis exhibits PT. Properti Aset Kemakmuran has managed to surpass its conservative financial projections but remains on shaky ground due to potential internal and external factors that could influence its performance. The company's current standing just above the conservative threshold and its inability to meet the more optimistic *Base* scheme projections are primarily due to three significant factors. First, the company's financial health has been disrupted by the Covid-19 pandemic and the shift towards a digital business model, leading to operational and revenue stream challenges that have degraded its financial stability. Second, the company's efforts to transform into a 'Tech-led Property Company' have been hindered by an inadequate digital skillset and resources, which are crucial for competing in the high-tech property market. This inadequacy in digital capabilities could either enhance efficiencies and reduce costs or lead to increased expenses due to the need for developing new digital business models and upgrading skills. Lastly, in response to financial health disruptions, the company's leadership mandated a cost leadership strategy for the 2021-2025 period to optimize financial performance and mitigate the impacts of the pandemic, digitalization, and other potential disruptions. However, this strategy might also affect the company's operational effectiveness. Therefore, while PT. Properti Aset Kemakmuran has made some progress, these factors underscore the ongoing challenges it faces in achieving more stable and optimistic financial projections.

Hence, it is crucial to understand how these assumptions have possibly inflicted the low financial achievement under the *Conservative* projection scheme and assess how these factors could possibly align with PT. Properti Aset Kemakmuran's financial health. This assessment will be based on financial ratio analysis per the Ministerial Decree of State-owned Enterprises Number Kep-100/MBU/2002 and benchmarked against best-practice company in the property sector.

Analysis

Strategic Analysis

The Environment Analysis is divided into two methods; Internal & External analysis. The External analysis is an approach to help the Author to observe the assumptions possibility sourced from outside of the company, it can be derived from the regulations, competitors, and many other factors that could strengthen the assumptions. This approach is divided into two methods that are; PESTLE and Porter's Five Forces Analysis. Whereas the internal analysis aimed to have a comprehensive understanding of how the company strived and leverage its potential from its internal aspect. This approach is utilizing two main methods that are SWOT and VRIO analysis.



External Analysis

PESTLE Analysis

The PESTLE analysis in this writing is aimed to have a comprehensive insight of the external factors that contributed directly to PT. Properti Aset Kemakmuran operational and development. Each of the factors are analysed through historical case studies from secondary data collected from news portals, governmental websites, PT. Properti Aset Kemakmuran's Annual Report, Company Long-term Plan, and private Financial Statements. Here is the elaboration of each of the factors of PESTLE Analysis:

- **Political:** Between 2019 and 2023, PT. Properti Aset Kemakmuran faced several political challenges in Indonesia, impacting its operations and development. In early 2020, the newly elected SOEs minister criticized Indonesian SOEs, including PT. Properti Aset Kemakmuran's parent company, PT. Induk Aset Kemakmuran, for their lack of agility and advanced technological adoption. This led PT. Properti Aset Kemakmuran to initiate a digital transformation plan for property technology amidst the COVID-19 pandemic. Additionally, the upcoming 2024 presidential election could bring changes in government policies and regulations, potentially affecting PT. Properti Aset Kemakmuran's strategic planning, especially in areas like tax regulation crucial for converting PT. Induk Aset Kemakmuran's property assets into revenue.
- **PoliticalEconomic:** The global economic disruptions caused by the COVID-19 pandemic significantly impacted PT. Properti Aset Kemakmuran's business portfolios, affecting Indonesia's economic stability and the company's performance. The Institute for Economics and Finance (INDEF) projected a loss of up to IDR 127 trillion due to decreased investment prospects. Key economic factors like GDP growth, inflation, investment values, exchange rates, and interest rates are crucial for the property sector and PT. Properti Aset Kemakmuran's performance. For instance, lower interest rates can reduce PT. Properti Aset Kemakmuran's expenses, potentially increasing net profits. Indonesia's GDP growth fluctuated from -2.07% in 2020 to a recovery at 5.05% by the end of 2023, influencing PT. Properti Aset Kemakmuran's revenue and financial health. PT. Properti Aset Kemakmuran's historical data shows fluctuating revenue growth from 2019 to 2022, heavily impacted by the national economic turmoil caused by the COVID-19 pandemic. Revenue growth hit its lowest point in 2021, the second year of the pandemic, with YoY growth rates of -1.1% in 2019, -0.3% in 2020, and -13.4% in 2021, resulting in a low CAGR of 0.1% for 2018-2021. Despite a 17.6% YoY improvement in 2022, revenue growth remained unstable and below the projections in PT. Properti Aset Kemakmuran's 2021-2025 Long-Term Plan. This clearly indicates that the global economic disruption significantly affected PT. Properti Aset Kemakmuran's financial health.
- **Social:** Social factors significantly impact PT. Properti Aset Kemakmuran, as an integrated property company managing PT. Induk Aset Kemakmuran's assets across Indonesia. Revenue streams are closely tied to demographic aspects such as lifestyles and purchasing power in various regions. According to the 2020 census by *Badan Pusat Statistik* (BPS), Java Island dominates economic activities, contributing 59% of the Gross Regional Domestic Product. This indicates that social-demographic factors are crucial for PT. Properti Aset Kemakmuran's business portfolio development, particularly in retail and hospitality, which constitute 31% of the Property Development unit's revenue, the second-largest segment after Land & Building Rental, as outlined in PT. Properti Aset Kemakmuran's 2021-2025 Long-Term Plan.
- **Technology:** The competitive property market has pushed PT. Properti Aset Kemakmuran to enhance its business through technology adoption to stay competitive in both traditional and digital sectors. Recent years have seen diverse technological implementations in property development, such as Building Information Modelling (BIM), Virtual Reality (VR), and project management software, which improve efficiency and outcomes. Notably, a McGraw-Hill report (McGraw Hill SmartMarket Report, 2010) highlights that two-thirds of advanced BIM users report a positive ROI. Competitors like Hutama Karya, Sinarmas Land, and Sera have integrated technologies such as VR, AI-powered analytics, IoT solutions, and digital customer outreach to stay ahead. PT. Properti Aset Kemakmuran has also embraced technology in its portfolios with Cloud Kitchen, Smart Locker, SwaMart, Smart Parking System, and TRENDS online vehicle rental services. Global technological advancements have influenced PT. Properti Aset Kemakmuran's strategic planning to introduce new digital business models and enhance digital capabilities. The company's Digital Transformation scheme focuses on digitalization to grow revenue and digitization to improve efficiency, aligning PT. Properti Aset Kemakmuran with a tech-driven future.
- **Legal:** PT. Properti Aset Kemakmuran, as a subsidiary of PT. Induk Aset Kemakmuran and part of Indonesian State-owned Enterprises (SOEs), must comply with SOE Ministry regulations and policies. Under the current SOEs minister, Erick Thohir, known for decisiveness and reform, PT. Properti Aset Kemakmuran is expected to adapt swiftly to regulatory



changes aimed at upholding legal integrity and anticipating global shifts. Recently, Thohir consolidated 45 ministerial regulations into three main regulations, known as the "Omnibus Law of SOE Regulation": PER-1/MBU/03/2023 on Special Assignments and Social Responsibility Programs, PER-2/MBU/03/2023 on Governance and Corporate Activities, and PER-3/MBU/03/2023 on SOE Organs and Human Resources.

- **Environment:** Growing awareness of sustainability and environmental concerns can impact PT. Properti Aset Kemakmuran's property business decisions and operational governance. Environmental regulations such as Government Regulation No. 29 of 1986 on Environmental Impact Assessment and Ministerial Regulation No. 8 of 2010 on Environmentally Friendly Buildings may necessitate adjustments in property development and management practices. Additionally, laws like Law No. 28 of 2002 on Buildings and Ministerial Regulation No. 21 of 2021 on Green Building Assessment further shape PT. Properti Aset Kemakmuran's operations. Consequently, PT. Properti Aset Kemakmuran must consider these regulations in its business portfolio and Corporate Social Responsibility efforts, anticipating continued demand for cleaning and environmental services in its Property Management portfolio, projected to grow by 8.5% over five years (PT. Properti Aset Kemakmuran's Annual Report, 2021).

Porter's Five Forces Analysis

In this analysis, the Porter's Five Forces framework is utilized to gain a thorough understanding of the external influences on the property industry. Each factor is examined through historical case studies sourced from secondary data, including news portals and the Company Long-term Plan. Below is a detailed breakdown of each element within the PESTLE Analysis:

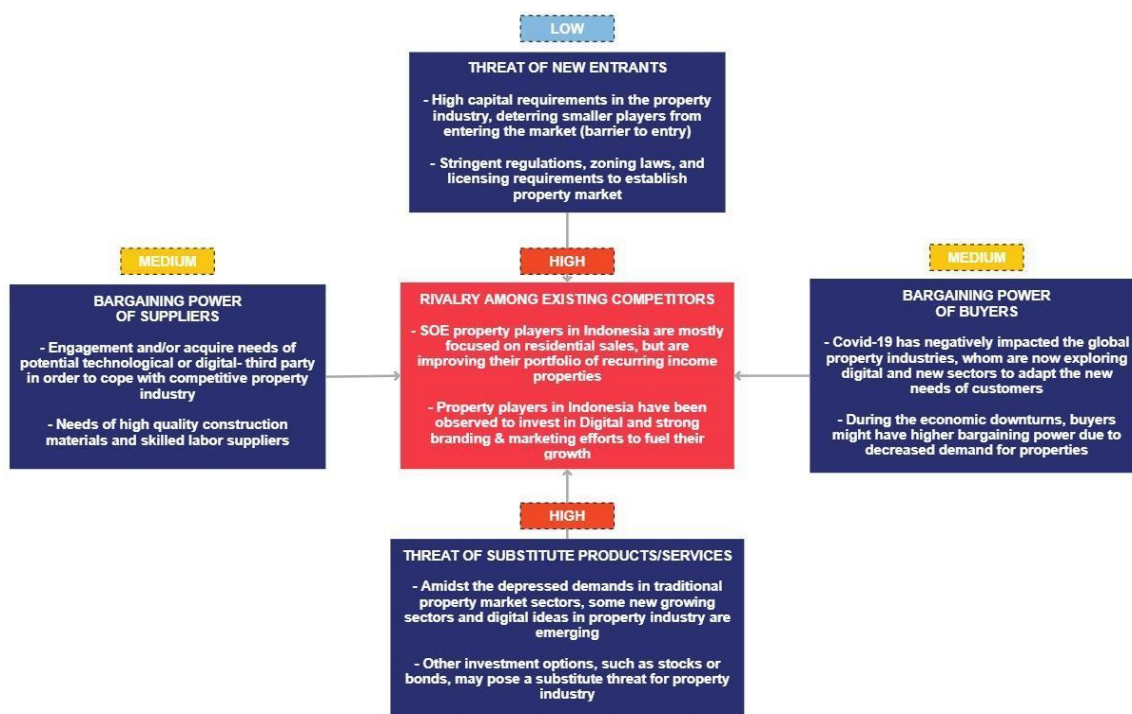


Figure 4. Porter's Five Forces Analysis of the Property Industry.

Source: Author and Company Long-Term Plan of PT. Properti Aset Kemakmuran (2021).

Internal Analysis

SWOT Analysis

The SWOT (Strengths, Weaknesses, Opportunities, Threats) Analysis in this writing aims to provide a thorough understanding of the internal factors inherent to PT. Properti Aset Kemakmuran. Each factor is examined using historical case studies drawn from secondary data sources such as PT. Properti Aset Kemakmuran's Annual Report and the Company Long-term Plan. Below is a detailed explanation of each of the SWOT factors.



STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> - Large number of assets to leverage from PT. ABC with nationwide presence - PT. ABC well-known branding could help expansion growth to external market <ul style="list-style-type: none"> - Retail revenue sharing models - Huge portfolio, strong experience & presence 	<ul style="list-style-type: none"> - Lack of experienced market expertise & insufficient sales staff - Limited in-house tech & internal capability and digital talent <ul style="list-style-type: none"> - Tech implementation challenges - Operational inefficiencies causing discrepancies - design vs. actual and manual asset management processes
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> - Focus on recurring income-generating assets through commercial developments - Expanding new business opportunities, such as: warehousing, data centers, on-demand storage, co-working space, etc. - Digitalization to create digital offerings to provide customer centric value added service & products - Digitization initiatives to enable cost saving 	<ul style="list-style-type: none"> - Managerial policy changes - Governmental Policy changes - Competitive landscape of digital-based property market <ul style="list-style-type: none"> - High capex needs

Figure 5. SWOT Analysis of PT. Properti Aset Kemakmuran.

Source: Author’s Analysis and Company Long-Term Plan of PT. Properti Aset Kemakmuran (2021).

VRIO Analysis

The VRIO (Value, Rarity, Inimitability, Organization) Analysis presented here seeks to provide a thorough understanding of the internal resources within PT. Properti Aset Kemakmuran and determine if they offer sustainable competitive advantages. Each factor is evaluated using four indicators outlined by Antonio & Cardael (2012), and historical secondary data from PT. Properti Aset Kemakmuran’s Annual Report and the Company Long-term Plan is used to address these assessments. Below is a detailed elaboration of the VRIO analysis:

Table 3. VRIO Analysis of PT. Properti Aset Kemakmuran.

Resources	Valuable	Rare	Inimitability	Organized	Competitive Advantages
Organizational Culture	Yes	No	No	No	Competitive Parity
Capability to Provide Good Quality Product	Yes	No	No	No	Competitive Parity
Ability to Provide a Full Range of Product for Customers	Yes	No	No	No	Competitive parity
Excellence in Delivery and Customer Service	Yes	No	No	No	Competitive Parity

Source: Author’s analysis

Strategic Analysis Conclusion

Based on an external and internal analysis, several contributing factors have been identified as likely causes of PT. Properti Aset Kemakmuran's underperformance. One major factor is the incomplete and unrobust digitalization and digitization process outlined in the company's 2021-2025 Long Term Plan. Digital development is a crucial strategy for property companies globally, as it enhances competitiveness. For PT. Properti Aset Kemakmuran, effective digitalization could significantly boost financial health by increasing operational efficiencies, especially given the company's cost leadership mandate. However, prioritizing digitization to improve financial health through cost reductions is essential. The company's current digitalization efforts have not reached the comprehensive maturity needed to realize these benefits fully.



Another key factor is the lack of significant sustainable competitive advantages compared to competitors in property development, management, project solutions, and transport management services. The company's only notable strengths are its assets and brand recognition, inherited from its parent company, PT. Induk Aset Kemakmuran. The 2021-2025 Long Term Plan and the 2021 Annual Report indicate that operational and administrative capabilities have not been enhanced by effective digitalization, preventing the company from achieving its Base financial projections. This is evident in PT. Properti Aset Kemakmuran's financial performance from 2016-2022, where it consistently attained a net profit margin below 4%, reflecting inefficiencies in operational and administrative costs. The lack of well-executed digitalization likely contributes to this low net profit margin, highlighting the need for more robust digital initiatives to improve financial outcomes.

Company's Financial health Analysis

Company's Financial Ratio Benchmarking Analysis

According to PT. Properti Aset Kemakmuran's 2021-2025 Long-Term Plan, the Indonesian property market has seen fluctuating trends, with a -22% decline in market share from 2019-2020 but a projected recovery to a +2% CAGR from 2019-2024, indicating potential growth post-Covid-19. Despite challenges, the property sector contributes around 3% to Indonesia's GDP, with significant real estate activity. Key players like Sinarmas Land, Lippo, Ciputra, Pakuwon, and Summarecon dominate the market, holding 2-3% shares and achieving an average net profit margin of 15.9%, compared to PT. Properti Aset Kemakmuran's sub-4% margin from 2016 to 2022. Lippo Karawaci (LPKR), among Indonesia's "Top 10 Developers" by BCI Asia Awards, is one of the largest listed property companies by assets and revenue, with a business model similar to PT. Properti Aset Kemakmuran's. Both companies focus on property development, management, and asset management in strategic city center locations. Given LPKR's strong financial health and integrated business model, it serves as a suitable benchmark for PT. Properti Aset Kemakmuran to enhance its financial performance and strategic positioning in the competitive property market.

Financial ratios, aligned with Government Regulation KEP-100 / MBU / 2002, including ROE, ROI, Cash Ratio, Current Ratio, Collection Periods, Inventory Turnover, Total Asset Turnover, and Owner's/Shareholders' Equity to Total Assets Ratio, will be compared between the two companies to gauge their financial performance. Detailed presentations of these financial ratios' benchmarks between PT. Properti Aset Kemakmuran and LPKR as follow:

Table 4. Company Benchmarking Analysis of PT. Properti Aset Kemakmuran & LPKR.

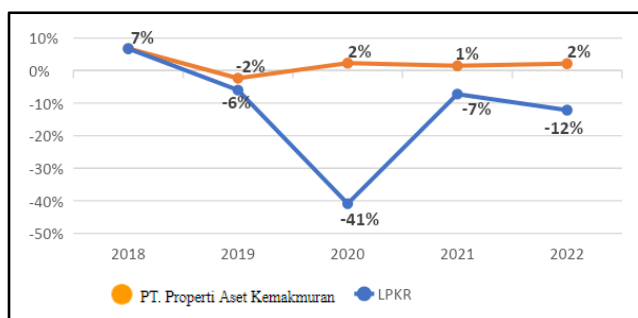


Figure 6. ROI comparison of PT. Properti Aset Kemakmuran & LPKR.

PT. Properti Aset Kemakmuran exhibited a higher ROE than LPKR, partly due to its scale and private company status, which avoids external shareholder risks. Despite LPKR's recovery and reduction of losses from 2020-2021, improving its ROE, PT. Properti Aset Kemakmuran consistently outperformed LPKR in ROE from 2018 to 2022, even though both companies started with the same ROE of 7% in 2018.

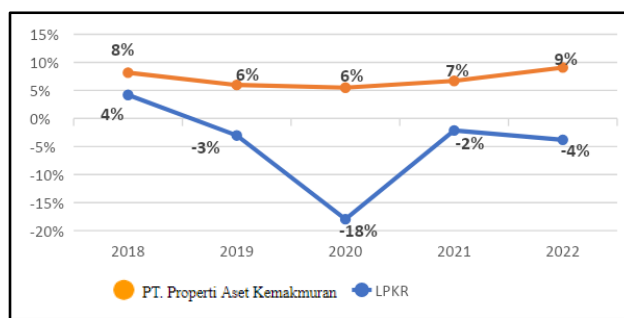


Figure 7. ROI comparison of PT. Properti Aset Kemakmuran & LPKR.

PT. Properti Aset Kemakmuran had higher ROI values compared to LPKR, primarily because LPKR experienced continuous EBIT losses starting from 2019, which weakened its ROI relative to PT. Properti Aset Kemakmuran's.

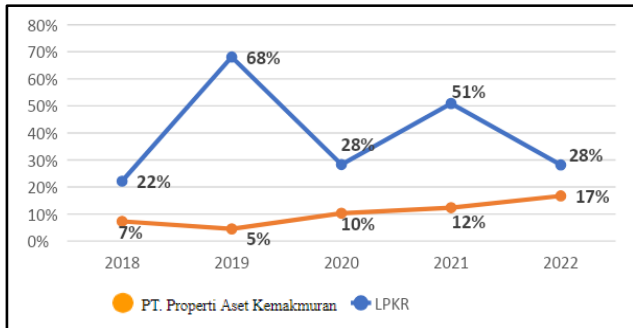


Figure 8. Cash Ratio comparison of PT. Properti Aset Kemakmuran & LPKR.

LPKR's Cash Ratio was consistently higher than PT. Properti Aset Kemakmuran's from 2018 to 2022, indicating better liquidity. While neither company achieved a Cash Ratio greater than 100%, which signifies strong liquidity to cover current liabilities, LPKR's ratio was notably higher throughout this period.

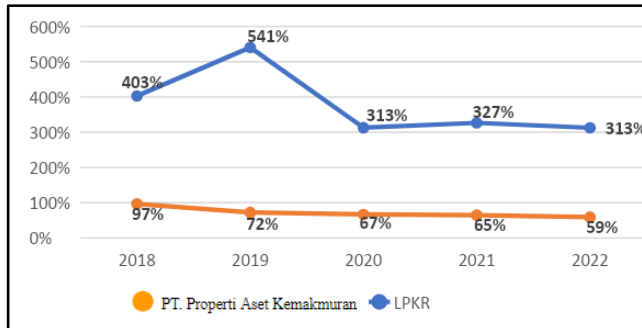
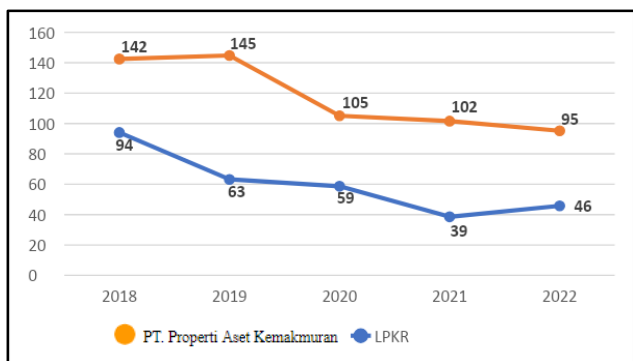


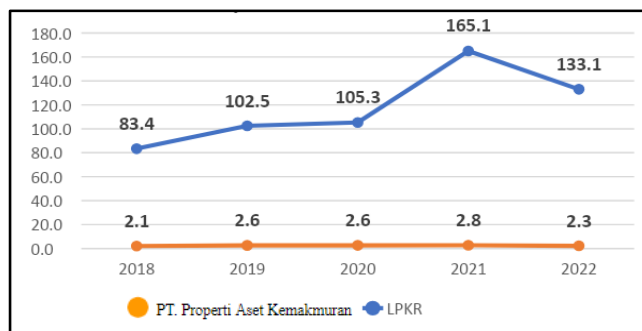
Figure 9. Current Ratio comparison of PT. Properti Aset Kemakmuran & LPKR.

LPKR's Current Ratio consistently exceeded PT. Properti Aset Kemakmuran's, with LPKR maintaining values above 100% while PT. Properti Aset Kemakmuran's ratios were below 100%. A Current Ratio above 1 or 100% indicates good liquidity, meaning the company can cover its current liabilities with assets convertible to cash within a year.



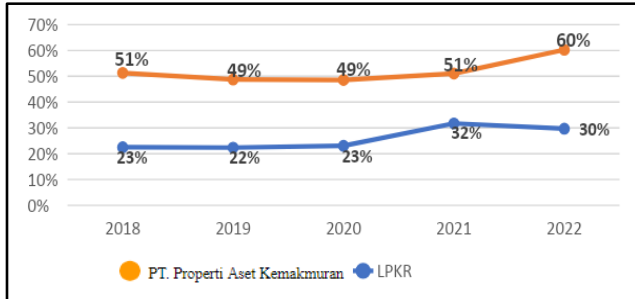
1. Figure 10. Collection Period comparison of PT. Properti Aset Kemakmuran & LPKR.
2.

3. The overall value of LPKR's Collection Periods were all lower than PT. Properti Aset Kemakmuran's. The lower the company's Collection Period, the better for the company to ensure better ability to collect its Account Receivables in a day unit.



4. Figure 11. Inventory Turnover Ratio comparison of PT. Properti Aset Kemakmuran & LPKR.

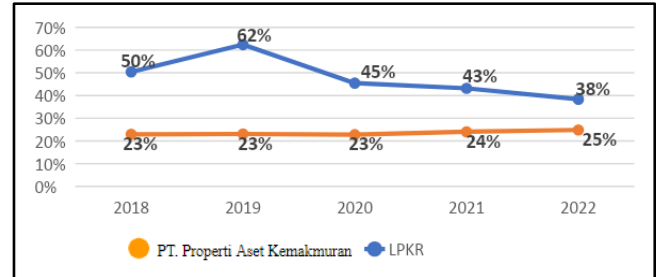
LPKR's Total Inventory was significantly higher than PT. Properti Aset Kemakmuran's, ranging from 1600 to 2200 times greater. This disparity is due to LPKR's larger scale and extensive property development activities, compared to PT. Properti Aset Kemakmuran's smaller, service-oriented asset management focus. PT. Properti Aset Kemakmuran's leaner inventory approach contrasts with LPKR's comprehensive property portfolio, which includes urban development and shopping malls. Consequently, benchmarking the two companies' Inventory Turnover Ratios is **not relevant** due to their differing business models and inventory management practices.



5. Figure 12. Total Asset Turnover Ratio comparison of PT. Properti Aset Kemakmuran & LPKR.

6.

7. The overall value of PT. Properti Aset Kemakmuran's Total Asset Turnover ratio was greater than LPKR's. The higher the value Total Asset Turnover ratio, the better for the company to indicate the high efficiencies of turning its assets into revenue.



8. Figure 13. Equity to Total Asset Ratio comparison of PT. Properti Aset Kemakmuran & LPKR.

9.

10. In terms of Shareholders' Equity to Total Assets ratio, PT. Properti Aset Kemakmuran and LPKR demonstrated different financing strategies. PT. Properti Aset Kemakmuran had lower values, indicating it relied more on debt to finance its assets, while LPKR, as a public listed company, used more shareholders' equity to finance its assets.

Source: Author's analysis

Company's Financial Ratio Benchmarking Analysis Conclusion

Table 5. Company Benchmarking Conclusion of PT. Properti Aset Kemakmuran & LPKR.

No.	Financial Ratio	PT. Properti Aset Kemakmuran	LPKR
Profitability Ratio			
1.	Return on Equity Ratio	Higher	Lower
2.	Return on Investment Ratio	Higher	Lower
Liquidity Ratio			
3.	Cash Ratio	Lower	Higher
4.	Current Ratio	Lower	Higher
Activity Ratio			
5.	Collection Period Ratio	Higher	Lower
6.	Inventory Turnover Ratio	-	-
7.	Total Asset Turnover Ratio	Higher	Lower
Leverage Ratio			
8.	Shareholders' Equity to Total Asset	More Debt	More Into Equity

Source: Author's analysis

Based on the benchmarking analysis, PT. Properti Aset Kemakmuran and LPKR excel in different financial ratios. PT. Properti Aset Kemakmuran outperformed LPKR in Return on Equity (ROE), Return on Investment (ROI), and Total Asset Turnover ratios. Conversely, LPKR led in Cash Ratio, Current Ratio, Collection Period, and Inventory Turnover ratios. LPKR's higher liquidity ratios stem from its substantial cash equivalents, and its efficiency in collecting receivables is reflected in its superior Collection Period ratio. Despite having massive assets, LPKR needed a larger revenue proportion to achieve a better Total Asset Turnover ratio, indicating different operational efficiencies compared to PT. Properti Aset Kemakmuran.

As a non-public listed company with smaller equity, assets, and income, PT. Properti Aset Kemakmuran showed better investment prospects with higher ROE and ROI values and greater efficiency in asset utilization compared to LPKR. The different asset funding approaches of the two companies further highlight their distinct characteristics. LPKR, as a public listed company, relies more on equity funding, while PT. Properti Aset Kemakmuran utilizes more debt. This results in differing Shareholders' Equity to Total Assets ratios, influenced by their respective funding policies and regulatory environments.



Company’s Financial Health Scoring with Government Regulation of the Decree of State-owned Enterprises Ministry Number KEP-100 / MBU / 2002

Table 6. Score weight conversion of PT. Properti Aset Kemakmuran

PT. Properti Aset Kemakmuran	Year				
Ratio	2018	2019	2020	2021	2022
Profitability Ratio					
ROE Ratio	7%	-2%	2%	1%	2%
Score weight	10	0	4	2	4
ROI Ratio	8%	6%	6%	7%	9%
Score weight	13,5	13,5	3	15	15
Liquidity Ratio					
Cash Ratio	7%	5%	10%	12%	17%
Score weight	1	1	2	2	3
Current Ratio	97%	72%	67%	65%	59%
Score weight	2	0	0	0	0
Activity Ratio					
Collection Period	142	145	105	102	95
Score weight	3,5	3,5	4	4	4
Inventory Turnover	2	3	3	3	2
Score weight	5	5	5	5	5
Total Asset Turnover	51%	49%	49%	51%	60%
Score weight	3,5	3,5	3,5	3,5	5
Leverage Ratio					
Total Asset Turnover	23%	23%	23%	24%	25%
Score weight	7,25	7,25	7,25	7,25	7,25
Total Score (max 70)	45,75	33,75	28,75	38,75	43,25
Adjusted score (max 100, multiplied by 100/70)	65,36	48,21	41,07	55,36	61,79
Category	A	BB	BB	BBB	BBB
Status	Healthy	Less Healthy	Less Healthy	Less Healthy	Less Healthy

Source: Author’s analysis

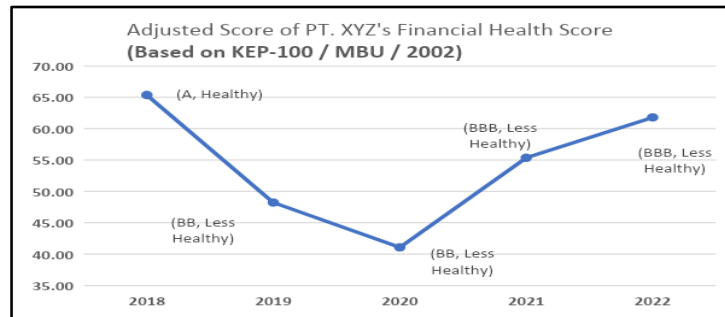


Figure 14. Adjusted financial health score of PT. Properti Aset Kemakmuran.

Source: Author's analysis

E. CONCLUSION AND RECOMMENDATION

Conclusion

The comprehensive analysis of PT. Properti Aset Kemakmuran's financial health, encompassing strategic analysis and financial ratio benchmarking aligned with government regulations, reveals significant correlations with the company's business issues. The strategic analysis indicates a lack of robust digitalization and digitization efforts, coupled with an absence of sustainable competitive advantages, as primary contributors to the company's low performance under the conservative financial projection scheme. Benchmarking against key industry players highlights deficiencies in PT. Properti Aset Kemakmuran's liquidity and activity ratios, further confirming financial health challenges. The financial health assessment, based on the Decree of State-owned Enterprises Ministry, rated the company as 'Less Healthy' from 2019 to 2022, aligning with the identified business issues and highlighting the need for improved digitalization, particularly digitization, to enhance operational efficiency and financial performance.

The analysis concludes that inadequate digitalization and a lack of sustainable competitive advantages hindered PT. Properti Aset Kemakmuran's financial growth, necessitating a focus on digitization to improve efficiency and support cost leadership strategies. The financial health assessments and benchmarking against Lippo Karawaci (LPKR) also reveal that, despite competitive aspects in certain financial ratios, PT. Properti Aset Kemakmuran struggles with liquidity and collection periods, impacting its overall financial stability. Lastly, the analysis confirms that the company's 'Less Healthy' financial status, as indicated by the Decree's scoring system, aligns with the contributing factors identified, namely the insufficient execution of digitalization and the lack of sustainable competitive advantages, thus explaining the company's failure to achieve its base financial projections.

Recommendation

Based on the prior findings & analysis, the author proposes three key recommendations for PT. Properti Aset Kemakmuran based on strategic analysis, benchmarking, and financial health assessment. First, the company should prioritize enhancing its market presence through business portfolios that offer sustainable competitive advantages, starting with robust digitization efforts to reduce operational costs before expanding into broader digitalization initiatives. Second, there is a need for a detailed analysis to assess the company's ability to achieve the minimum Base projection scheme or to adjust the scheme itself in future Long-Term Plans. Lastly, conducting further research is crucial to measure the effectiveness of addressing contributing factors like inadequate digitization, digitization efforts, and the lack of sustainable competitive advantages on the company's overall financial health.

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