Impact of the Covid-19 Pandemic on Financial Reports on Financial Performance (Study on Hospitality, Restaurant, and Tourism Sub-Sector)

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Abstract

The Hospitality, Restaurant, and Tourism sector in Indonesia is facing a number of challenges amid the Covid-19 outbreak. During the current Covid-19 pandemic, hotel, restaurant, and tourism companies will face several possible risks to financial performance. For this reason, it is necessary to conduct research to analyze the impact of Covid-19 on financial performance by analyzing Financial Statements using financial ratios, namely the Current Ratio (CR), Debt to equity ratio (DER), Return on Equity (ROE) and Price Earnings Ratio (PER). This type of research is descriptive quantitative research. The population in this study were 35 of all hospitality, restaurant, and tourism sub-sector companies listed on the Indonesia Stock Exchange for the 2019-2020 period. Samples were collected by 24 companies using purposive sampling method. The data was processed using a paired sample t-test, using SPSS version 25. From the results of the data processing, it shows that the overall impact of Covid-19 on the financial performance of the hospitality, restaurant, and tourism sub-sectors in Indonesia is seen from the results of the Different Test table (Paired Test). Sample T-Test) CR and PER ratios are not significant, indicating differences in financial performance, while the DER and ROE ratios indicate significant differences in financial performance.

Preliminary

The economic impact of COVID-19 is more complicated than the global economic crisis of 2008-2009 that was felt by world leaders and decision makers in the business sector. The suspicion is that the Covid-19 widespread will have an financial affect within the frame of stuns due to negative supply conditions(Chowdhury, 2020; Diwanti, Suryanto, Iswati, Agustina, & Notobroto, 2021).There are two conditions that cause this shock. First, the workers in the manufacturing sector were exposed to the virus so they stopped working, automatically reducing production capacity. As emphasized by (Esomar & Christianty, 2021), if 10 percent of the earth's population is infected, it can result in a serious shortage of labor, it will affect the economic and financial infrastructure of a country. Both population activities are limited to suppress the spread, but at the same time have an impact on reducing production, As we know that the COVID-19 pandemic has had a significant impact on global social and economic life. Tourism became one of the sectors most affected for the first time by the COVID-19 pandemic.

Table 1
Business Profit Data for Hospitality, Restaurant, and Tourism Sub-Sectors listed on the Indonesia Stock Exchange for the 2019-2020 period

NO	Company Code	Operating profit	
		2019	**2020**
1	BAYU	Rp59,757,461,506	Rp3.265.431.268
2	DFAM	Rp6.855.054.631	-Rp14.365.570.923
3	FAST	Rp286,791,803,00	-Rp447,415,748,000
4	HOTL	Rp3,198.033,773	-Rp33,782,266,380
5	ICON	Rp39,312,808,720	Rp6,758,386,529
6	INPP	Rp159,403,986,769	-Rp49,562,362,285
7	JGLE	Rp10,926,000,000	-Rp67,020.000.000
8	JIHD	-Rp243,654,024,000	-Rp61,541.111.000
9	JSPT	Rp178.402.106.000	-Rp160,688,988,000
10	KPIG	Rp399,765,205,447	Rp151.139.221.775
11	MAPB	IDR 165,726,000,000	-Rp164.799 million
12	MINA	Rp1,077,766,466	-Rp9,803,325,216
13	NASA	-Rp548,729,615	-Rp6,527,051,485
14	PANR	Rp58,036.823,000	-Rp126,600,856,000
15	PDES	-Rp1,056,326,686	-Rp100,593,685,024
16	PGJO	-Rp4,461,129,812	-Rp.5.882.120.596
17	PGLI	Rp5,395,032,225	-Rp5,183,868,976
18	PJAA	Rp438,701,272,988	-Rp276,180,623,499
19	civil servant	Rp43,486,862,984	-Rp27.957.116,849
20	PSKT	Rp36,162.146,158	Rp21,152,603,141
21	PTSP	Rp42,508,295,000	-Rp41.114.100.000
22	PZZA	Rp200,020,704,732	-Rp93,519,909,374
23	SHID	-Rp12,677,181,973	-Rp51,974,552,412
24	SOTS	-Rp15,289,466,477	-Rp18.490.007.977
	Average	**Rp.77.410.021.035**	**-Rp65,861,942,553**

Source:www.idx.com (data reprocessed)

Travel restrictions policies as well as cancellations and reductions in flight frequency, hotel closures have reduced domestic and international tourism supply and demand (Gössling, Scott, & Hall, 2020). Based on the UNWTO report until the June 2020 period, it is estimated that foreign tourist arrivals (tourists) decreased by 93% or lost 440 million visits compared to 2019 and USD 460 million in export income from the tourism sector and became the worst period in global tourism development since 1950 (Maith, 2013). Tourism is one sector that is effective in increasing the country's foreign exchange earnings. In 2018, tourism in Indonesia recorded the highest growth and was ranked 9th in the world based on data from The World Travel & Tourism Council (WTTC). (Rahma, Suryanti, & Joko, 2020) Gross Domestic Revenue from the tourism sector increased on average over the last 4 years by 4.7%, the tourism sector during the last 4 years was also able to

absorb 11.98 million workers. The decline during the pandemic was up to 90% compared to 2019 which reached USD 17.4 billion (money.kompas.com, 2020). In addition, during this pandemic, an estimated workforce reduction of around 75.9 thousand to 106.8 thousand in the accommodation and food and drink sector and warehousing transportation of around 43.5 thousand people to 61.2 thousand people in the March 2020 period (Rahma et al., 2020). At the beginning of 2020, this sector experienced a slowdown due to the outbreak of the Covid-19 virus. Tourism sector is one of the sectors affected by the COVID-19 pandemic, (Sugihamretha, 2020). The policy of prohibiting inter-regional mobility including tourism activities resulted in a decrease in the number of visits to tourist attractions. Bali, Lombok and Yogyakarta, as popular tourist destinations in Indonesia, experienced a significant decline in tourists. (Thamrin, 2021) Bali Immigration noted that in February 2020 the number of tourists decreased by 33% which was due to, among other things, the decline in visits from Chinese tourists, of which Chinese tourists were the largest contributor(Sugihamretha, 2020). The number of hotel occupancy in Bali has decreased by 70% since the Covid-19 pandemic, 1,266 hotels in 31 provinces in Indonesia were closed as of April 2020. (Thamrin, 2021). This condition has also influenced the government to make policies that encourage increased industrial performance during this pandemic. Before the Covid-19 pandemic, the tourism sector recorded profit growth, but after the Covid-19 pandemic this sector experienced a decline in performance. Tourist visits have decreased drastically due to reduced international flights, local tourists have also decreased due to social and physical distancing policies (Wulung et al., 2020). The hotel, restaurant, and tourism businesses experienced a sharp decline. Likewise with Indonesia, the pandemic has had an impact on a decrease in the number of tourist visits, losses for airlines and a reduction in the tourism sector workforce (Thamrin, 2021; Wulung et al., 2020). In addition, the tourism business world has difficulty in financing its operations because there is no income (Esomar & Christianty, 2021). The following is data on operating profit for the hospitality, restaurant, and tourism sub-sectors listed on the Indonesia Stock Exchange for the period 2019-2020. The average operating profit of the hospitality, restaurant, and tourism sub-sectors listed on the Indonesia Stock Exchange for the 2019-2020 period presented in Table 1 can be illustrated in the following graph:

Graph 1 Average Operating Profit for Hospitality, Restaurant, and Tourism Sub-Sectors listed on the Indonesia Stock Exchange for the 2019-2020 period
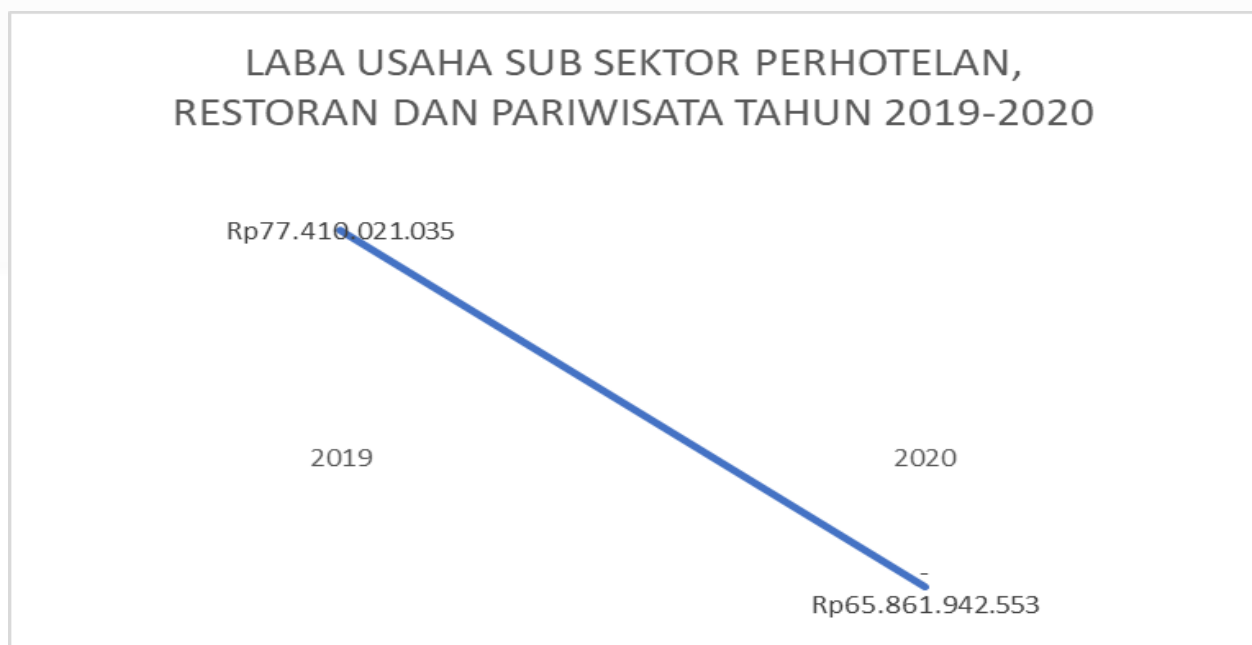
Source:www.idx.com (data reprocessed)

Based on Figure 2, it can be seen that the normal Working Benefit of the Neighborliness, Eatery, and Tourism Sub-Sectors recorded on the Indonesia Stock Trade for the 2019-2020 period has diminished significantly. In 2019 when the Covid-19 first started, the Hospitality, Restaurant, and Tourism sub-sector operating profit emerged of Rp. 77,410,021,035 then after one year of

operation, namely in 2020, the operating profit of the Hospitality, Restaurant, and Tourism sub-sector experienced a very drastic decline to -Rp. 65,861,942,553. Estimation of budgetary execution appears the company's operational capacity to create benefits utilizing its resources. Tall benefits show the higher the company's capacity to produce benefits from its resources. This demonstrates that the company's budgetary execution is nice. Financial performance is a description of the company's financial condition which is analyzed using financial analysis tools so that it can know the shortcomings and achievements of the company in a certain period. Financial performance looks at the company's financial statements, the information in the financial statements is very important to be able to know the company's financial position. (Gössling et al., 2020). Analysis of the financial performance of a company is one that is carried out by management to fulfill its obligations to the owners of the company and to achieve company goals. (Kumar & Rout, 2020). Financial performance appraisal can be used as a decision-making tool. The tourism sector is one of the sectors hardest hit by the COVID-19 pandemic. Chairman of the Indonesian Employers Association (Apindo) Hariyadi Sukamdani said more than 2,000 hotels and 8,000 restaurants were closed. (Gössling et al., 2020). Companies operating in the hotel, restaurant, and tourism sectors will face several risks, including declining revenues and operating profits, this decline will certainly affect the company's financial performance. The Covid-19 pandemic has made the tourism sector unstable. Therefore, it is necessary to conduct analytical research on the impact of the Covid-19 pandemic on the financial performance of the hotel, restaurant, and tourism sub-sector companies. the announcement of the first Covid-19 case in Indonesia. The financial statements published by the company are a source of information regarding the company's financial position, performance and changes in the company's financial position which are very useful for making the right decisions. Financial performance analysis uses liquidity ratios, solvency ratios, profitability ratios and market ratios. Liquidity Ratio (Liquidity Ratio) is a ratio that measures a company's ability to settle its short-term obligations/debts (Sugihamretha, 2020). Included in this ratio are the current ratio (current ratio)(Thamrin, 2021). The current proportion is the foremost commonly utilized degree to decide the capacity to meet short-term commitments since this proportion appears how distant the requests of short-term leasers are met by resources that are estimated to be cash within the same period as their development. A low current ratio will give a bad image. The company's low current ratio reflects a problem in liquidity. Solvency Ratio (Leverage Ratio) is a ratio used to assess the company's ability to pay all its debts. (Sugihamretha, 2020) In this study, the variable debt to equity ratio (DER) was used. DER is a ratio used to measure how much total own capital is financed with total debt. The lower this ratio indicates that the higher the level of funding provided by the owner and will have an impact on improving the financial performance of a company and vice versa. Profitability ratio is a ratio used to measure the company's ability to achieve profits. This profitability ratio is the final result of decisions and policies made by the company, with this ratio it can measure the effectiveness of company management in using assets and capital to generate profits (Thamrin, 2021). In this study using the variable Return on Equity (ROE) which is a ratio to measure net income after tax with own capital. The higher this ratio means the better, meaning that the company's position is getting stronger because basically this ratio shows the efficiency of using its own capital. Market Ratio is the ratio used in the capital market, this ratio is related to the company's stock price, as well as the company's book value. The market ratio is a measure of investors in seeing the company's prospects in the future and the risks of an investment decision. This ratio describes the condition of the stock market in a certain period. Market Ratios are useful not only for internal companies but also for external companies (Kumar & Rout, 2020) In this study using the variable Price Earnings Ratio (PER). PER describes the magnitude of the comparison between the market price of shares per share and earnings per share. If the PER is high, it means that the stock price is too expensive or at a certain price, only a small profit is obtained. During the Covid-19 pandemic, several studies on the impact of COVID-19 on tourism on an international scale had been carried out, but there were still few that discussed on a national and local scale, especially Indonesia. The COVID-19 pandemic has caused reduced revenues from the tourism sector and other related sectors as well as a labor crisis in the tourism sector in Bangladesh, India, Brazil, Rwanda, Romania, South Africa and South Korea and Sri Lanka (Gössling et al., 2020; Maith, 2013; Rahma et al., 2020). So, the author is interested in conducting a study entitled "The Impact of the Covid-19 Pandemic on Financial Performance in the Hospitality, Restaurant, and Tourism Sub-Sector".

Literature Review

Financial performance

Financial performance is a description of the company's financial condition in a certain period, both in terms of raising funds and distributing funds, which can usually be measured through various indicators. In order to know the development of a company, a financial manager must be able to analyze the financial condition of a company. The analysis is carried out on the financial statements issued by the company, namely the balance sheet, income statement and other financial statements.

Financial statements

Financial statements are the main means of communicating financial information to parties outside the company

Financial Ratio Analysis

One form of accounting information that is important in the company's performance appraisal process is the company's financial ratios for a certain period. Financial ratios can reveal the financial condition of a company as well as the performance achieved by the company for a certain period. Financial ratios are numbers obtained from the comparison of one financial statement item with other items that have a relevant relationship. Financial statement analysis can be used to evaluate conditions in the past, present and projected results in the future. Basically, the ratio figures can be classified into two. The first group is the ratio figures based on the source of financial data where the elements of the ratio figures are obtained.

Current ratio

Current proportion or the current proportion is utilized to assess a company's capacity to pay its short-term commitments, such as obligation and compensation. It is calculated by partitioning current resources by current liabilities. The higher the surrender, the more grounded the company's budgetary position.

Debt to Equity Ratio

Debt to equity ratio (DER) is a ratio used to measure how much total own capital is financed with total debt.

Return on Equity

Return On Equitydescribes the extent to which the company's ability to generate profits that can be obtained by shareholders. Meanwhile, according to that Return on Equity is a measure of the company's ability to generate net income based on a certain capital.

Price Earnings Ratio

Cost Winning Proportion depicts the advertise appreciation of the company's capacity to create benefits. PER is calculated in units of times. For financial specialists, the lower the PER of a share, the way better since the stock is cheap.

Research Methods

The type of research used is quantitative research with a descriptive approach. The data used is secondary data, namely data from the company's financial statements. The research population is 35 companies in the hotel, restaurant, and tourism sector listed on the Indonesia

Stock Exchange. The sampling technique was purposive sampling technique and obtained as many as 24 sample companies. The sample criteria are (1) hotel, restaurant, and tourism sector companies listed on the Indonesia Stock Exchange until 2020; (2) Financial reports are available for the period of 2019 and 2020. This study uses a paired sample t-test, which is used as a comparative or difference test if the data scale of the two variables is quantitative data (interval or constellation) (Sugihamretha, 2020). This test is used to measure how big the difference in the financial performance of the hotel, restaurant, and tourism sub-sector companies in Indonesia, before the announcement of the Covid-19 case that occurred for the first time in Indonesia and after the announcement. Data processing in this study using SPSS version 25. The variables in this study, which are used are:

1)   Data before the Covid-19 pandemic was announced nationally in Indonesia for the first time used, namely the 2019 Quarter III financial report which includes financial report data in the form of liquidity ratios measured by the current ratio (CR), solvency ratios using the debt to equity ratio (DER), the profitability ratio is measured by the return on equity ratio (ROE) and the market ratio using the price earning ratio (PER).
2)   Data after the Covid-19 pandemic case was announced nationally in Indonesia for the first time used, namely the 2020 Quarter III financial report (Ilhami & Thamrin, 2021).
3)   The announcement of the first Covid-19 pandemic case in Indonesia was announced in March 2020. Statistical testing was carried out by examining financial performance before and after the announcement of the first Covid-19 pandemic in Indonesia.
The stages of testing using partial testing for research variables with Paired Samples T Test. The level of significance or alpha value in this study was set at 0.05 or 5%.

Results and Discussion

Results

Table 2

CR Descriptive Statistics Results

Paired Sample Statistics		mean	N	Std. Deviation	Std. Error Mean
Pairs 1	CR Before	1.5292	24	.73520	.15007
	CR After	1.7313	24	1.46822	.29970

Source: SPSS Output Results 25.0

Based on Table 2. CR before Covid-19 had an average value of 1,5292, and CR after the announcement of covid 19 had an average value of 1.7313. This shows that the CR variable data in the hotel, restaurant, and tourism sub-sector companies are still in a liquid condition and have the ability to pay short-term obligations that are due.

Table 3
DER Descriptive Statistics Results

Paired Sample Statistics		mean	N	Std. Deviation	Std. Error Mean
Pair 2	DER Before	.8458	24	.72181	.14734
	DER After	1.0088	24	.94239	.19236

Source: SPSS Output Results 25.0

Based on Table 3. DER before Covid-19 had an average value of 0.8458, and DER after the announcement of covid 19 had an average value of 1.0088. This shows that the DER variable data increasing this ratio indicates a decrease in the company's ability to obtain additional funds from creditors because of the risk that will be borne by the creditor if hotel, restaurant, and tourism companies experience losses (Thamrin, 2021). The high DER ratio shows that the company's capital dependence is more funded from outside parties, a higher debt composition will increase the company's burden (Kumar & Rout, 2020).

Table 4
ROE Descriptive Statistics Results

Paired Sample Statistics		mean	N	Std. Deviation	Std. Error Mean
Pair 3	ROE Before	3.4633	24	14.22308	2.90327
	ROE After	3.4167	24	11.71289	2.39088

Source: SPSS Output Results 25.0

Based on Table 4. ROE before Covid-19 had an average value of 3.4633, and ROE after the announcement of Covid-19 had an average value of 3.4167. This shows that the ROE variable data in the ability to get profits with own capital has decreased. This decline occurred due to a decrease in the number of profits and losses during the Covid-19 pandemic.

Table 5
PER Descriptive Statistics Results

Paired Sample Statistics		mean	N	Std. Deviation	Std. Error Mean
Pairs 4	PER Before	.5254	24	.64708	.13208
	PER After	.5363	24	1.17747	.24035

Source: SPSS Output Results 25.0

Based on Table 5. PER before Covid-19 had an average value of 0.5254, and PER at the time after the announcement of covid 19 had an average value of 0.5363. This shows that the PER variable data shows good expectations for the company's growth.

Discussion

Table 6.

Paired Samples Test

		t	df	Sig. (2-tailed)
Pairs 1	CR Before - CR After	-.735	23	.470
Pair 2	DER Before - DER After	-1.084	23	.020
Pair 3	ROE Before - ROE After	.021	23	.004
Pairs 4	PER Before - PER After	-.040	23	.069

Source: SPSS Output Results 25.0

In Table 6. the results of the different paired sample t test on the CR variable, there is no difference before and after the Covid-19 announcement, the average CR value was higher after the Covid-19 announcement. Financial performance as measured by the current ratio has a significance value of 0.470 which is greater than 0.05. The absence of a difference in CR indicates that the management of current assets and current liabilities of hotel, restaurant, and tourism companies before and after the impact of COVID-19 is still in stable condition. This shows that the CR variable data is not affected by Covid-19. The results of the different paired sample t test on the DER variable were different before and after the Covid-19 announcement, the average DER value was higher after the Covid-19 announcement. Financial performance as measured by DER has a significance value of 0.020 which is smaller than 0.05. This means an increase in sources of debt funding for hotel, restaurant, and tourism sub-sector companies after the Covid-19 pandemic in Indonesia. This shows that the DER variable data is affected by Covid-19. The results of the different paired sample t test on the ROE variable were different before and after the Covid-19 announcement, the average ROE value was lower after the Covid-19 announcement. Financial performance as measured by ROE has a significance value of 0.004 which is smaller than 0.05. This means that a decrease in ROE results in a decrease in the company's performance in generating profits. This shows that the ROE variable data is affected by Covid-19. The results of the different paired sample t test on the PER variable were no different before and after the Covid-19 announcement, the average PER value was higher after the Covid-19 announcement. Financial performance as measured by PER has a significance value of 0.069 greater than 0.05. This means that investors in the capital market have declined due to the COVID-19 pandemic but are not so significant, they are still optimistic about the growth of the tourism sector in Indonesia. This shows that the PER variable data is not affected by Covid-19.

Conclusion

Based on data processing and the results of data analysis referring to the problems and research objectives descriptively and statistically, it can be concluded that the overall impact of Covid-19 on the Financial Performance of the Hospitality, Restaurant, and Tourism Sub-Sectors listed on the Indonesia Stock Exchange as seen from the results Table of Differences Test (Test Paired Sample T-Test) CR and PER ratios are not significant indicating a difference in financial performance. Meanwhile, the DER and ROE ratios show significant differences in financial performance. This means that the Hospitality, Restaurant, and Tourism sub-sector listed on the Indonesia Stock Exchange must be able to survive in the midst of the Covid-19 pandemic. The

Hospitality, Restaurant, and Tourism sub-sector must innovate to adapt to the Covid-19, for example with the health protocol which is very tight.

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