



The Effect of Increasing Government Infrastructure Projects on the Financial Stability and Bankruptcy Risk of PT Waskita Karya (Persero) TBK

Akila Badzlina Putri^{1*}, Ana Noveria², Oktofa Yudha Sudrajad³

School of Business and Management, Bandung Institute of Technology, Indonesia^{1,2,3}

Email: akila_putri@sbm-itb.ac.id^{1*}, ana.noveria@sbm-itb.ac.id², oktofa@sbm-itb.ac.id³

KEYWORDS	ABSTRACT
Project Improvement, Financial Stability, Bankruptcy Risk	This research analyzes and discusses the financial health and bankruptcy risk of PT Waskita Karya (Persero) Tbk. using secondary financial data from the company's annual reports covering the period from 2019 to 2023. The study focuses on three critical operational metrics: collection period, days in inventory, and total asset turnover. The analysis employs various methods including the Altman Z-score, Ohlson O-Score, Grover, Springate, and Zmijewski models, alongside financial ratio analysis based on the Decree of the Minister of BUMN KEP-100/MBU/2002, to assess financial performance and bankruptcy risks. The findings reveal a decline in profitability and liquidity ratios, coupled with an increase in activity ratios during the first year of the pandemic (2020). Moreover, the consistent financial bankruptcy forecasts indicate a high risk of insolvency, highlighting the potential dangers associated with government-awarded projects and funding facilities such as Supply Chain Facilities (SCF). This research contributes to the existing literature by providing a deeper understanding of how the management of large projects by state-owned enterprises can influence their financial condition and business sustainability, offering critical insights for both practitioners and policymakers.

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Corresponding Author: Akila Badzlina Putri*

Email: akila_putri@sbm-itb.ac.id

INTRODUCTION

PT Waskita Karya (Persero) Tbk, a leading state-owned enterprise in Indonesia, has played a pivotal role in the nation's infrastructure development. As the company undertakes a diverse and expansive portfolio of strategic projects, it significantly contributes to Indonesia's infrastructure landscape (Shatkin, 2022). However, the surge in project volume brings inherent challenges and risks, particularly concerning the company's financial stability. Effective financial management becomes crucial to balance the increased demands, as failing to do so may lead to liquidity issues and elevate the risk of bankruptcy (Diamond & Kashyap, 2016).

From 2019 to 2023, PT Waskita Karya's total assets decreased significantly from IDR 122.59 trillion to IDR 95.60 trillion, while total liabilities saw a less steep decline from IDR 93.47 trillion to IDR 83.99 trillion. The company's equity, however, experienced a sharp drop from IDR 29.12 trillion in 2019 to IDR 11.60 trillion in 2023, indicating a weakening financial position. Simultaneously, the debt-to-equity ratio (DER) surged from 3.21 in 2019 to 7.24 in 2023, reflecting an increase in financial leverage. The debt-to-asset ratio (DAR) remained relatively stable, ranging between 0.76 and 0.88.

Revenue for PT Waskita Karya declined sharply, from IDR 31.39 trillion in 2019 to IDR 10.95 trillion in 2023. The company's debt represented a significant portion of the total debt recorded by BUMN Karya on the IDX as of the first quarter of 2024, amounting to IDR 81.57 trillion, or 38.82% of the total BUMN Karya debt of IDR 210.1 trillion. These financial trends raise concerns about the company's overall financial health and potential bankruptcy risk (Biddle, Ma, & Song, 2022).

This research aims to analyze the impact of increasing government infrastructure projects on the financial stability and bankruptcy risk of PT Waskita Karya (Persero) Tbk. By utilizing the Altman Z-score, Grover, Springate, and Zmijewski methods, along with financial ratio analysis and the Decree of the Minister of BUMN KEP-100/MBU/2002, the study will evaluate the company's financial performance from 2019 to 2023. The goal is to identify trends and indicators of potential financial distress, offering insights for stakeholders to formulate better risk management and decision-making strategies (Shad, Lai, Fatt, Klemeš, & Bokhari, 2019).

The 2024 increase in the government's infrastructure budget is intended to advance development goals from 2023, focusing on accelerating infrastructure development that supports economic transformation and new growth centers. The government aims to provide essential infrastructure, including safe and affordable housing, clean drinking water, and adequate sanitation, to ensure a healthy and productive community life (Abubakar & Aina, 2019).

METHOD

This research employs quantitative analysis to assess the performance and maintenance effectiveness of PT Waskita's equipment, drawing on standards established by the Decree of the Minister of BUMN KEP-100/MBU/2002. Utilizing a methodology similar to Dinarjito (2018), which analyzed the financial performance of construction companies in the context of government-led infrastructure development, this study examines how maintenance practices impact Overall Equipment Effectiveness (OEE). Bankruptcy prediction methods such as the Altman Z-Score, Ohlson O-Score, Zmijewski, and Springate models are applied to secondary financial data from annual reports covering 2019 to 2023. By integrating these financial analysis methods with a detailed examination of equipment performance, this research provides a comprehensive perspective aimed at enhancing predictive insights and supporting strategies to mitigate potential financial and operational risks.

RESULT AND DISCUSSION

Table 1.
Financial Ratios of PT Waskita Karya 2019 - 2031

Financial Ratios	2019	2020	2021	2022	2023
<i>Profitability Ratio</i>					
ROE Ratio (%)	3,3	-81,04	-11,11	-12,00	-35,04
ROI Ratio (%)	2,11	-16,41	-1,61	-1,52	-4,64
<i>Liquidity Ratio</i>					
Cash Ratio (%)	20,58	2,99	48,40	42,98	35,23
Current Ratio (%)	108,92	59,21	156,00	158,20	99,49
<i>Activity Ratio</i>					
Collection Period (days)	185,07	265,69	341,60	256,31	150,72
Days in Inventory (days)	51,61	85,79	122,11	103,02	141,20
Total Asset Turnover (%)	40,47	31,01	16,02	19,85	15,06
<i>Leverage Ratio</i>					
Total Equity to Total Asset Ratio (%)	23,75	11,34	14,92	14,50	12,14

Return on Equity (ROE) and Return on Investment (ROI) for PT Waskita Karya from 2019 to 2023. In 2019, PT Waskita Karya's ROE was 3,31%, and its ROI was 2,11%. Both metrics experienced a substantial decline in 2020, with ROE plummeting to -81,04% and ROI decreasing to -16,41%. The significant drop indicates a severe deterioration in profitability, likely influenced by the adverse effects

of the COVID-19 pandemic. In 2021, both ROE and ROI showed an improvement. The ROE rose to -11,11%, and the ROI improved to -1,61%, although they remained negative, indicating that the company was still facing financial challenges. For the year 2022, the ROE slightly declined to -12,00% while the ROI marginally improved to -1,52%, reflecting a period of relative stability compared to the previous year's drastic changes. In 2023, PT Waskita Karya's profitability metrics worsened again. The ROE decreased significantly to -35,04%, and the ROI fell to -4,64%. An examination of the annual report notes reveals that in 2023, the company recorded revenue of IDR 10.954,69 billion, a decrease of 28,41% or equivalent to IDR 4.438,18 billion compared to the 2022 figure of IDR 15.302,87 billion. The trends in the company's cash Ratio and current Ratio from 2019 to 2023. These ratios provide insights into Waskita Karya's ability to meet its current liabilities. In 2019, the cash ratio was 20,58%, and the current ratio was 108,92%. The cash ratio measures the extent to which cash and cash equivalents cover current liabilities with all current assets (Rohmiatun, 2020).

In 2020, the cash ratio dramatically decreased to 2,99%, indicating a significant decline in cash reserves relative to current liabilities. Concurrently, the current ratio dropped to 59,21 %, reflecting a decreased ability to cover current liabilities with current assets. In 2021, there was an improvement in both ratio ratios. The cash ratio increased to 48,40%, suggesting an enhancement in cash reserves. The current ratio rose substantially to 156,00%, indicating the ability to cover current liabilities with current assets. In 2022, the cash ratio slightly decreased to 42,98% while the current ratio further improved to 158,20%, maintaining a strong liquidity position. However, in 2023, both ratios experienced a decline. The cash ratio fell to 35,23%, and the current ratio decreased to 99,49%, signaling a reduction in liquidity. Based on the annual report examination, the realization of cash and cash equivalents as of December 31, 2023, amounted to IDR 1.340,06 billion, representing a decrease of 39,67% or equivalent to IDR 881,31 billion compared to IDR 8.945,72 billion in 2022. This decline was primarily due to a reduction in bank balances by IDR 548,30 billion. Furthermore, as of December 31, 2023, Other Short-Term Liabilities in current liabilities were recorded at IDR 2.229,20 billion, an increase of 175,06% or equivalent to IDR 1.418,74 billion compared to IDR 810,46 billion in 2022. This increase was due to the debt maturing to the Ministry of Public Works and Housing amounting to IDR 1.293,55 billion.

Detailed analysis of PT Waskita Karya's financial performance from 2019 to 2023, focusing on three critical operational metrics: collection period, days in inventory, and total asset turnover. The collection period, depicted in red bars, represents the average number of days it takes for the company to collect its receivables (Okpala, Osanebi, & Irinyemi, 2019). This metric increased from 185,07 days in 2019 to a peak of 341,60 days in 2021, indicating a longer duration to collect payments from customers. However, it then improved significantly, dropping to 150,72 days by 2023, suggesting better efficiency in receivables management in recent years. The days in inventory, shown in blue bars, measure the average number of days inventory is held before being sold or used. This metric exhibits a general upward trend, starting at 51,61 days in 2019 and rising steadily to 141,20 days in 2023, with a marked increase in 2021. This trend suggests that the company is holding onto inventory for longer periods, which could impact cash flow and operational efficiency (Enqvist, Graham, & Nikkinen, 2014).

The total asset turnover, illustrated by the yellow line, indicates how efficiently the company utilizes its assets to generate sales revenue. This ratio shows a consistent decline from 40,47% in 2019 to 15,06% in 2023, reflecting a decrease in the efficiency of asset utilization. A drop in sales could directly lead to a lower total asset turnover ratio. When revenue declines, the efficiency indicated by this ratio diminishes because the company is generating less revenue per rupiah of assets it owns (Endri, Sari, Budiasih, Yuliantini, & Kasmir, 2020). The trend of PT Waskita Karya's leverage ratio, specifically the Total Equity to Total Asset Ratio, over the period from 2019 to 2023. The leverage ratio is a measure of financial stability, indicating the proportion of a company's assets that are financed by shareholders' equity as opposed to debt (Kautsar & Soekarno, n.d.). The chart reveals a notable decline in the leverage ratio from 2019 to 2023. In 2019, the ratio stood at 23,75%, indicating that nearly a quarter of the company's assets were financed by equity.

However, this figure experienced a sharp drop to 11,34% in 2020, suggesting a significant increase in debt financing or a decrease in equity. Following this substantial decrease, the leverage ratio showed a slight recovery in 2021, rising to 14,92%. This increase indicates a marginal improvement in the equity financing of the company's assets. In 2022, the leverage ratio remained relatively stable at 14,50%, showing little change from the previous year.

By 2023, the leverage ratio further decreased to 12,14%, suggesting that PT Waskita Karya increasingly financed its assets through debt rather than equity, potentially raising concerns about the company's financial leverage and risk profile. An examination of the annual report notes reveals that as of December 31, 2022, total equity amounted to IDR 11.601,51, reflecting a decline of 18,56% or IDR 2.643,17 billion compared to the previous year's total of IDR 14.244,69 billion. This reduction in equity was primarily attributable to the net loss incurred during the year.

PT Waskita Karya's financial performance from 2019 to 2023 shows a sharp decline in profitability. Liquidity ratios fluctuated, with noticeable changes in both cash and current ratios. Activity ratios indicated improvements in the collection period but challenges with inventory management and declining asset turnover (Kipkemoi, Kiru, & Koima, 2018). Additionally, the leverage ratio fell significantly, indicating an increased reliance on debt.

PT Waskita Karya's financial performance from 2019 to 2023 shows a quite sharp decline in profitability. Liquidity ratios fluctuate, with noticeable changes in the cash ratio and current ratio. Activity ratios showed improvement in the collection period, but there were challenges in inventory management and decreased asset turnover (Amahalu, 2018). In addition, the leverage ratio also fell significantly, indicating increased dependence on debt. A decrease in profitability ratios, liquidity ratios, and leverage ratios, as well as an increase in activity ratios, occurred in the first year of the pandemic (2020). However, these figures generally show improvement in 2021. This trend was mainly triggered by Large-Scale Social Restrictions (PSBB) and budget allocation policies implemented by the Indonesian government during the pandemic, which caused a reduction in various projects (Handayani et al., 2022).

Table 2.

Financial Health Rank Assessment of PT Waskita Karya 2019 – 2023

	2019	2020	2021	2022	2023
Total Weight (%)	45,21	21,00	31,43	41,43	33,57
Health Rank	BB	CCC	B	BB	B
Health Status	Less Healthy	Unhealthy	Less Healthy	Less Healthy	Less Healthy

The total weights for PT Waskita Karya from 2019 to 2023 were 45,21%, 21,00%, 31,43%, 41,43%, and 33,57% respectively. These percentages indicate the relative financial health of the company during these years. Based on these total weight results, PT Waskita Karya's financial health ranks for 2019, 2020, 2021, 2022, and 2023 can be categorized as BB, CCC, B, BB, and B, respectively. Correspondingly the health statuses can be classified as less healthy, unhealthy, less healthy, less healthy, and less healthy for the years 2019, 2020, 2021, 2022, and 2023, in that order.

PT Waskita Karya's financial health from 2019 to 2023 showed significant variability. The company's overall financial status fluctuated, with rankings indicating a shift between "less healthy" and "unhealthy" statuses. Specifically, PT Waskita Karya's financial health was rated BB in 2019, dropped to CCC in 2020, improved to B in 2021, rose back to BB in 2022, and settled at B in 2023. This pattern reflects a turbulent period with varying degrees of financial stability over the five years.

Table3.
Bankruptcy Prediction of PT Waskita Karya 2019 – 2023

Method		2019	2020	2021	2022	2023
<i>Altman Z-Score</i>	Score	0,769	-1,694	0,860	0,564	-0,626
	Interpretation	Distress Zone	Distress Zone	Distress Zone	Distress Zone	Distress Zone
<i>Ohlson O-Score</i>	Score	0,053	0,542	0,255	0,270	0,095
	Interpretation	Distress Zone	Distress Zone	Distress Zone	Distress Zone	Distress Zone
<i>Zmijewski</i>	Score	0,006	1,165	0,618	0,645	0,896
	Interpretation	Distress Zone	Distress Zone	Distress Zone	Distress Zone	Distress Zone
<i>Springate</i>	Score	0,177	-0,547	0,100	0,087	-0,201
	Interpretation	Distress Zone	Distress Zone	Distress Zone	Distress Zone	Distress Zone

The financial health and insolvency risks of these companies are depicted differently by each five-year technique. In every method for 2019 – 2023, PT Waskita Karya is in the “Distress Zone”, threatening bankruptcy. The methods show a continual distress trend and diverse financial instability. The bankruptcy prediction results for PT Waskita Karya using the Altman Z-Score method from 2019 to 2023. Over these five years, the analysis indicates that PT Waskita Karya consistently fell within the Distress Zone, with a fluctuating Altman Z-Score. In 2019, the Altman Z-Score was 0,769, which is below the Grey Zone threshold (<1,1). In 2020, there was a sharp decline in the Altman Z-Score to -1,694, primarily due to negative values in variables X1, X2, and X3.

The analysis reveals that a 96,12% decrease primarily caused the negative value of X1 in 2020 in Joint Venture Receivables, equivalent to IDR 3.174,33 billion. Additionally, there were declines in cash and cash equivalents, other current receivables – net, inventories, gross receivables from services users – current portion, and prepaid taxes. Cash and cash equivalents 2020 amounted to IDR 1.213,44 billion, a significant decrease of 86,89% or IDR 8.044,87 billion compared to IDR 9.258,31 billion in 2019.

This decline was largely due to the repayment of bank loans, bond repayments, financial charges, and the settlement of medium-term notes (Madzokere, Matanda, & Dube, 2018). Then, negative values in X2 and X3 in 2020 were primarily caused by a loss for the year, a decrease of 1.022,90% or IDR 10.524,62 billion compared to the profit for the year in 2019. This decrease was due to the completion of major projects in 2019, such as the Trans Sumatra and Trans Java toll road projects, which led to reduced revenue and, consequently a decline in profit for the year.

In 2021, the X1 variable turned positive again. This improvement was primarily due to a substantial increase in time deposits by IDR 6.922,50 billion, equivalent to 20.360,29%, and a significant rise in bank balances by IDR 5.027,78 billion, equivalent to 426,98%. These increases stemmed from additional paid-in capital through right-issue transactions amounting to IDR 7.900,00 billion in 2021. Additionally, by the end of 2021, there was an increase in cash of IDR 2,05 billion or 106,87% compared to the previous year. The Altman Z-Score in 2021 increased to 0,860, although it remained within the Distress Zone.

Subsequently, PT Waskita Karya's Altman Z-Score in 2022 remained relatively stable at 0,564, indicating no significant decline. However, in 2023, the company experienced a sharp decrease, similar to the situation during the 2020 pandemic, with the score dropping to -0,626. This decline was primarily due to a significant reduction in the X1 variable.

As of December 31, 2023, Other Current Receivables were recorded at IDR 1.022,16 billion, reflecting a decrease of 85,74% or IDR 6.144,49 billion compared to IDR 7.166,65 billion in 2022. This reduction was due to the reclassification of other current receivables to PT Kresna Kusuma Dyandra Marga and PT Cimanggis Cibitung Tollways, totalling IDR 6.851,95 billion, which were reclassified as non-current receivables. Furthermore, the negative values in X2 and X3 were driven by a decline in revenue from construction services, property sales, and other infrastructure sales, which fell by 35,66%, 21,56%, and 41,35%, respectively.

Over the five years from 2019 to 2023, PT Waskita Karya consistently remained in the Distress Zone, according to Ohlson O-Score analysis. Despite some fluctuations, key financial variables such as SIZE, TLTA, WCTA, NITA, FUTL, and CHIN reflected persistent challenges in asset management, profitability, and operational efficiency. The recurring negative values in variables like NITA, FUTL, and CHIN highlighted issues with net income, operational funds, and net income changes, suggesting a continued high risk of financial instability and potential bankruptcy.

In 2019, PT Waskita Karya's O-Score was -2,981, placing the company in the Distress Zone. Key contributing factors included relatively high SIZE (5,635) and TLTA (4,598), indicating substantial total assets and liabilities relative to total assets. The negative value of WCTA (0,047) and the significant negative influence of NITA (0,019) and FUTL (0,006) suggested poor working capital management and profitability. The CHIN variable (0,521) also indicated substantial changes in net income, contributing to the distress status.

In 2020, the O-Score improved to 0,169, yet PT Waskita Karya remained in the Distress Zone. While the SIZE (5,601) and TLTA (5,346) ratios slightly decreased, WCTA dropped significantly to -0,281, highlighting worsening working capital conditions. NITA (-0,218) and FUTL (-0,190) also continued to reflect negative net income and operational fund issues. The introduction of the INTWO variable (0,285) and persistent negative values in CHIN (-0,642) underscored ongoing profitability challenges.

By 2021, the O-Score slightly declined to -0,107, keeping PT Waskita Karya in the Distress Zone. Although SIZE (5,606) remained stable, TLTA (5,130) decreased, indicating some reduction in liabilities relative to assets. WCTA improved to 0,211, showing better working capital management, but NITA (-0,044) and FUTL (-0,044) stayed negative relative to continued profitability and operational challenges. The persistent negative INTWO (0,285) and a less negative CHIN (-0,521) showed some improvement in net income trends.

In 2022, the O-Score marginally improved to -0,995, with PT Waskita Karya still in the Distress Zone. SIZE (5,597) and TLTA (5,156) ratios remained relatively stable. WCTA (0,179) and NITA (-0,051) showed slight improvements, indicating better-working capital and reduced negative net income. However, FUTL (-0,042) remained negative, indicating ongoing operational fund issues. The INTWO (0,285) and CHIN (-0,521) variables highlighted persistent negative profitability trends.

In 2023, the Ohlson O-Score deteriorated significantly to -2,255, reinforcing the company's position in the Distress Zone. SIZE (5,592) and TLTA (5,298) ratios remained stable, but WCTA (-0,002) turned negative again, showing declining working capital conditions. NITA (-0,094) and FUTL

(-0,093) continued to reflect poor profitability and operational fund management. The persistent negative INTWO (0,285) and CHIN (-0,521) variables indicated ongoing negative net income trends.

The Zmijewski Score analysis for PT Waskita Karya from 2019 to 2023 detailing financial ratios used to predict the likelihood of corporate bankruptcy. In 2019, PT Waskita Karya's Zmijewski Score was 0,006, placing the company in the Distress Zone. The X1 ratio indicated positive net income, while the X2 ratio suggested high liabilities, and the X3 ratio showed adequate current assets.

In 2020, the Zmijewski Score increased significantly to 1,165, with a drastic drop in X1 reflecting substantial net income loss, an increase in liabilities (X2), and a decline in current assets (X3). In 2021, the score improved to 0,618 but still indicated distress, with X1 remaining negative, a slight reduction in X2, and some improvement in X3. In 2022, the score marginally increased to 0,645, with ongoing net income challenges and stable liabilities. In 2023, the score further improved to 0,896, yet PT Waskita Karya remained in distress due to a further reduction in net income and a slight increase in liabilities.

In 2019, PT Waskita Karya's Springate Score was 0,177, placing the company in the Distress Zone. The following year, 2020, saw a significant decline in the score to -0,547, with negative values in X1, X2, and X3 contributing to the poor performance and maintaining the company in the Distress Zone. In 2021, the Springate Score improved to 0,100, indicating some recovery but still within the Distress Zone due to continuing negative values in X2 and X3. The score continues to be negative values in X2 and X3. The score remained relatively stable in 2022 at 0,087, yet the company persisted in the Distress Zone due to ongoing challenges in profitability and liquidity.

By 2023, the score decreased to -0,201, driven by negative X1, X2, and X3, reflecting persistent financial difficulties. The analysis consistently places PT Waskita Karya in the Distress Zone over the five years, highlighting significant financial instability. Based on the analysis, it has been determined that the financial health of indPT Waskita Karya has declined according to the assessment criteria outlined in the Ministry of SOE Regulation No. KEP-100/MBU/2002. Furthermore, the Altman Z-Score, identified as the most effective calculation model in this study, indicates that all four companies exhibit a potential risk of bankruptcy. The following solutions are provided by the author, referencing the Ishikawa framework and addressing the identified issues in each segment of the analysis:

1. Prevention and Mitigation of Corruption in The Management of the State Budget

Reflecting on the major corruption issues at PT Waskita Karya (Persero) Tbk, which implicated several members of its Board of Directors (BOD), it is evident that government-awarded projects and government-provided funding facilities (e.g. Supply Chain Facilities/SCF) are closely associated with the risk of power abuse. Therefore, the author examines Supreme Court Decision Number: 6/Pid.Sus-TPK/2024/PT.DKI to offer solutions for addressing such violations:

2. Fictitious Goods/Services Expenditure

The expenditure for fictitious goods/services is conducted by making purchases for goods/services intended for a specific unit's activities that do not exist.

3. Construction Design Issues and Preventive Measures

The construction design does not accurately reflect the actual field conditions, which can lead to changes in the completion schedule, as well as in contract volume and pricing.

4. Inflated Procurement Plans

The procurement plans have been "inflated (marked up)" primarily in terms of costs and/or directed towards the interests of specific products or bid winners.

Solutions to the Company's Liquidity Issues

PT Waskita Karya's liquidity challenges in 2023 are characterized by a significant decline in current assets, which are crucial for covering current liabilities. The substantial decrease in current assets implies a reduced ability to meet immediate financial obligations, thereby exacerbating liquidity pressures (König, 2018). Several strategies can be implemented, including the following:

1. Improvement of The Subsidiary's Financial Fundamentals

As a holding company, the financial health of its subsidiaries directly impacts the stability of the parent company. In 2023, PT Waskita Karya experienced a significant decrease in its current assets, amounting to IDR 6.851,95 billion, due to the reclassification of current receivables to PT Kresna Kusuma Dyandra Marga (KKDM) and PT Cimanggis Cibitung Tollways (CCT) as non-current receivables. This decision, prompted by the approval of increased amounts and extended terms of debt for these two companies, has eroded the company's liquidity. Furthermore, Waskita Karya has incurred losses from the joint venture, exacerbating its financial strain.

2. Solutions of Prolonged Legal Processes and Claim Rejections

The company should implement several strategic solutions.

- a. Enhancing internal claim management practices is crucial, including stricter documentation, regular audits, and improved communication with clients to ensure all contractual obligations are met.
- b. Developing stronger relationships with clients through transparent and proactive engagement can help prevent disputes and facilitate quicker resolution.
- c. Leveraging financial instruments such as insurance for project risks and exploring options like factoring receivables can improve liquidity and reduce the financial impact of rejected claims.

3. Right Issue

To improve liquidity and secure additional capital for meeting current obligations and completing ongoing projects, the company should consider implementing the right issue as an alternative to short-term loans (Gatti, 2023). This approach, successfully executed by PT Waskita Karya in 2021, proved effective in enhancing liquidity ratios during that period. By issuing rights, the company can raise the necessary funds without increasing its debt burden, thereby maintaining financial stability and supporting project completion.

a. Enhancing Operational Efficiency

Fluctuations in the Earning Before Income Tax (EBIT) indicate inconsistent operational performance. To address this, it is crucial to enhance operational efficiency by eliminating unnecessary costs and optimizing asset utilization. This involves regular maintenance and effective use of assets, leveraging data analytics for real-time insights, and training employees with the latest skills (Saggi & Jain, 2018).

b. Cost Reduction Strategy Through Internal Audit

The audit will be systematic and data-driven, initially reviewing all operating expenses and categorizing them into fixed and variable costs. This will help identify areas with the most significant potential for cost reduction (Badgett, Ruth, James, & Pivovar, 2021). Analytical tools and techniques such as trend analysis, ratio analysis, and comparative analysis with industry standards will be employed to detect anomalies, inefficiencies, and areas of wastage (Himeur, Ghanem, Alsalemi, Bensaali, & Amira, 2021).

c. Debt Restructuring

Debt restructuring is a strategic maneuver aimed at BUMN Karya's financial stability and operational flexibility. By renegotiating the terms of existing debt obligations, such as lower interest rates, extended repayment periods, or converting debt into equity. This process can significantly reduce the financial burden on the company, improving cash flow and allowing for the allocation of resources to more productive uses (Park, 2022).

The initial step involves a thorough analysis of the company's current debt portfolio to identify which loans or obligations are suitable for restructuring, considering factors such as interest rates, maturity profiles, and the lender's willingness to negotiate. This approach is consistent with previous studies that emphasize the importance of evaluating financial metrics and lender flexibility when selecting candidates for restructuring (Araujo et al., 2022). Following this analysis, the company will engage in negotiations with creditors, presenting a compelling case for restructuring based on its financial situation, prospects, and mutual benefits, which echoes findings from earlier research highlighting the role of clear communication and mutual interests in successful debt negotiations. These discussions may involve proposing new payment schedules, requesting interest rate reductions, or negotiating the conversion of some debt into equity, reflecting established strategies in the literature aimed at alleviating cash flow pressures and aligning lender interests with the company's long-term goals.

Throughout the restructuring process, maintaining transparent and proactive communication with creditors is crucial, a point strongly supported by prior studies that underline the significance of trust and collaboration in facilitating successful negotiations (Biresaw, Rahim, & Adams, 2024). This approach increases the likelihood of reaching an agreement that benefits all parties involved. Successful debt restructuring, as corroborated by existing research, can lead to a more sustainable debt profile, enhanced liquidity, and improved operational flexibility. By reducing the cost of debt servicing, the company can allocate more resources for investment in key strategic areas, thus supporting growth and long-term financial health, which aligns with the outcomes observed in similar cases documented in the literature.

CONCLUSION

PT Waskita Karya experienced a decline in profitability ratios, liquidity ratios, and an increase in leverage ratio, along with an increase in activity ratios in the first year of the pandemic (2020). However, these figures generally showed improvements in 2021. This trend was primarily triggered by the Large-Scale Social Restrictions (PSBB) and the budget allocation policies implemented by the Indonesian government during the pandemic, which led to a reduction in various projects. PT Waskita Karya recorded a 28,41% decrease in revenue in 2023 compared to the previous year. This decline was attributed to a reduction in the number of infrastructure projects within the construction service segment, property revenue, and other infrastructure sales. The primary causes were financing issues and problems in vendor productivity.

The financial health level statuses of PT Waskita Karya as determined through validation testing following the Decree of the Minister of State-Owned Enterprises, the financial health status of PT Waskita Karya experienced a significant decline in 2023. The Altman Z-Score, Ohlson O-Score, Zmijewski, and Springate models consistently suggest a high risk of insolvency in the financial bankruptcy forecasts for PT Waskita Karya from 2019 to 2023. The models primarily position these firms in the "Distress Zone," which indicates persistent financial instability, across all companies and years. PT Waskita Karya is frequently included in the distress categories across all model.

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