

Comparative Analysis of Financial Performance of IDX-listed Property Companies Before and During COVID-19

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Abstract

This study examines the financial performance of property sector companies listed on the Indonesia Stock Exchange (IDX) before and during the COVID-19 pandemic. Using the Wilcoxon Signed-Ranks Test, the research evaluates changes in profitability (Gross Profit Margin), liquidity (Cash Ratio), leverage (Debt to Equity Ratio), dividend policy (Dividend Payout Ratio), and company size (Total Revenue). Findings reveal significant declines in profitability and liquidity, an increase in leverage, and no significant changes in dividend policy or company size during the pandemic. The study highlights the impact of the pandemic on key financial metrics and underscores the need for further research incorporating additional variables and broader samples to improve generalizability. Limitations include a focus on selected financial aspects and the prevalence of negative earnings among many companies.

Keywords: Financial performance, COVID-19, Property sector, Indonesia Stock Exchange

INTRODUCTION

Evaluating financial performance is critical for investment decisions, as it forms the basis for assessing a company's operational effectiveness (Kurniawati et al., 2023). The performance metrics, including profitability, liquidity, and overall financial stability, reflect management's effectiveness in making strategic, operational, and financial decisions (Kombih & Suhardianto, 2018). Investors gauge a company's potential effectiveness, as represented by its stock market performance, through these evaluations (Mora et al., 2023). A company's success is often indicated by its ability to maximize profits and sustain these gains, aligning with its strategic objectives (Sholatika, 2022). Consequently,



investor perceptions of stable company value drive companies to enhance their managerial capabilities and attract investment (Yanti et al., 2022).

The property sector typically experiences a cyclical pattern every five years, reflecting periods of market expansion and contraction (Jayanti et al., 2022). Over the past decades, Indonesia's property industry has grown significantly, fueled by national economic growth, shifting societal needs, and increased demand for commercial and residential properties. However, data from Figure 1.1 shows considerable volatility in sector growth. For instance, growth surged by approximately 2.28% from 2018 to 2019 but fell by 3.44% from 2019 to 2020, before slightly recovering by 0.46% from 2020 to 2021, and then declining again to 1.06% in 2022. Such fluctuations are crucial for investors as they influence financial performance evaluations.

The COVID-19 pandemic severely impacted the property industry, as noted by Paulus Totok Lusida, Chairman of the Indonesian Real Estate Association (REI), who observed that the pandemic's effects extended to the broader economy. Despite the pandemic's adverse effects, there was a notable recovery in 2022, with increased property prices and demand compared to the previous year. Government initiatives, such as relaxing loan-to-value (LTV) ratios and offering tax incentives, were pivotal in revitalizing consumer interest in property purchases.

Additionally, the government had already implemented programs for low-income housing prior to the pandemic, resulting in the sale of 422,132 subsidized housing units from 2020 to 2022. Despite this, the number of homes sold did not fully meet targets due to the mismatch between housing supply and the growing number of new families (industri.kontan.co.id). The high demand for subsidized housing in Indonesia is reflected in price adjustments and increased sales, but there remains a challenge in balancing supply with demand (Triani & Tarmidi, 2019).

This situation underscores the significance of monitoring property sector developments, given the high investor interest driven by rising land and building prices amid limited supply. Effective financial analysis through detailed financial statements is essential for investors to make informed decisions (Kurniawati et al., 2023). Despite challenges such as high land costs and fluctuating regulations, the sector benefits from rapid population growth, rising incomes, and urbanization, which continue to drive its growth. This research questions focus on examining differences in key financial metrics before and during the COVID-19 pandemic among property sector companies, including profitability, liquidity, leverage, dividend policies, and company size. The study aims to provide empirical evidence on these aspects, specifically investigating whether



profitability, liquidity levels, leverage, dividend policies, and company size varied due to the pandemic.

The significance of this research lies in its theoretical contribution to understanding the relationship between these financial metrics and corporate value, while also offering practical insights for companies and investors. For companies, it aids in strategic financial management by elucidating factors impacting corporate value, and for investors, it provides critical information for making informed investment decisions based on pandemic-induced financial variations. Additionally, it supports academic exploration by expanding knowledge on the influences of financial metrics on corporate value.

METHOD

Population and Sample

The population for this study comprises property sector companies listed on the Indonesia Stock Exchange (IDX) from 2018 to 2021. The sampling method employed is purposive sampling, with the criteria including: (1) Companies within the property sector listed on the IDX during the period from 2018 to 2021, (2) Companies that have published complete annual report and made them publicly available for the years 2018 through 2021, (3) Companies that issue annual financial reports for the period ending December 31, presented in Indonesian Rupiah, and (4) Companies that provide all required data for the study comprehensively over the years 2018 to 2021.

Data Collection Methods

This study uses quantitative data, specifically secondary data obtained from the annual report of property sector companies, sourced either from the official websites of the companies or from the Indonesia Stock Exchange (IDX) website. The data collection method employed is documentation, where financial reports published between 2018 and 2021 are gathered and reviewed to support the research.

Operational Definition of Variables

In this study, financial performance is the dependent variable, measured using the Price-to-Book Value (PBV) ratio, which indicates the market's valuation of a company's growth potential (Brigham & Houston, 2011). The independent variables are profitability, liquidity, leverage, dividend policy, and company size. Profitability is assessed through the Gross Profit Margin, calculated as gross profit divided by total revenue and multiplied by 100%, reflecting the company's efficiency in converting revenue into profit (Wulandari,

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2013). Liquidity is measured using the Cash Ratio, which is cash and cash equivalents divided by current liabilities, indicating the company's ability to meet short-term obligations (Safitri, 2013).

Leverage is evaluated with the Debt to Assets Ratio (DAR), calculated as total debt divided by total assets, highlighting the company's reliance on debt (Fikriyan, 2019). Dividend policy is reflected in the Dividend Payout Ratio (DPR), calculated as 1 minus the Retention Ratio (retained earnings divided by net income), which shows the proportion of earnings paid as dividends (Oktaviarni, 2019). Company size is represented by the natural logarithm of total sales, indicating the scale of operations (Suwito, 2015; Hidayanti & Sukirman, 2014).

Data Analysis Techniques

The data analysis techniques in this study involve several steps. Descriptive statistics are used to summarize and describe the characteristics of the data, providing measures such as mean, standard deviation, variance, maximum, minimum, and sum, without testing hypotheses (Ghozali, 2016). To assess the normality of the data distribution, the Shapiro-Wilk Test and One Sample Kolmogorov-Smirnov Test are employed (Ghozali, 2016). For hypothesis testing, the Wilcoxon Signed-Ranks Test is applied as a non-parametric alternative to the Paired Sample T-Test when data does not meet the normality assumption. This test evaluates differences between two related samples, with the hypothesis being accepted if the significance value is less than 0.05, and rejected if it is greater than 0.05 (Ghozali, 2018).

RESULT

Descriptive Statistical Analysis

The descriptive statistical analysis provides a summary of key financial metrics, including profitability, liquidity, leverage, dividend policy, and company size, before and during the COVID-19 pandemic. Profitability, measured by the mean, increased from 0.4991 before the pandemic to 0.5689 during it, despite a decrease in the minimum value from -0.76 to -1.13, indicating a drop in the worst-performing companies' profitability. Conversely, the maximum profitability saw a significant rise from 0.97 to 5.11, suggesting that some companies experienced substantial improvement. In terms of liquidity, the mean decreased dramatically from 5.6689 before the pandemic to 0.8438 during it, with the minimum value dropping from 0.02 to 0.00 and the maximum falling sharply from 212.09 to 24.4. This indicates a severe decline in liquidity during the pandemic. Similarly,

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leverage showed an extreme increase in mean leverage from 0.389 to 9.4612, while the minimum decreased from 0.04 to 0.01. The maximum leverage surged dramatically from 2.3 to 568.25, highlighting a significant increase in financial risk during the pandemic.

On the other hand, dividend policy exhibited a decrease in the minimum value from -10,404.82 to -14,868.38, with a sharp rise in the maximum from 57.11 to 723.75. Despite this, the mean for dividend policy worsened from -202.96 to -249.33, reflecting a more extreme decline in dividend payouts. Lastly, company size experienced a significant reduction in mean from 12,557.867 before the pandemic to 6,061.9518 during it. The minimum company size decreased from 19.03 to 10.87, and the maximum size fell drastically from 904,222.92 to 193,340.53. These statistics illustrate a substantial contraction in company size amidst the pandemic, affecting various financial aspects of firms (SPSS, 2024).

Normality Test

The result of the normality test is presented in the table below:

Table 1. Normality Test Result

		<i>Kolmogorov-Smirnov Test Asymp. Sig. (2-tailed)c</i>	<i>Shapiro-Wilk Asymp. Sig. (2-tailed)c</i>
Profitability	Before the Pandemic	<,001	<,001
	During the Pandemic	<,001	<,001
Liquidity	Before the Pandemic	<,001	<,001
	During the Pandemic	<,001	<,001
Leverage	Before the Pandemic	<,001	<,001
	During the Pandemic	<,001	<,001
Dividend Policy	Before the Pandemic	<,001	<,001
	During the Pandemic	<,001	<,001
Company Size	Before the Pandemic	<,001	<,001
	During the Pandemic	<,001	<,001

Source: Data Processed by SPSS, (2024)

Normality testing was conducted using the Shapiro-Wilk test to determine whether each variable follows a normal distribution. The Shapiro-Wilk test indicates that data are



normally distributed if the significance value exceeds 0.05. However, the results from both the Shapiro-Wilk and the One-Sample KS tests revealed that all variables failed to meet this criterion, as their significance values were less than 0.05, suggesting that the data do not follow a normal distribution. Consequently, to address the issue of non-normality, non-parametric testing was employed, specifically the Wilcoxon Signed Rank Test.

Wilcoxon Signed Rank Test

The results of the Wilcoxon Signed Ranks Test, conducted using SPSS 2024, indicate significant differences in financial performance metrics before and during the COVID-19 pandemic.

Table 2. Wilcoxon Signed Rank Test Result

Hypothesis	Asymp. Sig. (2-tailed)	Description
H1 : Profitability	0,007	Decreasing
H2 : Liquidity	0,046	Decreasing
H3 : Leverage	0,001	Increasing
H4 : Dividend Policy	0,082	No Significant Effect
H5 : Company Size	0,685	No Significant Effect

Source: Data Processed by SPSS, (2024)

For profitability, the test revealed a significance value of 0.007 ($p < 0.05$), indicating a significant decrease in profitability during the pandemic, thus supporting the hypothesis. Similarly, liquidity showed a significance value of 0.046 ($p < 0.05$), reflecting a significant decline in liquidity during the pandemic and supporting the hypothesis. Leverage also exhibited a significant change with a significance value of 0.001 ($p < 0.05$), suggesting a notable increase in leverage, which supports the hypothesis. In contrast, dividend policy and company size showed no significant differences, with significance values of 0.082 ($p > 0.05$) and 0.685 ($p > 0.05$) respectively, indicating that these variables did not change significantly during the pandemic, leading to the rejection of their respective hypotheses.

DISCUSSION

Profitability Before and During the Covid-19 Pandemic

The Wilcoxon Signed-Ranks Test results indicate a significant difference in profitability before and during the COVID-19 pandemic, with a p-value of 0.007 (< 0.05),



thus accepting Hypothesis 1. The significance value below 0.05 confirms a notable shift in profitability during the pandemic. This decline is attributed to substantial drops in sales due to reduced consumer spending and operational challenges in providing goods and services. Despite reduced revenue, fixed costs such as employee salaries, rent, and administrative expenses remained constant, exacerbating the profitability drop. Additionally, increased operational expenses for remote work, sanitation, and protective measures did not proportionately align with the revenue decline. Thus, companies struggled with high costs while facing diminished sales, leading to a decreased profit margin. In accounting, profitability ratios measure a company's ability to generate profit from financial transactions, reflecting its financial performance. Therefore, the observed decrease in profitability aligns with the overall decline in financial performance during the pandemic (Ghozali, 2016; Fikriyan, 2019).

Liquidity Before and During the Covid-19 Pandemic

The Wilcoxon Signed-Ranks Test results reveal a significant difference in liquidity before and during the COVID-19 pandemic, with a p-value of 0.046 (<0.05), thus confirming Hypothesis 2. This significance indicates that liquidity significantly changed during the pandemic. The decline in liquidity reflects the broader economic impact of the pandemic, affecting the management of current assets and reducing their availability to meet short-term obligations. Companies faced challenges in collecting receivables from property sales or rentals, leading to increased bad debts and impairments that impacted net income. This situation exacerbated liquidity issues, as firms had to recognize asset impairments due to decreased market demand and property values during the pandemic. Liquidity ratios, such as the Cash Ratio, are crucial for assessing a company's ability to cover short-term liabilities with liquid assets. A strong liquidity position reduces the risk of default on short-term obligations, positively influencing investor confidence and company valuation. In accounting, liquidity ratios evaluate how well a company can meet its short-term financial obligations using assets that can be quickly converted to cash or settled in the near term.

Leverage Before and During the Covid-19 Pandemic

The results of the Wilcoxon Signed-Rank Test reveal a significant difference in leverage before and during the COVID-19 pandemic, with a p-value of 0.001 (<0.05), thereby accepting Hypothesis 3. This indicates a substantial increase in leverage during the pandemic, reflecting a notable negative impact on corporate financial performance.



Leverage, or the use of debt, allowed companies to continue operations and meet financial obligations amid declining revenues and profits. It also facilitated long-term investments that could potentially enhance future profitability, such as expansion or innovation. The increased leverage during the pandemic is consistent with the use of debt to manage operational costs, with interest payments on debt often deductible from taxable income, thereby reducing the company's tax burden. This approach helps mitigate financial risk by sharing it with creditors and investors and lessens exposure to market fluctuations or unforeseen economic conditions. Effective debt management and asset utilization can minimize the adverse effects of leverage on company value, particularly in low-risk sectors where the impact of debt on financial performance may be less significant (Ghozali, 2016).

Dividend Policy Before and During the Covid-19 Pandemic

The Wilcoxon Signed-Ranks Test results indicate no significant difference in dividend policy before and during the COVID-19 pandemic, with a p-value of 0.082 (>0.05), thus rejecting Hypothesis 4. This lack of change suggests that companies maintained consistent or increased dividend payouts as a signal of stable and reliable earnings, potentially boosting investor confidence and stock prices. Dividends reflect efficient use of company funds rather than hoarding unproductive wealth. However, firms might opt to retain dividends to invest in business expansion, research and development, or working capital, especially in capital-intensive industries like real estate. Companies facing significant debt or obligations may prioritize debt repayment over dividend distribution. The decision to withhold dividends during the pandemic was influenced by economic pressures, revenue declines, market uncertainty, and additional pandemic-related costs, leading many firms to conserve cash reserves. This decision can also be driven by goals such as protecting employees, maintaining jobs, or supporting local communities. In accounting, dividend policy ratios evaluate how much net income is distributed to shareholders versus retained earnings, offering insight into management's profit allocation strategy (Ghozali, 2016).

Company Size Before and During the Covid-19 Pandemic

The Wilcoxon Signed-Rank Test results indicate no significant difference in company size before and during the COVID-19 pandemic, with a p-value of 0.685 (>0.05), meaning Hypothesis 5 is rejected. This suggests that company size remained stable throughout the pandemic. Commercial properties such as offices, shopping centers, and



apartments typically maintain a relatively stable value and size in the short term. Although property values can fluctuate with market conditions, the physical size and portfolio composition of these assets do not usually experience drastic changes quickly. Long-term lease agreements often provide income stability for property owners, mitigating significant changes in portfolio size. Additionally, property companies often have established risk management strategies and sufficient cash reserves to handle financial pressures during economic downturns (Ghozali, 2016). In accounting, company size is assessed to evaluate the scale and scope of a company's operations and financial health, allowing for comparisons within the industry and understanding a company's position relative to its competitors (Ghozali, 2016).

Comparison of Profit Before and During the Covid-19 Pandemic

The analysis of profit comparison before and during the COVID-19 pandemic highlights the impact of negative versus positive earnings on research results. The study included 52 companies, with 32 experiencing negative earnings in some years and 20 maintaining positive earnings throughout. To assess whether the type of earnings significantly affects the outcomes, comparisons were made between companies with negative and positive earnings across different periods. The Wilcoxon Signed-Rank Test results, indicate that profitability, measured by gross profit, was not significantly different when comparing periods before and during the pandemic for both negative and positive earnings groups. However, for dividend policy, measured by net income, significant differences emerged between the negative and positive earnings groups. Negative earnings showed significant differences across periods, while positive earnings remained consistent with no significant change. These findings suggest that the presence of negative earnings can lead to different insights compared to positive earnings in evaluating financial performance during the pandemic (Ghozali, 2016).

CONCLUSION

The study aimed to compare the financial performance of property sector companies listed on the Indonesia Stock Exchange (IDX) before and during the COVID-19 pandemic. Using the Wilcoxon Signed-Ranks Test, the research examined profitability via Gross Profit Margin (GPM), liquidity through Cash Ratio, leverage with Debt to Equity Ratio (DER), dividend policy with Dividend Payout Ratio (DPR), and company size using Total Revenue (Ln). The findings reveal a significant decline in both profitability and liquidity ratios, an increase in leverage, and no significant changes in dividend policy or



company size during the pandemic. Limitations include the study's focus on only selected financial performance aspects and the prevalence of negative earnings among many companies, which necessitated additional analysis. Future research should consider incorporating other variables, such as capital structure, and expanding the sample beyond IDX-listed property companies to enhance generalizability.

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