Jurnal Administrare: Jurnal Pemikiran Ilmiah dan Pendidikan Administrasi Perkantoran
Volume 9, Issue 1, January-June 2022, Pages 245-194
Homepage: http://ojs.unm.ac.id/index.php/administrare/index

Comparative Study of the Financial Performance on Pharmaceutical and Healthcare Companies Before and During the Covid-19 Pandemic

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ABSTRACT

The Covid-19 pandemic has disrupted supply chains both locally and globally, financial market volatility has faltered, there have been fluctuations in demand and has had an impact on the pharmaceutical and healthcare sectors. The increasing public awareness of the importance of maintaining health has made the products produced by the pharmaceutical and health sectors become products that are sought after by the public. The purpose of this study was to determine the financial performance of pharmaceutical and health companies before and during the COVID-19 pandemic using profitability ratios and solvency ratios. The results showed that there was no difference in financial performance using the profitability ratio approach, namely net profit margin, return on assets and return on equity. Meanwhile, by using the solvency ratio approach with debt to equity ratio and debt to asset ratio proxies, there are differences before and during the Covid-19 pandemic. The suggestion for this research is for pharmaceutical and health companies to always pay attention to their financial performance which in this study is concentrated on the solvency ratio because there are differences in performance before the pandemic and during the Covid-19 pandemic. Suggestions for other researchers are to increase the research period and add other financial ratios in order to enrich and expand the scope of research.

Keywords: Covid-19 Pandemic; Profitability; Solvency

INTRODUCTION

The Covid-19 pandemic has quickly spread to 210 countries including Indonesia since the end of 2019 (Ganawati et al., 2021; Prawoto et al., 2020; Suprianto et al., 2020). Corona virus disease is an infectious disease caused by the newly discovered corona virus. In March 2020 WHO (World Health Organization) announced that COVID-19 had become a global pandemic (Sulistiadi & Rahayu, 2020). The Covid-19 pandemic is a major shock to the global economy, including Indonesia.

The Covid-19 pandemic has disrupted supply chains both locally and globally, financial market volatility is unstable, there are fluctuations in consumer demand (primary products will greatly increase in demand but secondary or tertiary products will decrease in demand) and have an impact on the pharmaceutical and healthcare sectors.

The increasing public awareness of the importance of maintaining health has made the products produced by the pharmaceutical and health sectors become products that are sought after by the public. These products include vaccines, vitamins, medicines, masks, and hand sanitizers.

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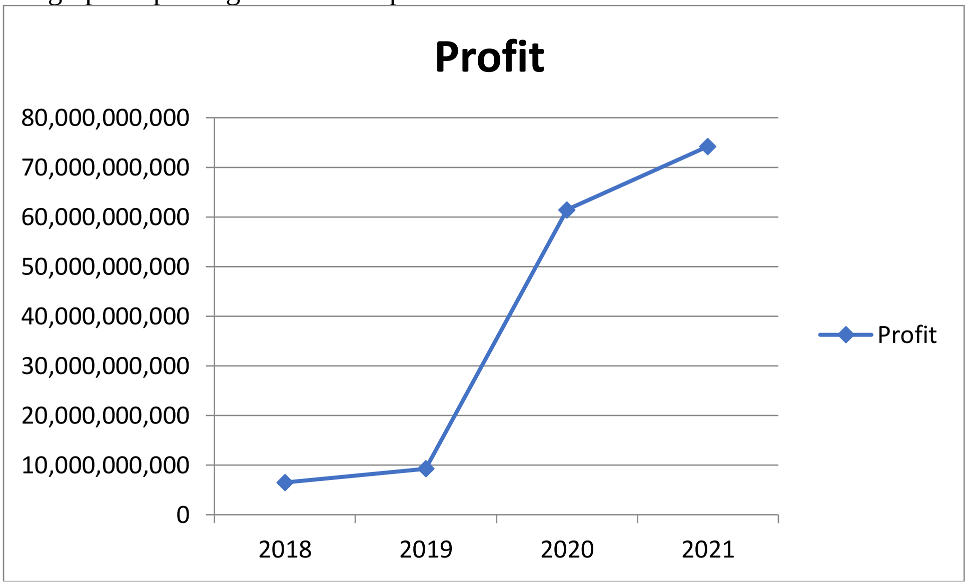
The pandemic has immediately made people aware of the importance of medicines, medical devices, and health workers (Prawoto et al., 2020). The race to develop a COVID-19 vaccine has prompted countries to invest more in health research programs and procure vitamins, supplements and immune-boosting drugs. In addition, the increasing level of hospital room occupancy, even becoming full of capacity, has made the stock of medicines and medical devices something that immediately becomes the concern of the government, the community and medical personnel. Due to the increasing demand, the government has included the medical device and pharmaceutical sectors as part of the priority sector (Akman et al., 2005). The Indonesian government seeks to increase the competitiveness of the medical device and pharmaceutical sectors.

With an increase in demand, it will also increase sales revenue. As sales revenue increases, profits will also increase. Financial Performance is an assessment of the achievements of a company can be seen from the company's ability to generate profits. The company's profit is an indicator of the company's ability to fulfill its obligations to its funders and is also an element in the creation of company value that shows the company's prospects in the future. The following is a graph of profit growth in the pharmaceutical and health sectors.



Source: Data Proceed (2022)

Figure 1. Pharmaceutical and Healthcare Sector Profit Growth

Based on Figure 1 above, it can be seen that there was an increase in company profits both before and during the Covid-19 pandemic. From 2018 to 2019, the profit of pharmaceutical and healthcare companies increased by 42.98%. In 2018 the profit of pharmaceutical and health companies amounted to IDR 6,499,233,153 and in 2019 it was IDR 9,292,512,438, resulting in an increase of IDR 2,793,279,285. In 2019 to 2020, this was the beginning of the Covid-19 pandemic in Indonesia, the profit of pharmaceutical and health companies increased dramatically by 561.26%. As previously explained, profit in 2019 was IDR 9,292,512,438 and in 2020 it increased to IDR 61,447,334,725, resulting in an increase in profit of IDR

52,154,822,287. In 2021, the profit of pharmaceutical and health companies also increased again by IDR 74,216,621,822, but the amount of the increase was not as big as the increase from 2019 to 2020. The total increase from 2020 to 2021 was 20.78% or IDR 12,769,287.097.

Assessment of the company's financial performance requires several benchmarks. The benchmark that is often used is the ratio or index. Ratio is a calculation whose way of working is to connect two financial data with one another so that a result will be obtained on the company's financial condition. Financial performance appraisal is a tool that can be done by company management in order to be accountable for all policies related to operational activities, marketing, finance and human resources. In addition, financial performance appraisal can also be used and used as a basis for decision making for both internal and external parties of the company.

This research will focus on looking at the financial performance of pharmaceutical and health companies listed on the Indonesia Stock Exchange before and during the Covid-19 pandemic. The purpose of this study was to determine the financial performance of pharmaceutical and health companies before and during the COVID-19 pandemic using profitability ratios and solvency ratios.

METHOD

In this study, the method used is quantitative research methods using statistical methods to determine differences in research variables. This research is also a combination of descriptive and comparative research (Creswell, 1999; Creswell & Creswell, 2017; Fetters et al., 2013; John W Creswell, 2013). The object of this research is the profitability ratio proxies by net profit margin, return on assets and return on equity, solvency ratio proxies by debt to equity ratio and debt to asset ratio. The event studied in this study is the Covid-19 pandemic event in 2020. Researchers want to know whether this event can affect the profitability ratio and solvency ratio. The unit of analysis for this research is companies registered in the pharmaceutical and health sectors for the period 2018-2021. The data used in this study is secondary data in the form of financial statements per period for four years 2018 to 2021. The population used in this study is all pharmaceutical and health companies listed on the Indonesia Stock Exchange for the period 2018-2021 with a total of 17 companies.

Table 1. Pharmaceutical and Health Companies Populations

Sector	Code	Companies Name	Sector	Code	Companies Name
Farmasi	DVLA	Darya Varia Laboratoria Tbk	Kesehatan	HEAL	Medikaloka Hermina Tbk
Farmasi	INAF	Indofarma (Persero) Tbk	Kesehatan	MIKA	Mitra Keluarga Karyasehat Tbk
Farmasi	KAEF	Kimia Farma (Persero) Tbk	Kesehatan	PRDA	Prodia Widyahusada Tbk
Farmasi	KLBF	Kalbe Farma Tbk	Kesehatan	PRIM	Royal Prima Tbk
Farmasi	MERK	Merck Indonesia Tbk	Kesehatan	SAME	Sarana Mediatama Metropolitan Tbk
Farmasi	PEHA	Phapros Tbk., PT	Kesehatan	SILO	Siloam International Hospitals Tbk
Farmasi	PYFA	Pyridam Farma Tbk	Kesehatan	SRAJ	Sejahteraraya Anugerahjaya Tbk
Farmasi	SCPI	Merck Sharp Dohme Pharma Tbk			

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Sector	Code	Companies Name	Sector	Code	Companies Name
Farmasi	SIDO	Industri Jamu & Farmasi Sido Muncul Tbk			
Farmasi	TSPC	Tempo Scan Pasific Tbk			

Source: sahamok.com

The method of determining the sample uses non-probability sampling with purposive sampling type. The criteria for selecting pharmaceutical and health companies are as follows:
1. Listed on the Indonesia Stock Exchange during the study period.
2. Companies that have complete financial statement data during the study period.
3. Audited financial data and reports.

Based on the above criteria, it turns out that PRIM (Royal Prima Tbk) does not meet the sampling criteria because it does not have complete financial statement data during the study period. The analytical technique used in this research is quantitative analysis by calculating and then analyzing the data in the form of numbers using the paired sample T-test. Paired T-test is a different test that is used to determine whether there is a difference between the averages of two paired or related samples.

RESULT AND DISCUSSION

Net Profit Margin Before and During the Covid-19 Pandemic in Pharmaceutical and Healthcare Companies Listed on the Indonesia Stock Exchange

The results of the hypothesis analysis on the net profit margin variable show that, there are no significantly difference before and during Covid-19 Pandemic. This is because the result of sig (2-tailed) of 0.65 is greater than the alpha of 0.05. This has resulted in the COVID-19 pandemic not having a big impact on pharmaceutical companies when viewed from a net profit margin.

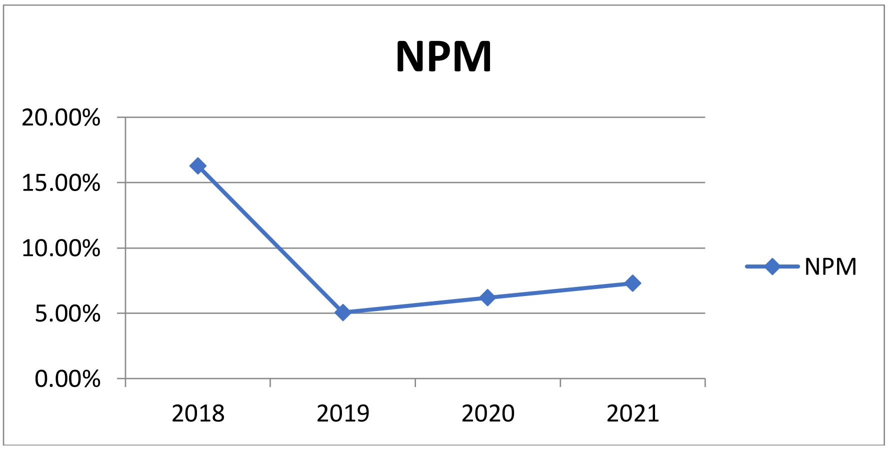

Figure 2. Net Profit Margin Trends

Net profit margin is a ratio that shows how much the company's ability to generate profits when viewed from its sales. In 2018 to 2019, which in conditions before the Covid-19 pandemic, the company's net profit margin decreased by 11.22%. During the Covid-19 pandemic, the company's net profit margin increased by 1.13% and again there was an increase of 1.10% in the following year. Because the increase in the company's net profit margin is not proportional to the decrease, the net profit margin of pharmaceutical and health companies does not give a significant difference. The results of this study are in line with (Almetwazi et al., 2020) but not in line with (Dergiades et al., 2020; Toson & Khinast, 2019).

Return on Assets Before and During the Covid-19 Pandemic in Pharmaceutical and Healthcare Companies Listed on the Indonesia Stock Exchange

The results of the hypothesis analysis of the return on assets variable show results that do not give different results. This is because the result of sig (2-tailed) of 0.540 is greater than the specified alpha of 0.05. This implies that the COVID-19 pandemic will not bring much impact to pharmaceutical and health companies when viewed from the return on assets side.

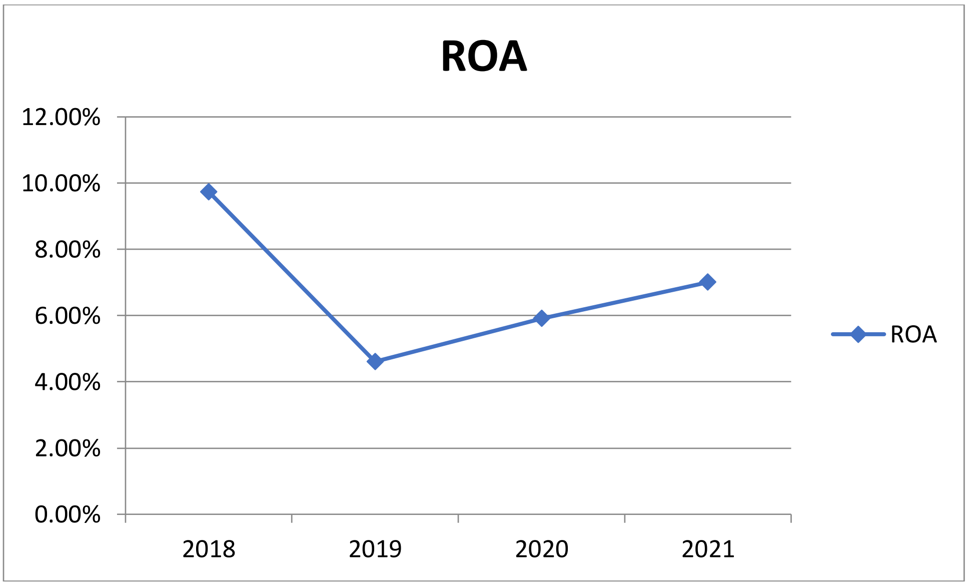

Figure 3. Return on Assets Trends

Return on Assets is one of the profitability ratios that aim to measure the company's profit when compared to the assets owned by the company. In 2018 to 2019, which in conditions before the Covid-19 pandemic, the company's return on assets decreased by 5.13%. During the Covid-19 pandemic, the company's return on assets increased by 1.30% and again an increase of 1.10% in the following year. Because the increase in the company's return on assets is not proportional to the decrease, the return on assets of pharmaceutical and health companies does not produce a significant difference. The results of this study are in line with research conducted by (Ruel et al., 2021) but these results are not in line with (Kassotaki, 2019; Teece, 2009).

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Return on Equity Before and During the Covid-19 Pandemic in Pharmaceutical and Healthcare Companies Listed on the Indonesia Stock Exchange

In the results of research using SPSS, the results of the hypothesis analysis of the return on equity variable show the same results between before the Covid-19 pandemic and during the Covid-19 pandemic. This is because the result of sig (2-tailed) of 0.327 is greater than 0.05. This implies that the COVID-19 pandemic will not bring much impact to pharmaceutical and health companies when viewed from the return on equity perspective.

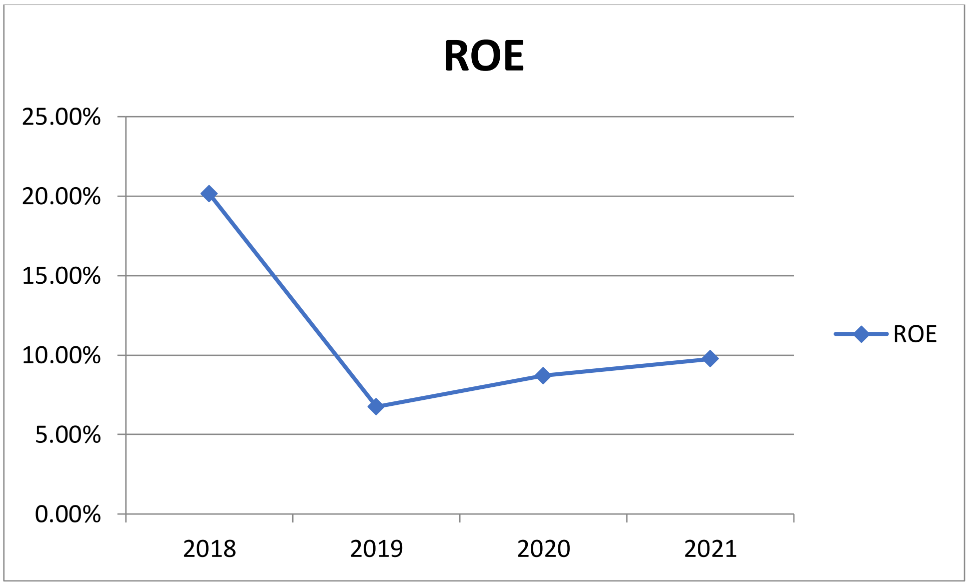

Figure 4. Return on Equity Trends

Unlike return on assets which measures the company's profit compared to its assets, return on equity aims to measure the company's profit when compared to its own capital or company equity. In 2018 to 2019, which in conditions before the Covid-19 pandemic, the company's return on equity decreased by 13.39%. During the Covid-19 pandemic, the company's return on equity increased by 1.96% and again there was an increase of 1.05%. Because the increase in the return on equity of companies is not proportional to the decrease, the return on equity of pharmaceutical and health companies does not produce a significant difference.

Debt to Equity Ratio before and During the Covid-19 Pandemic in Pharmaceutical and Health Companies Listed on the Indonesia Stock Exchange

The debt to equity ratio variable shows different results from before the COVID-19 pandemic and during the Covid-19 pandemic. This is because the result of sig (2-tailed) of 0.045 is greater than 0.05. This implies that the COVID-19 pandemic has made a difference for pharmaceutical and health companies when viewed in terms of the debt to equity ratio.

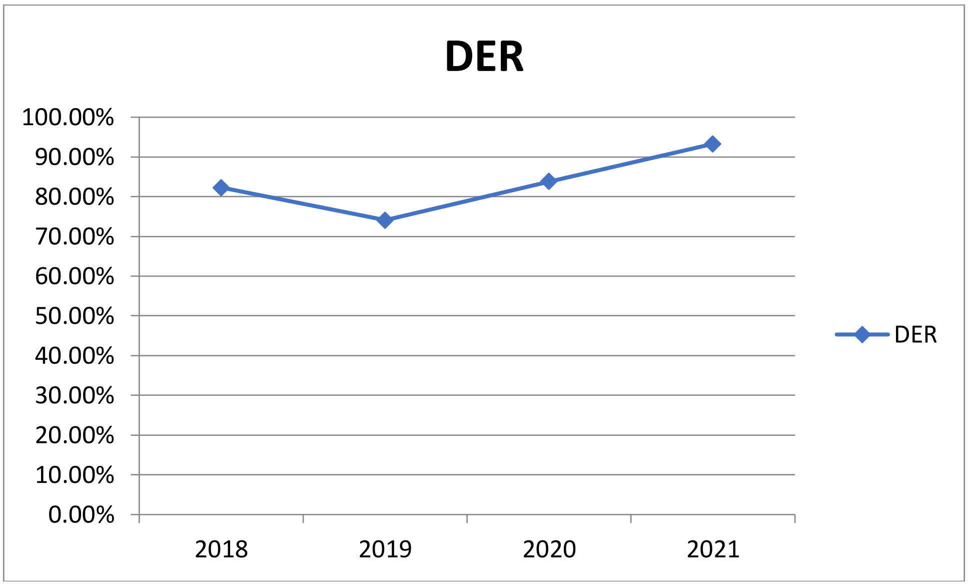

Figure 5. Debt to Equity Ratio Trends

Debt to equity ratio is one of the ratios in the solvency ratio which aims to determine whether the company is able to pay off its obligations by using its equity. In 2018 to 2019, which in conditions before the Covid-19 pandemic, the company's debt to equity ratio decreased by 8.20%. When the DER decreases, the company's condition can be said to be good because the company is able to reduce its debts by using the company's equity. During the Covid-19 pandemic, the company's debt to equity ratio increased by 9.69% and again there was an increase of 9.49%. The occurrence of an increase in DER must increase the company's awareness, because with the increase in DER, the higher the risk of the company experiencing a default condition. Because the increase in the debt to equity ratio of companies is proportional to the decrease, the debt to equity ratio of pharmaceutical and health companies gives a significant difference.

Debt to Assets Ratio Before and During the Covid-19 Pandemic in Pharmaceutical and Healthcare Companies Listed on the Indonesia Stock Exchange

The debt to asset ratio variable shows different results from before the covid-19 pandemic and during the covid-19 pandemic. This is because the result of sig (2-tailed) of 0.025 is greater than 0.05. This implies that the COVID-19 pandemic has made a difference for pharmaceutical and health companies when viewed in terms of the debt to asset ratio.

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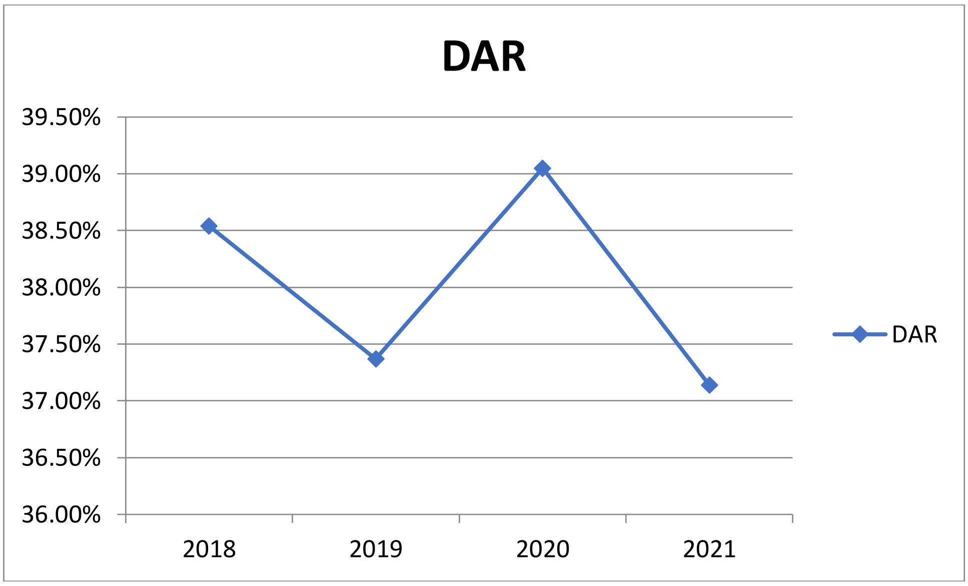

Figure 6. Debt to Assets Ratio Trends

In contrast to the debt to equity ratio which uses equity to pay off the company's obligations, the debt to asset ratio which is also part of the solvency ratio will measure the company's ability to pay its debts using its assets, both current assets and fixed assets. In 2018 to 2019, which in conditions before the Covid-19 pandemic, the company's debt to assets ratio decreased by 1.17%. When DAR decreases, the company's condition can be said to be good because the company is able to reduce its debts by using company assets. During the Covid-19 pandemic, the company's debt to asset ratio increased by 1.68% and again decreased by 1.91%. The occurrence of an increase in DAR must increase the company's awareness, because with the increase in DAR, the higher the risk of the company experiencing a default condition. However, in the following year, the company was able to lower its DAR, so the risk faced by the company decreased. Because the increase in the debt to asset ratio of companies is proportional to the decrease, the debt to equity ratio of pharmaceutical and health companies gives a significant difference.

CONCLUSSION

The results showed that there was no difference in financial performance using the profitability ratio approach, namely net profit margin, return on assets and return on equity. Meanwhile, by using the solvency ratio approach with debt to equity ratio and debt to asset ratio proxies, there are differences before and during the Covid-19 pandemic. The suggestion for this research is for pharmaceutical and health companies to always pay attention to their financial performance which in this study is concentrated on the solvency ratio because there are differences in performance before the pandemic and during the Covid-19 pandemic.

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