

Determinants of Stock Delisting (Analysis of Bankruptcy and Liquidity Ratios on Stock Delisting)

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Abstract

This literature review analyzes bankruptcy and liquidity ratios on stock delisting. An update from previous research is that this study is expected to produce findings and innovations regarding the role of bankruptcy analysis and liquidity ratios on delisting of company shares. In the end, this research is expected to provide data and evidence of factors related to the determination of stock delisting. The bankruptcy analysis that the author discusses is bankruptcy analysis with the Altman Z-Score method, Springate method and Zmijewski Method. And the liquidity ratio that the author will discuss is the current ratio. Based on previous research, bankruptcy analysis using the Altman Z-Score, Springate and Zmijewski methods is said to be an indicator to assess the bankruptcy of a company and ultimately affect the delisting of the company's shares on the Indonesia Stock Exchange. And the most accurate method which has a percentage of 95% in predicting bankruptcy is the Altman Z-Score method. The Springate method has an accuracy rate of 92.5%. While the Zmijewski method is 94.9%. For the liquidity ratio, the authors try to conclude from previous research that the liquidity ratio measured using the current ratio has an influence on the company's financial distress, where financial distress is a condition where the company is said to be almost bankrupt.

INTRODUCTION

The capital market according to Undang-Undang No 8 Tahun 1995 is an activity related to the public offering and trading of securities, public companies related to the securities they issue, as well as institutions and professions related to investors can invest in several companies through the purchase of newly offered securities or those traded in the capital market. Conversely, companies can obtain the funds

needed by offering long-term financial instruments through the capital market. According to Tandelilin (2017), the definition of the capital market is a meeting place between parties who have excess funds and parties who need funds by buying and selling securities. Thus, the capital market is a market that trades securities that generally have a lifespan of more than one year. Securities traded in the capital market include stocks, bonds, and mutual funds.

Stock delisting is the removal of an issuer on the stock exchange officially carried out by the Indonesia Stock Exchange (IDX). This means that shares previously traded on the IDX will be removed from the list of public companies, so that their shares cannot be traded freely in the capital market. Issuers that have been listed and traded on the IDX can exit or be expelled if certain conditions occur to the issuer. This delisting can be voluntary or force delisting.

In recent years, many companies have almost delisted on the Indonesia Stock Exchange, for example PT Waskita Karya is threatened with delisting, because its shares have been temporarily suspended from trading on the IDX for almost a year (suspended) since May 5, 2023 due to PT Wika delaying interest and bond payments. PT Wika has been threatened with delisting by the IDX in May 2024, while the IDX will announce the potential for delisting 4 times if the commitment is suspended for a period of 6 months to 24 months, so it can be concluded that PT Wika has until next year to maintain its shares. And additional information based on RTI Business data as of April 30, 2024, there are 7.1 billion public shares in WSKT or equivalent to 24.64% of the company's total shares.

Delisting is an important event and has a huge influence on shareholders. This is because delisting is also a sign of irregularities in the management of the issuer concerned. As explained above, delisting can be divided into two, namely voluntary delisting and forced delisting. This last type of delisting is one of the signs of irregularities in the management of the company. The biggest effect of delisting is the loss of liquidity of the securities / shares, and this can affect the price of these securities (Balfas, 2006).

Based on the background above, the author wants to discuss further about what factors cause delisting of shares on the Indonesia Stock Exchange using bankruptcy analysis and liquidity ratios through literature review. From this description, the following problem is formulated, namely how bankruptcy analysis and liquidity ratios influence stock delisting.

METHODS

The method in this study is to use a literature review in which it analyzes company bankruptcy using three main methods, namely Altman Z-Score, Springate method, and Zmijewski method. The literature used in this study was obtained from scientific journals, books, and relevant academic sources published

within a certain time span to ensure the currency and validity of the data. The Altman Z-Score method was chosen for its superiority in assessing bankruptcy risk based on financial indicators such as liquidity, profitability, and operational efficiency. The Springate method was used to strengthen the analysis, mainly due to its simpler approach in identifying potential bankruptcy. Meanwhile, the Zmijewski method, which focuses on the probability of bankruptcy, provides an additional perspective based on logistic regression. In addition, researchers also analyzed liquidity ratios, namely current ratio

RESULTS AND DISCUSSION

Bankruptcy prediction analysis is an analysis that can help companies to anticipate the possibility that the company will experience bankruptcy caused by financial problems (Effendi, 2018). The study of bankruptcy can be used as a reference to examine the ability of the bankruptcy prediction model to predict delisting. Atmini (2005) argues that the bankruptcy prediction model was pioneered by Braver (1966) and Altman's (1968) multivariate discriminant analysis. Both articles prove that financial variables can be used in predicting bankruptcy. Research on bankruptcy analysis of a company has been widely conducted in Indonesia, but research on bankruptcy analysis of delisted companies with a comparison of bankruptcy prediction models is still rare. Bankruptcy analysis that is often used is the Altman Z-Score, Springate and Zmijewski methods. The reason the three methods are used is because they have a fairly high level of accuracy.

The Altman Z-Score method has a 95% accuracy rate. The Springate model distinguishes companies that are in the bankrupt zone or healthy zone. The Springate method has an accuracy rate of 92.5%. Meanwhile, the Zmijewski method distinguishes companies that have the potential for bankruptcy or are far from the potential for bankruptcy. The accuracy rate of the Zmijewski method is 94.9%. Altman (1968) used the Multiple Discriminant Analysis method and there are several Altman Z-Score methods with different calculations in analyzing the bankruptcy of companies categorized into several types of industries. Springate (1978) was developed by Gorgon L.V. Springate. The Springate method uses Multiple Discriminant Analysis (MDA) to select four of the 19 popular financial ratios so as to distinguish companies that are in the bankrupt zone or safe zone. Zmijewski (1984) developed by Zmijewski by using ratio analysis that measures the performance, leverage, and liquidity of a company for its prediction model.

After calculating based on the bankruptcy model, the score obtained is then compared with the cut off that each model has, from the results of this comparison it is obtained whether the Bankruptcy Prediction Method is predicted to be potentially bankrupt or not bankrupt. From the three methods, an analysis will be carried out to be able to find out the three methods in analyzing bankruptcy in

delisting companies in 2011 - 2015 from the Indonesia Stock Exchange. Research conducted by Aminian, et. al. (2016), Kutum (2015) shows that the Altman model can classify companies at various levels of financial position. Aghajani and Jouzbarkand's research (2012) using the logistic regression method, shows that the Springate and SAF models can be used as models in analyzing bankruptcy in companies. Radha Ganesh Kumar and Kishore Kumar's (2012) research on bankruptcy analysis using three models in bankruptcy analysis, namely Altman, Ohlson, and Zmijewski, concluded that the Ohlson model is the best predictive tool compared to Altman and Zmijewski. Imanzadeh, Maran-Jouri and Sepehri (2011) conducted research with the Springate and Zmijewski methods, concluding that there were significant differences between the two methods, and the Springate method was a more conservative model than the Zmijewski method.

According to Riyanto (2010), Liquidity Ratio, is a ratio that measures the company's ability to meet its short-term financial obligations. According to Fred Weston in (Kasmir, 2019, p.129), the liquidity ratio is a ratio that describes the company's ability to pay its short-term obligations / debts, especially maturing debt. There are several types of liquidity ratios that can be used to describe the company's ability to pay its short-term debt, namely current ratio, quick ratio, cash ratio. It can be interpreted that liquidity is a ratio that illustrates the company's ability to meet short-term debt needs with current assets in the company (Putri, 2016). Liquidity ratio is proxied by using Current Ratio (CR), which compares current debt and current assets. If the Current Ratio value is high, it means that the company can fulfill its current obligations. So that creditors can trust the company in providing loans. Based on several researchers have provided results that Current Ratio affects financial distress, namely (Setiyawan & Musdholifah, 2020), (Bernardin & Indriani, 2020), (Stephanie et al., 2020), (Zulfa, 2018). According to (Simanjuntak et al., 2017) describes that financial distress is a company condition where there is a decline before the company goes bankrupt. Financial difficulties can occur from the beginning, namely liquidation difficulties in the short term which are considered mild financial distress even if they cannot overcome these conditions can become the heaviest financial distress (Pratiwi et al., 2017).

CONCLUSION

Based on previous research, bankruptcy analysis using the Altman Z-Score, Springate and Zmijewski methods is said to be an indicator to assess the bankruptcy of a company and ultimately affect the delisting of the company's shares on the Indonesia Stock Exchange. And the most accurate method which has a percentage of 95% in predicting bankruptcy is the Altman Z-Score method. The Springate method has an accuracy rate of 92.5%. While the Zmijewski method is 94.9%. For the liquidity ratio, the authors try to conclude from previous research that the liquidity ratio measured using the current ratio has an influence

on the company's financial distress, where financial distress is a condition where the company is said to be almost bankrupt. Therefore, the liquidity ratio has an influence on delisting of company shares even though there is no further research on it.

As for the suggestions from the author, it is hoped that future research can test using other methods in order to draw the latest conclusions regarding the effect of bankruptcy analysis on stock delisting, besides that there is no research on analyzing the effect of liquidity on stock delisting, it can be a consideration to test this.

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