

The effect of increasing operating cash flow on financial liquidity of PT Garuda Indonesia

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Abstract

The Cash Flow Statement is a description of the activities in the company so it automatically can see how the company manages financial turnover and the ability to pay its obligations. Liquidity is very important because if the company is not liquid, it will be difficult to pay its obligations. There are three activities, one of which is Operational Activities, that will be used in this study. The company under study is PT. Garuda Indonesia Tbk. Thus, this study aims to see how much an increase in Operating Cash Flow can affect the Liquidity of the Garuda Indonesia company. This research used The Hypothetical-Deductive Method with the regression method used, Single Regression. The result is that the increase in operating cash flow has a significant effect on alpha by 10%. In accounting, with this increase, the company is able to pay the obligations owned by the company.

Keywords: Operating Cash Flow, Likuiditas, Garuda Indonesia Tbk., Single Regression.

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INTRODUCTION

A company can be said to be 'healthy' if the company can survive and continue to grow under any conditions, the company's liquidity ability to pay its obligations, and can carry out its operations constantly. To achieve this, many things and analyzes can be done by companies and it will be difficult for companies to keep their economy stable. Thus, it takes a lot of time for companies to say that their companies are 'healthy' in the eyes of management, investors, and the public. One of the analyzes that can be done is reporting the Cash Flow Statements.

This Cash Flow Statement contains a summary of what activities have been carried out by the company over the past few years. Thus, in the cash flow statement, there are three activities in it, namely Operating Activities, Financing Activities, and Investment Activities. Of the three activities, Operational Activities can be said to be important because it describes how money flows in operating activities (such as income and expenses) from time to time. So, it can be said that cash flows in operating activities can affect the plan to determine net profit or loss for the future so that it remains growing and constant.

Because operating activities are the company's main funds obtained from sale and purchase transactions, the funds that have been obtained must be properly and evenly distributed to all parts that need funds so that the company can continue to run. Based on one of the criteria of a 'healthy' company, the company must be able to pay its obligations with liquidity. Thus, liquidity is very important for companies to know because if the company is not liquid, the company can go bankrupt and it will be difficult for the company to pay its obligations. For this reason, the company must know how much influence or value given from operating activities in paying its obligations through its liquidity capabilities. It can be said that it is necessary to examine more deeply about how much influence operating activities have on liquidity in paying their obligations.

The company used is PT. Garuda Indonesia (Persero) Tbk. which is the largest airline in Indonesia. Because this company has been around for 73 years, and also the company has a good reputation (both in terms of service and economic conditions) in the eyes of the public or investors, it

makes researchers interested in researching this company. In addition, Garuda Indonesia has many operational activities such as flight operations, sales operations, and others.

Based on the explanation above, the researcher conducted a research on How much increase in Operating Cash Flow can affect Liquidity in the Garuda Indonesia company?. This study aims to find out what percentage of Operating Cash Flow can help Garuda Indonesia company in paying its obligations with liquidity. For this reason, the company must know how much influence or value given from operating activities in paying its obligations through its liquidity capabilities. It can be said that it is necessary to examine more deeply about how much influence operating activities have on liquidity in paying their obligations.

LITERATURE REVIEW

Operating Cost

According to Rudianto (2013:17) , Operational Cost is a component of company costs outside of production costs (Akbar & Rahayu, n.d.). In addition, according to Jopie Yosuf (2014: 41) said that operating costs are costs that are not directly related to the company's products but are related to the company's daily operating activities (Akbar & Rahayu, n.d.). So, based on the understanding of the experts above, it can be said that Operational Costs are a set of costs incurred for smooth operation of activities carried out by the company. According to Sofyan Assauri, the objectives of operational costs are (Siadari, 2020); Coordinate and control the flow of inputs (inputs) and outputs (outputs), as well as manage the use of available resources so that operational activities and functions can be more effective. Besides that, in making decisions, cost accounting provides information on future costs (future costs). Lastly, used as a guide or guide for a manager in carrying out company activities that have been planned by the company

There are two types of operational costs (“Biaya Operasional,” n.d.), Fixed Cost and Variable Cost. Fixed costs are costs incurred by the company where the nominal or value does not change over time even though there is an increase or decrease in goods or services. Some examples of fixed costs are employee salaries, building rent, water and electricity costs, and others. Other types are Variable Costs where costs incurred by the company where the nominal or value of the cost is not the same or always changes so this will be seen from changes in the company's activities. Some examples of variable costs are raw material costs, employee overtime wages, and others.

Cash Flow

According to PSAK No. 2 (2004:5), cash inflows and cash outflows are investments that are highly liquid, short-term and can quickly be converted into cash in a certain amount without facing the risk of significant changes in value (Siadari, 2018). In addition, according to Sawir (2005: 182), cash flow is all cash on hand and funds stored in banks in forms such as deposits and checking accounts (Siadari, 2018). Based on the understanding of the experts above, it can be concluded that Cash Flow is a report that describes how the company's income and expenses are in running its business in a certain period. Cash Flow itself has three types, namely Operating Cash Flow, Financing Cash Flow, and Investing Cash Flow (“Apa Itu Cash Flow? Pengertian, Jenis Dan Cara Membuatnya,” 2021). Operating Cash Flow is a cash flow that includes costs incurred by the company in carrying out goods or services activities. Then, Financing Cash Flow is the company's funding cash flow obtained from additional company capital. Lastly, Investing Cash Flow is a company's activity cash flow obtained from the sale or purchase of asset ownership. In this cash flow, the term is long-term or more than one year. An example of an investment cash flow is the purchase of new assets or the sale of assets from a company.

Liquidity

According to the Financial Services Authority (OJK), liquidity is the ability to fulfill all obligations that must be paid off immediately in a short time (Mulachela, 2022). In addition, according to Hardono Mardiyanto (2009: 54), liquidity is the company's ability to pay off short-term obligations (debt) on time, including paying off the portion of long-term debt maturing in the year concerned (Prawiro,

2019). Thus, it can be concluded that liquidity is the company's capability to pay its obligations in the short term (short-term) or long-term (long-term).

There are several functions of liquidity (Prawiro, 2019). Firstly, liquidity can be needed when the company is experiencing an urgent need. Then, liquidity can be a measure of the availability of cash to pay short-term obligations. Third function are liquidity in becoming a benchmark for investors in considering the granting of injections of funds. Other function, liquidity can make it easier for banks to withdraw funds. Besides that, liquidity can monitor the efficiency of the company's capital so that it can help management. Lastly, as a tool in the company's financial analysis as well as explaining the company's financial position, especially short-term.

Liquidity is described by a ratio number which has three types (Prawiro, 2019), Current Ratio, Acid Test Ratio, and Cash Ratio. Current ratio is the company's ability to pay its obligations using current assets. The higher the number of current assets owned by the company, the higher the current ratio. The calculation are $\text{Current Ratio} = \text{Current Asset} / \text{Current Liabilities}$.

Acid Test Ratio is the company's ability to pay off its short-term obligations using current assets without looking at the company's inventory. The calculation are $\text{Acid Test Ratio} = (\text{Current Asset} - \text{Inventory}) / \text{Current Liabilities}$. Lastly, Cash Ratio is how much liquidity from current assets that can be disbursed into cash in fulfilling or paying the company's obligations. The calculations are $\text{Cash Ratio} = (\text{Cash} + \text{Long Term Securities}) / \text{Current Liabilities}$.

PT. Garuda Indonesia Tbk.

PT. Garuda Indonesia (Persero) Tbk. is an Indonesian-owned airline which was founded on January 26, 1949. On that date, the first name since the company was founded was Garuda Indonesian Airways N.V.. However, on November 16, 2010, the company changed its company name to PT Garuda Indonesia (Persero) Tbk .

Garuda Indonesia has operated services with 202 aircraft units with an average age of aircraft units under five years. However, currently, the company has operated 33 aircraft units. This is because during the Covid-19 pandemic, the company experienced a decline, so airlines made reductions in terms of routes and frequencies. However, Garuda targets up to 70 units by 2023. In addition, this service company has carried out flights to more than 90 destinations around the world with the number of flights reaching 600 flights per day. Based on Garuda's own website, they provide the best service for customers by applying the concept of "Garuda Indonesia Experience" which means that the company will prioritize "Indonesian Hospitality" or hospitality and the richness of Indonesian culture.

Garuda Indonesia Tbk has achieved several international achievements such as, "The Worlds Best Economy Class" (From TripAdvisor Travelers Choice Awards), "5-Star Airline" (Year 2014), "Top 10 World's Best Airline" (From Skytrax Year 2017), "Top World Best Cabin Crew", and "Bintang 5" (From Airline Passenger Experience Association (APEX) year 2017)

As is known, in 2021, the world will experience a decline in various aspects and fields due to the Covid-19 pandemic. Although during that time the company experienced a decline, on June 28, 2021, the company was able to achieve the title of "5-Star COVID-19 Airline Safety Rating". This is because the company has a top priority which prioritizes the best flight services for customers and other service users, especially through the implementation of ideal health protocols at all touch points of flight services..

The vision of Garuda Indonesia is "To become a sustainable aviation group by connecting Indonesia and beyond while delivering Indonesian hospitality" which means that the company strives to become a sustainable aviation group by connecting Indonesia with other countries through the hospitality owned by Indonesia.

In addition, the mission implemented by the company is "Strengthening business fundamentals through strong revenue growth, cost leadership implementation, organization effectiveness and group synergy reinforcement while focusing on high standards of safety and customer-oriented services delivered by professional & passionate employees". Based on this statement, it can be said that Garuda Indonesia's mission is to strengthen business fundamentals through strong revenue growth, implementation of cost leadership, organizational effectiveness, and strengthening group synergies as

well as focusing more on high standards of safety and customer-oriented service which is delivered by employees who are competent, professional, and passionate.

Garuda Indonesia airline is a limited liability company that was established based on Notarial Deed Number 8 dated March 4, 1975 which was drafted before Soeleman Ardjasmita (a Notary in Jakarta) and obtained legal entity status according to the Decree of the Minister of Justice dated June 23, 1975 number: Y.A.5/225/ 8. This article of association has been amended several times and the latest amendment was on February 7, 2020 which was changed to Notary Deed number 12 before Aulia Taufani (a SH Notary in South Jakarta) with the approval of this amendment having been received from the Minister of Law and Human Rights of the Republic of Indonesia with Decree Number: AHU-0014970.AH.01.02.TAHUN 2020 on February 20, 2020 using the head office address at Jalan Kebon Sirih Number 46A, Central Jakarta (Garuda Indonesia, 2021).

RESEARCH METHODS

Research method is a scientific process or stages carried out by researchers in finding solutions or ways out of problems by obtaining data. According to Subagyo (2015: 3), the research method is a way or way to get back the solution to all the problems posed. In addition, according to Arikunto (2019, p. 136), Research Methods are the main method used by researchers to achieve goals and determine answers to the problems posed (Thabroni, 2021). In this case, the research method that will be used is The Hypothetico - Deductive Research which is a deductive hypothesis method that has seven steps for its stages. According to Braithwaite (1960), Hypothetico - Deductive Research is a method in research that involves other hypotheses with a higher level of abstraction, or conceptual formulation (Trenggono et al., 2020).

Research Steps

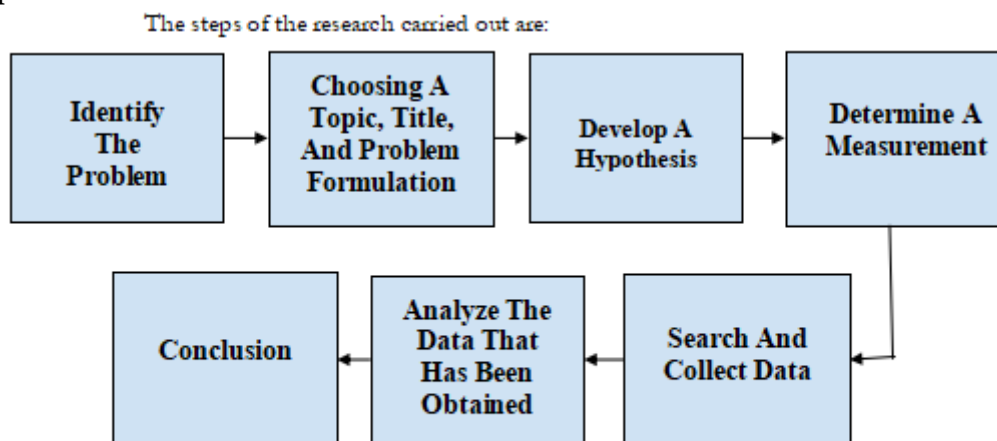


Diagram 1. The Research Steps

Data Collection Technique

In collecting data, researchers used Secondary Data. Secondary Data is the process of collecting data from various sources or scattered sources. According to Hasan (2002), secondary data is data obtained or collected by people conducting research from existing sources (Nursyafitri, 2022). The data used in this study are 30 Quarterly Financial Statements of Garuda Indonesia Tbk from 2021 to 2014 which were obtained by researchers from several trusted websites, namely Idx, Emiten.kontan, and others. In the company's quarterly financial statements, researchers focus on viewing and analyzing Current Assets, Current Liabilities, and Net Cash Provided by Operating Activities.

Operating Variables

According to Widiyanto (2013), Independent Variable are variables that affect other variables ("Pengertian Variabel Independen Dan Contohnya," 2013). For this research, the independent variable

uses Operating Cash Flows which is illustrated as X1. The results of X1 are obtained from the calculation of the increase in the company's cash flow in the form of a percentage, namely;

$$\text{Increase in Cash Flow (\%)} = \text{Current year's Cash Flow Activity} / \text{Last year's Cash Flow Activity}$$

According to Widiyanto (2013), Dependent Variables are variables whose existence is influenced by other variables ("Pengertian Variabel Dependen Dan Contohnya," 2013). Based on this definition, the dependent variable in this study is Liquidity which is illustrated as Y. This result is obtained from the calculation;

$$\text{Liquidity} = \text{Current Assets} / \text{Current Liabilities}$$

Data Processing Techniques

The researcher's data analysis was carried out using Microsoft Excel 2019 in calculating the operating cash flow percentage and the company's liquidity results. In the results of operating cash flow, calculations are carried out using data every quarter per year. Meanwhile, the liquidity results are obtained from the calculation between current assets and current liabilities. From the quantitative results obtained, the researcher sees that there are some numbers that cannot be used in later regression. Thus, the researcher converts these results using the Natural Logarithm (Ln). Researchers using ln is done because of the differences in units and magnitudes on the variables as well as bringing the existing data scale closer. By using this ln, the researcher obtained as many as 24 data that can be used in conducting regression. Data processing is also carried out with supervision and control so that the resulting data results are correct and precise (Manurung et al., 2022).

The method used in conducting this analysis is Multiple Regression or Multiple Linear Regression. Multiple regression is a regression model that has one or more variables with the aim of seeing the relationship between these variables (independent & dependent). In this study, multiple regression was conducted to see the relationship between the increase in operating cash flows and the company's liquidity.

Interpretation of Data and Research Results

Researchers will draw and make a conclusion on the research that has been done. In addition, researchers will answer questions in the formulation of the problem and test whether the hypothesis that has been carried out by the researcher can be accepted or rejected.

RESULTS AND DISCUSSION

Data Collection Results

The research results obtained are the results of calculations in operating cash flows and liquidity. This result is done by analyzing the company's financial statements, especially the current assets, current liabilities, and net cash provided by operating activities.

No.	Quarter	Ln Increase in Operational Cash (on Cash Flow) (X)	Ln Liquidity (Y)
1.	Q2 2021	-0,85	-2,53
2.	Q3 2021	-0,67	-2,68
3.	Q4 2021	-0,30	-2,94
4.	Q1 2020	0,24	-1,57
5.	Q2 2020	-0,86	-1,82
6.	Q3 2020	-1,26	-1,88
7.	Q4 2020	-1,54	-2,08
8.	Q2 2019	1,90	-0,85
9.	Q3 2019	0,18	-0,81
10.	Q4 2019	0,64	-1,06

11.	Q1 2018	-0,53	-0,74
12.	Q1 2017	0,65	-0,43
13.	Q2 2017	1,23	-0,59
14.	Q1 2016	0,22	-0,19
15.	Q2 2016	0,760	-0,27
16.	Q3 2016	0,33	-0,25
17.	Q4 2016	-0,51	-0,29
18.	Q1 2015	-1,87	-0,54
19.	Q2 2015	-2,17	-0,42
20.	Q4 2015	1,20	-0,17
21.	Q1 2014	0,00	-0,54
22.	Q2 2014	0,00	-0,47
23.	Q3 2014	0,00	-0,91
24.	Q4 2014	0,00	-0,41

Table 1. The Calculation Results

Statistics Test Results

The results of the calculations above are processed using the help of Microsoft Excel 2019 with multiple regression statistical tools. The results of these statistical tests can be seen in the following table:

<i>Model</i>	<i>R</i>	<i>R Square</i>	<i>Adjusted R Square</i>	<i>Std. Error of the Estimate</i>	
1	.350	.122	.083	.818	

<i>Model</i>	<i>Sum of Squares</i>	<i>df</i>	<i>Mean Square</i>	<i>F</i>	<i>Sig.</i>
<i>Regression</i>	2.055	1	2.055	3.069	.094
<i>Residual</i>	14.72916.783	22	.669		
<i>Total</i>		23			

<i>Model</i>	<i>Coefficients</i>	<i>Std. Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95%</i>	<i>Upper 95%</i>
<i>Intercept</i>	-.976	.169	-5.791	.00000785	-1.326	-.627	-1.326	-.627
<i>Increase in Operational Cash (on Cash Flow)</i>	.303	.173	1.752	.094	-.056	.661	-.056	.661

Table 2. The Regression Results

Dependent Variable: Liquidity

Predictors: Intercept, Increase in Operational Cash (on Cash Flow)

Sources: Statistical Processing Results

Based on the above calculation results, it can be seen that the Adjusted R Square is .083. This value means that the increase in operating cash (in cash flow) has an effect of 8.3% on the liquidity of Garuda Indonesia Tbk. Then, the remaining 91.7% is influenced by other variables outside of this study. In addition, the significance value of F in this study is 0.094 meaning that the value is greater than the error rate of 0.05. In general, the results of H1 will be rejected at an alpha of 5% (because it is not significant), but for this study using an alpha of 10%. So, it can be concluded from some of the statements above that H1 is acceptable, namely the increase in Operating Cash Flow has a significant effect on alpha 10% with a confidence level of 90%. The statistical model that can be written from the above data processing is;

$$Y = -0.976 + 0.303 \text{ Increase in Operational Cash (on Cash Flow)}$$

The following is a more detailed explanation of the regression equation above are the constant is written as - 0.976. From this, it can be said that if the increase in Operational Cash (in Cash Flow) has a value of 0, then the company's liquidity will be worth - 0.673. Besides that, the value of the regression coefficient on the increase in Operational Cash (on Cash Flow) is 0.303. This leads to a positive direction which indicates that every time there is an increase in the value of an increase in Operational Cash (on Cash Flow) by 1, the liquidity level will increase by 0.303.

CONCLUSION

Based on the statistical results that have been carried out by researchers, it can be concluded that the increase in operating cash flow has a significant effect on alpha by 10%. It can also be said that, by producing a t statistic of 1.752 to a significance of 0.094, it shows that H1 is rejected in 5% alpha, but if we use 10% alpha, the study can be accepted with a confidence level of 90%. In accounting, with this increase, it means that the company is able to pay the obligations owned by the company. The limitation of this study is that there are some data that have negative results so that for this study only 24 data from 32 data were obtained. In addition, there are some values that cannot be used in the regression system, so the researcher must use the Logarithma Natural (Ln) to use the regression.

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