

# MERGER AND BUSINESS CONSOLIDATION AMONG INDONESIAN'S BUMN KARYA: A STRATEGY TO AVOID FINANCIAL DISTRESS AND STRENGTHENING CAPITAL FOR LONG-TERM SUSTAINABILITY

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## ABSTRAK

Penelitian ini bertujuan untuk menganalisis merger strategis yang diusulkan oleh Kementerian BUMN, dengan fokus pada merger PT Hutama Karya dengan PT Waskita Karya, PT Adhi Karya dengan PT Nindya Karya, dan PT Wijaya Karya dengan PT Pembangunan Perumahan. Dengan menggunakan pendekatan penelitian deskriptif, penelitian ini menggunakan analisis kuantitatif untuk mengevaluasi kompatibilitas keuangan dan sinergi operasional di antara perusahaan yang terlibat. Temuan tersebut mengungkapkan bahwa penggabungan Adhi Karya dan Nindya Karya muncul sebagai opsi yang paling menguntungkan, secara efektif menggabungkan tantangan likuiditas Adhi dengan kemampuan menghasilkan pendapatan Nindya yang kuat. Selain itu, penggabungan PT Waskita Karya dengan PT Hutama Karya dapat menyediakan sumber daya penting untuk mengatasi kesulitan keuangan Waskita, bergantung pada kapasitas Hutama Karya untuk mengelola tantangan ini secara efektif. Penggabungan PT Wijaya Karya dengan Pembangunan Perumahan menunjukkan janji dalam memanfaatkan stabilitas Pembangunan untuk meningkatkan kinerja keuangan Wijaya. Rekomendasi menekankan pentingnya melakukan uji tuntas menyeluruh untuk menilai kompatibilitas keuangan, keselarasan budaya, dan sinergi operasional sebelum menyelesaikan merger. Menetapkan tujuan strategis dan rencana integrasi yang jelas sangat penting untuk memastikan transisi yang sukses. Pemantauan dan evaluasi berkelanjutan pasca-merger akan sangat penting untuk mengadaptasi strategi dan mendorong pertumbuhan yang berkelanjutan.

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## ABSTRACT

This study aims to analyze the strategic mergers proposed by the Ministry of SOEs, focusing on the merger of PT Hutama Karya with PT Waskita Karya, PT Adhi Karya with PT Nindya Karya, and PT Wijaya Karya with PT Pembangunan Perumahan. Using a descriptive research approach, this study uses quantitative analysis to evaluate financial compatibility and operational synergies among the companies involved. The findings reveal that the merger of Adhi Karya and Nindya Karya emerged as the most profitable option, effectively combining Adhi's liquidity challenges with Nindya's strong revenue-generating capabilities. In addition, the merger of PT Waskita Karya with PT Hutama Karya could provide a critical resource to address Waskita's financial difficulties, depending on Hutama Karya's capacity to effectively manage these challenges. The merger of PT Wijaya Karya with Housing Development shows promise in utilizing the stability of development to improve Wijaya's financial performance. The recommendation emphasizes the importance of conducting thorough due diligence to assess financial compatibility, cultural alignment, and operational synergy before finalizing a merger. Setting strategic goals and a clear integration plan is essential to ensure a successful transition. Continuous monitoring and evaluation of post-mergers will be critical to adapting strategies and driving sustainable growth.



## INTRODUCTION

The Indonesian Ministry of State-Owned Enterprises (Kementerian BUMN) aims to merge seven state-owned construction companies (BUMN Karya) into three larger entities by September 2024. This merger is designed to streamline operations and align each company with its specialized areas of expertise, creating a more efficient and focused construction sector within the state-owned enterprises. The seven companies involved are PT Adhi Karya (Persero) Tbk. (ADHI), PT Waskita Karya (Persero) Tbk. (WSKT), PT PP (Persero) Tbk. (PTPP), PT Wijaya Karya (Persero) Tbk. (WIKA), PT Hutama Karya (Persero), PT Brantas Abipraya (Persero), and PT Nindya Karya (Persero). Under the merger plan, ADHI will lead a holding company that includes Brantas Abipraya and Nindya Karya, while Waskita Karya will be integrated into Hutama Karya. PTPP and WIKA will form the third merged entity. This consolidation is intended to allow each group to focus on its core competencies, preventing unnecessary internal competition and improving overall project delivery. ([www.bisnis.com](http://www.bisnis.com))

For instance, Hutama Karya and Waskita Karya will focus on toll roads, non-toll infrastructure, institutional buildings, and residential projects. WIKA and PTPP will specialize in ports, airports, and EPC (engineering, procurement, and construction) projects, while ADHI, Brantas Abipraya, and Nindya Karya will concentrate on water infrastructure, railways, and related sectors. The merger is expected to bring several benefits, including reducing competition between state-owned enterprises in bidding for the same projects and allowing more opportunities for private sector participation. This restructuring also aims to improve corporate governance and financial health within the BUMN Karya group, creating stronger entities that can handle large-scale infrastructure projects efficiently. Preparations for this merger are well underway, with the involved companies working on valuations, governance systems, and operational readiness, in anticipation of a smooth transition once the merger is finalized. ([www.kontan.co.id](http://www.kontan.co.id))

State-owned construction enterprises (BUMN Karya) in Indonesia are currently grappling with significant financial challenges, primarily due to their mounting debt burdens. Four key companies within the sector PT Waskita Karya Tbk (WSKT), PT

Wijaya Karya Tbk (WIKA), PT Pembangunan Perumahan Tbk (PT PP), and PT Adhi Karya Tbk (ADHI) are reported to be heavily indebted. According to their first-quarter financial reports for 2023, these companies have accumulated considerable liabilities, with Waskita Karya, for instance, reporting a total debt of Rp84.4 trillion, equivalent to 86% of its total assets of Rp98.2 trillion. ( [tirto.id](https://tirto.id) )

Similarly, Wijaya Karya has a total debt of Rp55.8 trillion, accounting for 76.7% of its Rp72.7 trillion in assets. PTPP's debt stands at Rp43.8 trillion, or 74.7% of its Rp58.7 trillion in total assets, while Adhi Karya's liabilities amount to Rp30.3 trillion, representing 77.4% of its Rp39.2 trillion in assets. The heavy debt burdens of BUMN Karya are severely impacting their financial performance. High debt levels lead to increased interest expenses, which reduce profitability and erode cash flow. This limits their ability to invest in new projects, stunting growth prospects. Additionally, strained liquidity increases the risk of defaulting on debt obligations, further weakening their financial stability. As a result, the companies may face difficulties accessing future financing, both from banks and the capital markets, exacerbating their financial woes. ( [tirto.id](https://tirto.id) )

Actually, the substantial debt levels of BUMN Karya could be traced back to government assignments. Numerous ambitious projects initiated by the government were often executed with limited funding. It was implied that the situation surrounding assignments to BUMN Karya had become increasingly difficult to manage, with various projects typically relying on initial funding from bank loans. It was highlighted that while infrastructure projects were generally short-term in nature, government payments for these projects often followed a longer timeline, leading to payment delays. This situation reportedly forced BUMN Karya to continue making repayments to their banks despite the delays in government payments.

The aims of this research are to investigate how strategic mergers and business consolidation can alleviate financial distress among BUMN Karya companies, focusing on their financial performance and capital structure. The research seeks to evaluate the effects of consolidation on the financial health of the merged entities and identify best practices in merger and acquisition strategies that promote long-

term sustainability and operational efficiency. Additionally, it aims to explore how these consolidations can enhance the competitiveness of BUMN Karya within the construction sector, particularly against private firms. By providing actionable recommendations for policymakers and management, the research intends to ensure successful integration and maximize the benefits of consolidation.

## THEORITICAL REVIEW

### **Merger, Acquisition , Debt Restructuring and Business Consolidation**

In the corporate world, mergers and acquisitions (M&A) are nothing new; since the 1960s, they have been thriving in international corporations in both America and Europe. M&A activity was common in Indonesia until Law No. 1 of 1995 regulating Limited Liability Companies was passed, particularly in the banking industry. After four significant government-owned banks merged in 1998 to form Bank Mandiri, the name became well-known. As corporate players become more familiar with the word, the number of M&A activity in Indonesia has expanded dramatically. M&A is thought to be a restructuring method that can produce rapid financial success. Ensuring the company's existence and expanding and safeguarding market share are the driving forces behind M&A, particularly in the setting of fierce competition.(Amudha & Kaviarasan, 2015)

In this case , Debt restructuring plays important role ,which involves renegotiating loan terms to help debtors manage financial difficulties. In Indonesia, mergers and acquisitions (M&A) serve as an effective strategy for restructuring, allowing financially distressed companies to merge with stronger firms. This process can stabilize operations, improve liquidity, and reduce debt burdens while enhancing competitiveness (Mehmood & De Luca, 2023). Research on debt restructuring also explores its impact on investment and financing decisions, highlighting agency conflicts between shareholders and creditors that lead to additional costs. The trade-off theory suggests that companies can optimize their capital structure by balancing the benefits and risks of debt, thereby minimizing these agency costs .(Angelina et al., 2024). For smaller startups, debt restructuring is

vital as it helps them navigate financial challenges and secure ca. (Alfawzan et al., 2023).

While an acquisition entails giving ownership of shares to another company, meaning that the buyer buys the target company's shares or assets, a merger occurs when one or more companies merge, causing the original company to cease to exist or disappear. A merger occurs when two or more businesses of varying or comparable sizes combine to form a single organization. In a merger, the acquired company loses its legal independence while the acquiring corporation frequently keeps its own brand. In contrast, an acquisition entails buying the assets or stock of a business, which could comprise all, a portion, or just a portion of the enterprise. (Candra et al., 2021).

Bigger businesses can raise more money to finance mergers and acquisitions. Acquiring more competitors is made possible by the company's monopoly control over workers, suppliers, and consumers, which can boost profits if acquisitions solidify its dominant market position. Through vertical integration, a business can lower its own expenses, increase its market share, stimulate industry demand, and continue to grow. In addition to ensuring a steady supply of complementary products, acquisitions can improve economies of scale and breadth, which are crucial in the convergence of sectors like news, entertainment, and telecommunications. But achieving the synergy that is frequently mentioned as a justification for mergers can be challenging. (Chernenko et al., 2021)

In order to separate production phases and reduce manufacturing costs, cooperative consolidation entails businesses at various levels of the production process cooperating in a vertical connection. This arrangement usually results from the intricacy of the product, with a dominant company managing some essential elements while contracting out others to subsidiaries. In a similar vein, combining consolidation creates vertical links as well, but it takes place in multi-phase industries, linking economic units from different national economic sectors through continuous production relationships. (Jonek-Kowalska, 2019). A merger is the union of two corporations; only one of the companies will remain, and the other firm will cease to exist. In a merger, the acquiring company takes on the obligations and assets

of the merged company.(Maama et al., 2017). Furthermore, even though the buyer's company might have changed significantly following the merger, its actual identity remained preserved. Acquisitions happen when a business buys out another business, a legal subsidiary of another business, or an asset chosen from another business, like a manufacturing plant.(Kurniawan et al., 2021)

### **Financial Distress and Springate Model**

Financial distress: occurs when an organization experiences a significant decline in its financial situation, making it difficult to meet short-term obligations such as interest payments or accounts payable. This phase typically precedes bankruptcy or liquidation and arises when a company's operating cash flow is insufficient to cover its current liabilities, necessitating corrective actions.(Sari & Diana, 2020). Financial distress is characterized by an organization's inability to pay its debts, particularly when it lacks the liquidity to support its operations .(Hidayat et al., 2021). Brigham and Houston (Dharma Swara, 2021),define financial difficulties as the failure to meet commitments, especially those related to liquidity and solvency. A company is considered in financial difficulty when it lacks the funds to operate effectively. According to (Silanno, Glousa Lera & Loupatty, 2021).), financial difficulties manifest when a corporation cannot fulfill its obligations, signaling ongoing liquidity issues. There are three perspectives to analyze financial distress: duration, intensity, and developmental phases. ..(Rivandi & Ariska, 2019) identify four categories of financial difficulty: Category A represents severe distress, Category B indicates high levels of financial trouble, Category C signifies considerable suffering, and Category D denotes minimal to no financial issues.

The Springate model is a bankruptcy risk assessment tool that employs Multiple Discriminant Analysis (MDA) and uses multiple financial ratios to provide a comprehensive evaluation of a company's financial health, unlike the single-ratio Z-Score model (Gunawan & Debbianita,2022) . Developed by Gordon L.V. Springate in 1978 from research on Canadian manufacturing firms, the model identifies key financial ratios that distinguish between stable and distressed companies (Suwandani & Nuzula, 2017). It highlights four critical ratios for effective differentiation and is recognized for its high accuracy in predicting bankruptcy,

alongside the Grover model. The Springate model is represented by the following formula;

$$S = 1.03 A + 3.07 B + 0.66 C + 0.4 D$$

where:

A = working capital/total assets

B = earnings before interest and taxes (EBIT)/total assets

C = Income before Tax (EBT)/Total current liabilities

D = Sales/total assets

S = Overall index

The Springate model assesses a company's financial health using key ratios: Ratio (A) measures liquidity (working capital to total assets), Ratio (B) evaluates profitability (EBIT to total assets), Ratio (C) assesses short-term debt capability (EBT to current liabilities), and Ratio (D) measures asset turnover for revenue generation efficiency (Suwandani & Nuzula, 2017). The model's cutoff S-score is 0.862, with scores below indicating potential distress and scores above suggesting stability. With a high accuracy rate of 92.5% in predicting financial hardship, the Springate model is recognized for its comprehensive evaluation of financial stability, making it a valuable tool for organizations to assess and mitigate financial risks (Azwar, 2022)

## RESEARCH METHODS

Descriptive research, which gathers and examines data to give a precise representation of current variables, occurrences, or circumstances without modifying the research environment, was used in a case study of BUMN Karya. However, this study adopts a more targeted methodology, delving into numerical data using quantitative methodologies in order to identify significant patterns that have the potential to directly impact business strategy. In order to help the business better navigate the competitive landscape of the construction and infrastructure sector, the research will use real-time data to identify areas where operational efficiency may be increased. Giving decision-makers tangible information that can influence strategic

efforts, spur innovation, and improve overall performance is the study's ultimate goal. By providing information on both present. (Gunawan & Debbianita, 2022)

## RESULTS AND DISCUSSION

### **The Urgency of Merger, Acquisition and Business Consolidation at BUMN Karya**

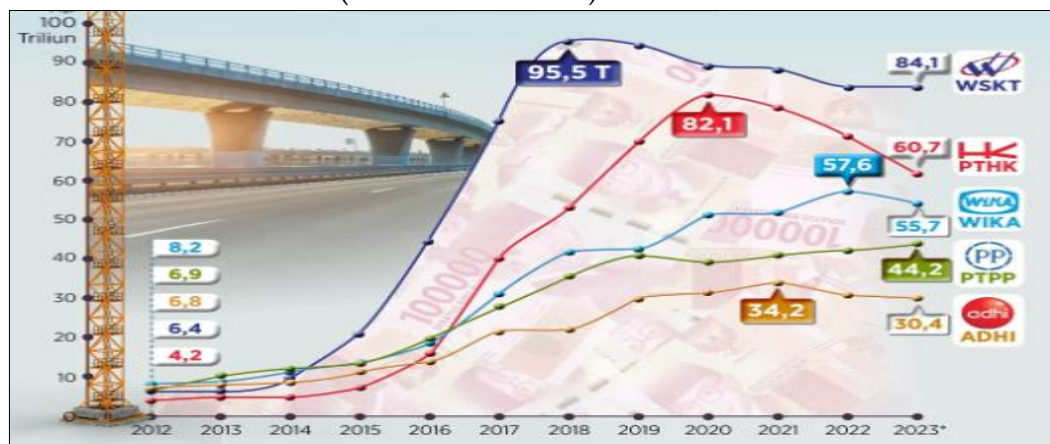
State-Owned Enterprises (BUMN) in the construction sector are facing significant challenges due to mounting debt. Four major BUMN Karya companies PT Waskita Karya Tbk (WSKT), PT Wijaya Karya Tbk (WIKA), PT Pembangunan Perumahan Tbk (PT PP), and PT Adhi Karya Tbk (ADHI) are currently grappling with substantial financial liabilities. According to financial reports for the first quarter of 2023, WSKT has total liabilities amounting to IDR 84.4 trillion, representing 86% of its total assets of IDR 98.2 trillion. WIKA has total debt of IDR 55.8 trillion, or 76.7% of its total assets of IDR 72.7 trillion. PT PP's total debt reaches IDR 43.8 trillion, accounting for 74.7% of its assets of IDR 58.7 trillion. ADHI, meanwhile, holds a total debt of IDR 30.3 trillion, or 77.4% of its total assets of IDR 39.2 trillion. Data from the Financial Services Authority (OJK) indicates that the total debt owed by BUMN Karya to state-owned banks (Himbara) amounts to IDR 46.21 trillion. These loans are distributed among the various BUMN Karya companies, with the specific amounts varying. The debt burden has become a critical issue for these companies. If they are unable to meet their financial obligations to banks, their cash flow may be severely constrained, making it difficult to access needed funds. In such circumstances, it becomes challenging for these companies to issue bonds or raise additional capital. To address the issue, restructuring and improved corporate governance are considered essential for business transformation. Large-scale restructuring of BUMN Karya may be necessary to ensure their long-term financial sustainability and operational efficiency. (tirto.id)

Actually, the substantial debt accumulated by state-owned construction companies stems from government-mandated projects. These companies have been tasked with executing large-scale infrastructure initiatives, often with limited financial resources. The initial funding for these projects is typically borrowed from banks, creating a financial strain. Additionally, several of these construction



companies are assigned projects outside their primary areas of expertise, which further complicates their financial situation. For instance, a company specializing in construction and toll road services was tasked with building major infrastructure projects, disrupting its cash flow.

Figure 1.  
 Comparison of Debt Among Indonesian BUMN Karya  
 (Y- 2012 - Y- 2023)



Source : [www.katadata.com](http://www.katadata.com)

Figure 2.  
 Comparison of Debt Equity Ratio Among Indonesian BUMN Karya  
 (Y- 2023)



Source : [www.katadata.com](http://www.katadata.com)

Once the restructuring is fully approved by creditors, the company is

optimistic about stabilizing its financial position and ensuring business continuity. However, analysts see mixed performance across the BUMN Karya companies. According to a securities analyst, the strongest performers are PT PP (PTPP) and Adhi Karya (ADHI). PTPP has secured solid new contracts and improved cost efficiency, leading to higher margins, while ADHI has been supported by strategic infrastructure projects and an expansion into the property business. Conversely, Waskita Karya (WSKT) is performing poorly, with its losses increasing by more than 150%, while Wijaya Karya (WIKA) saw its losses grow by 117%. Key drivers for the first quarter of 2024 include economic recovery and increased government spending, but stalled projects and high debt continue to weigh on net profits. ([www.katadata.com](http://www.katadata.com))

Looking ahead, several factors, such as rising interest rates, may hinder the performance of BUMN Karya in 2024. Companies with increasing losses are facing deteriorating cash flow, which is likely to impact their ability to service debt, particularly for heavily indebted companies like WSKT and WIKA. While debt repayment capability for ADHI and PTPP is deemed moderate, WSKT and WIKA are considered weaker, especially if their debt restructuring efforts do not proceed smoothly.

The outlook for 2024 depends heavily on government policies, the new administration's infrastructure focus, and both global and domestic economic conditions. Should the debt restructuring for WSKT and WIKA succeed, the impact is expected to be positive for the overall performance of the BUMN Karya sector.

In this context, merger and business consolidation become critical solutions for BUMN Karya. By merging resources and streamlining operations, these companies can reduce financial redundancies, improve cash flow, and create a stronger capital base to manage high debt loads. Consolidation would also foster greater operational efficiency, positioning the companies better for long-term sustainability. Business consolidation would mitigate these risks by fostering financial stability, reducing interest burdens, and enhancing overall competitiveness, making it a key factor in securing the future of BUMN Karya. Also, by merging and restructuring, BUMN Karya companies can stabilize their finances,

reduce debt burdens, and improve cash flow, enabling them to better handle large-scale infrastructure projects and restore long-term financial sustainability. This consolidation also aims to reduce internal competition, strengthen corporate governance, and enhance the companies' ability to compete in a rapidly evolving infrastructure landscape.

### Financial Challenges and Alternative Pairs of Merger, and Consolidation at BUMN Karya

For PT Hutama Karya (Tbk), the working capital to total assets ratio suggests adequate liquidity, with a score of 1.03, indicating the company can cover its short-term obligations. Additionally, the EBIT to total assets ratio of 3.07 reflects efficient asset utilization for generating operating income. However, the EBT to current liabilities ratio of 0.66 raises alarms about potential difficulties in meeting short-term liabilities with earnings before tax, signaling increased financial risk. Furthermore, the sales to total assets ratio of 0.1586 suggests inefficiencies in leveraging assets to generate revenue. Overall, the Springate score of 0.3553 points to a higher risk of financial distress, underscoring the need for the company to improve liquidity and operational efficiency to enhance its financial stability. Implementing strategies to boost sales and optimize asset management will be crucial for addressing these challenges.. The more details are shown in figures below ;

Figure 3  
 Springate S-Score PT Hutama Karya (Tbk) Year 2023

	Score	Springate Weight	S- Score
Working Capital/ Total Asset	0,163746895	1,03	0,168659302
EBIT/ Total Asset	0,019009325	3,07	0,058358626
EBT/ Current Liabilities	0,098267687	0,66	0,064856674
Sales / Total Asset	0,158633218	0,40	0,063453287
			0,355327889

Source : Processing Data of PT Hutama Karya (Tbk) Financial Report

Meanwhile at Figure 4, the Springate S-Score for PT Waskita Karya (Tbk) indicates significant financial challenges. The working capital to total assets ratio is negative at -0.0012, leading to a score of -0.0013, which suggests liquidity issues and

an inability to cover short-term liabilities. The EBIT to total assets ratio is slightly positive at 0.0097, resulting in a score of 0.0297, indicating limited operational efficiency. However, the EBT to current liabilities ratio is particularly concerning, with a value of -0.1653 and a score of -0.1091, reflecting a severe risk in meeting short-term obligations with earnings. Additionally, the sales to total assets ratio of 0.1146 yields a score of 0.0458, highlighting inefficiencies in generating revenue from assets. Overall, the Springate score of -0.0348 underscores a high risk of financial distress, signaling an urgent need for PT Waskita Karya to improve liquidity, operational efficiency, and revenue generation strategies to stabilize its financial position.

Figure 4  
 Springate S-Score PT Waskita Karya (Tbk) Year 2023

	Score	Springate Weight	S-Score
Working Capital/ Total Asset	-0,001218742	1,03	-0,001255304
EBIT/ Total Asset	0,009671641	3,07	0,029691938
EBT/ Current Liabilities	-0,165317069	0,66	-0,109109265
Sales / Total Asset	0,114593757	0,40	0,045837503
			-0,034835128

Source : Processing Data of PT Waskita Karya (Tbk) Financial Report

In 2023, the Springate S-Score for PT Wijaya Karya (Tbk) reveals considerable financial distress. The working capital to total assets ratio stands at -0.1157, leading to a score of -0.1192, indicating significant liquidity issues that hinder the company's ability to cover short-term liabilities. The EBIT to total assets ratio is also negative at -0.0600, resulting in a score of -0.1844, which points to poor operational efficiency and inadequate earnings generation from assets. Similarly, the EBT to current liabilities ratio of -0.1179 yields a score of -0.0778, further emphasizing challenges in meeting short-term obligations. Conversely, the sales to total assets ratio of 0.3415 produces a score of 0.1366, suggesting some effectiveness in generating revenue from assets. However, the overall Springate score of -0.2448 indicates a high risk of financial instability, underscoring the urgent need for PT Wijaya Karya to enhance liquidity,

operational performance, and revenue strategies to improve its financial health., or restructuring, may be required to improve the company's financial health and prevent further decline.

Figure 5  
 Springgate S-Score PT Wijaya Karya (Tbk) Year 2023

	Account Score	Springate Weight	S-Score
Working Capital/ Total Asset	-0,1157244	1,03	-0,1191961
EBIT/ Total Asset	-0,0600499	3,07	-0,1843532
EBT/ Current Liabilities	-0,1179207	0,66	-0,0778277
Sales / Total Asset	0,34146611	0,40	0,13658644
			-0,2447906

Source : Processing Data of PT Wijaya Karya (Tbk) Financial Report

In 2023, the Springgate S-Score for PT Pembangunan Perumahan (Tbk) reflects a more stable financial position compared to its peers. The working capital to total assets ratio is positive at 0.0761, resulting in a score of 0.0783, indicating adequate liquidity to cover short-term obligations. The EBIT to total assets ratio is also positive at 0.0304, leading to a score of 0.0934, which suggests the company is generating a reasonable level of operating income relative to its assets, reflecting operational efficiency. The EBT to current liabilities ratio of 0.0083 yields a score of 0.0055, indicating a slight concern regarding the ability to meet short-term obligations with earnings before tax. However, the sales to total assets ratio stands at 0.2163, resulting in a score of 0.0865, suggesting effective use of assets to generate revenue. Overall, the Springgate score of 0.2638 indicates a lower risk of financial distress, highlighting a relatively healthy financial condition for PT Pembangunan Perumahan.

Figure 6  
 Springgate S-Score PT Pembangunan Perumahan (Tbk) Year 2023

	Account Score	Springate Weight	S-Score
Working Capital/ Total Asset	0,076055445	1,03	0,07833711
EBIT/ Total Asset	0,030428101	3,07	0,09341427
EBT/ Current Liabilities	0,008305375	0,66	0,00548155
Sales / Total Asset	0,21629339	0,40	0,08651736
			0,26375028

Source : Processing Data of PT Pembangunan Perumahan (Tbk) Financial Report

The Springgate S-Score for PT Adhi Karya (Tbk) suggests some financial stability, though with notable areas for improvement. The working capital to total

assets ratio is positive at 0.0889, leading to a score of 0.0916, indicating that the company has adequate liquidity to cover its short-term liabilities. However, the EBIT to total assets ratio is relatively low at 0.0042, resulting in a score of 0.0130, which points to limited operational efficiency and modest earnings generation from its asset base. The EBT to current liabilities ratio of 0.0013 gives a score of 0.0008, reflecting a concerning capacity to meet short-term obligations with earnings before tax. Additionally, the sales to total assets ratio is 0.0659, resulting in a score of 0.0264, suggesting challenges in utilizing assets effectively to generate revenue. Overall, the Springate score of 0.1317 indicates a moderate risk of financial distress, highlighting the need for PT Adhi Karya to enhance its operational efficiency and revenue generation strategies to improve its financial health.

Figure 7  
 Springate S-Score PT Adhi Karya (Tbk) Year 2023

	Account Score	Springate Weight	S-Score
Working Capital/ Total Asset	0,08889094	1,03	0,09155767
EBIT/ Total Asset	0,00422814	3,07	0,01298039
EBT/ Current Liabilities	0,00125686	0,66	0,00082953
Sales / Total Asset	0,06589174	0,40	0,0263567
			0,13172428

Source : Processing Data of PT Adhi Karya (Tbk) Financial Report

In 2023, the Springate S-Score for PT Nidya Karya (Tbk) indicates a strong financial position. The working capital to total assets ratio is positive at 0.0784, leading to a substantial score of 0.2407, suggesting the company has sufficient liquidity to meet its short-term obligations. Similarly, the EBIT to total assets ratio is also 0.0784, which results in the same score of 0.2407, reflecting effective operational performance and a solid level of earnings generation from its assets. The EBT to current liabilities ratio stands at 0.0264, yielding a score of 0.0174, which is more modest but still indicates some ability to cover short-term liabilities with earnings before tax. Notably, the sales to total assets ratio is remarkably high at 0.9989, resulting in a score of 0.3996, indicating exceptional efficiency in generating revenue from assets. Overall, the Springate score of 0.7124 signifies a low risk of financial distress and highlights PT Nidya Karya's robust financial health. The company appears well-positioned, but continuing to leverage its strengths in liquidity and

operational efficiency will be key to sustaining this positive trajectory.

Figure 8  
 Springgate S-Score PT Nidya Karya (Tbk) Year 2023

	Account Score	Springgate Weight	S-Score
Working Capital/ Total Asset	0,078396845	3,07	0,2406783
EBIT/ Total Asset	0,078396845	3,07	0,2406783
EBT/ Current Liabilities	0,026387668	0,66	0,0174159
Sales / Total Asset	0,998937701	0,40	0,3995751
			0,7123834

Source : Processing Data of PT Nidya Karya (Tbk) Financial Report

When analyzing the proposed of BUMN Ministry , mergers of Hutama Karya with Waskita Karya, Adhi Karya with Nindya Karya, and Wijaya Karya with Pembangunan Perumahan, the merger of Adhi with Nindya stands out as the most advantageous. This pairing combines Adhi's liquidity challenges with Nindya's strong revenue generation capabilities, creating a balanced and potentially robust entity that enhances operational efficiency and market competitiveness. Meanwhile, merging HK with Waskita could provide much-needed resources and capital to address Waskita's existing financial struggles, provided that HK is in a strong position to manage these challenges effectively. Lastly, the merger of Wijaya with Pembangunan Perumahan could also be beneficial, leveraging Pembangunan Perumahan's stability to improve Wijaya's financial performance.

Figure 9  
 Springgate S-Score BUMN Karya Year 2023

Year	BUMN	Ratio				S-Score (Z)	Classification
		A	B	C	D		
2023	Hutama Karya	0,1687	0,0584	-0,0778	0,0458	0,3553	Financial Distress
2023	Waskita Karta	-0,0013	0,0297	0,0055	0,1146	-0,0348	Financial Distress
2023	Wijaya Karya	-0,1192	-0,1844	0,0083	0,1366	-0,2448	Financial Distress
2023	Pembangunan Perumahan	0,0783	0,0934	0,0083	0,0865	0,2638	Financial Distress

2023	Adhi Karya	0,0916	0,0130	0,0008	0,0264	0,1317	Financial Distress
2023	Nindya Karya	0,0547	0,2407	0,0174	0,3996	0,7124	Financial Distress

Source : Processing Data of BUMN Karya Financial Report

On the other hand, when analyzing the financial risk ratio based on figure 9, a recommended approach is to merge PT Pembangunan Perumahan with PT Nidya Karya, as both demonstrate relatively strong financial health. Pembangunan Perumahan showcases good liquidity and operational efficiency, while Nidya Karya excels in revenue generation. This merger would create a robust entity with a solid balance sheet and high revenue potential. Next, merging PT Waskita Karya with PT Adhi Karya, both of which face liquidity challenges and lower operational efficiency, could facilitate resource pooling and streamlined operations, focusing on improving efficiency and revenue generation. Lastly, merging PT Wijaya Karya with a smaller, more agile company could enhance its capabilities, as Wijaya has significant liquidity issues and low operational performance.

The benefits of these proposed mergers include enhanced financial stability by combining stronger companies with those in need of support, operational synergies that lead to cost savings and improved efficiency, increased market positioning through shared strengths, and broader service offerings that enhance client attractiveness. A recommended approach is to merge PT Pembangunan Perumahan with PT Nidya Karya, as both demonstrate relatively strong financial health. Pembangunan Perumahan showcases good liquidity and operational efficiency, while Nidya Karya excels in revenue generation. This merger would create a robust entity with a solid balance sheet and high revenue potential.

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operational synergies that lead to cost savings and improved efficiency, increased market positioning through shared strengths, and broader service offerings that enhance client attractiveness.

## CONCLUSION AND RECOMMENDATIONS

In conclusion, the proposed mergers among PT Waskita Karya, PT Wijaya Karya, PT Pembangunan Perumahan, PT Adhi Karya, PT Nidya Karya, and an additional company present a strategic opportunity to enhance financial stability, operational efficiency, and market competitiveness. By merging PT Pembangunan Perumahan with PT Nidya Karya, the resulting entity can leverage strong financial health and revenue generation capabilities, creating a robust and balanced organization. The merger of PT Waskita Karya and PT Adhi Karya can address shared liquidity challenges and improve operational performance through resource pooling and streamlined processes. Finally, pairing PT Wijaya Karya with a smaller, agile company can help mitigate its liquidity issues while benefiting from the strengths of a more dynamic partner.

For recommendations, it is absolutely inevitable conducting due diligence to assess financial compatibility, cultural alignment, and operational synergies before finalizing mergers. Establishing clear strategic goals and integration plans will be essential to ensure successful transitions and maximize the potential benefits of these mergers. Additionally, ongoing monitoring and evaluation post-merger will be crucial to adapt strategies as needed and drive sustained growth and profitability in the newly formed entities..

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