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PT. GARUDA INDONESIA AIRWAYS (TBK) REVIVAL: A STRATEGIC DEBT RESTRUCTURING AND BUSINESS TRANSFORMATION AGAINST BANKRUPTCY

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ABSTRAK

Penelitian ini bertujuan untuk mengkaji tantangan keuangan yang dihadapi PT Garuda Indonesia (Tbk) antara tahun 2021 dan 2023, dengan fokus pada upayanya dalam restrukturisasi utang dan transformasi bisnis, serta dampak inisiatif tersebut terhadap pemulihan keuangan. Dengan menggunakan pendekatan penelitian deskriptif, studi ini menganalisis data kuantitatif, termasuk model Springate S-Score, yang menilai risiko kebangkrutan dengan mengevaluasi rasio keuangan utama. Temuan menunjukkan bahwa Garuda mengalami kesulitan keuangan yang parah pada tahun 2021, tercermin dari Springate S-Score yang sangat rendah, menunjukkan kemungkinan bangkrut yang tinggi. Meskipun ada pemulihan singkat pada tahun 2022, skor turun lagi pada tahun 2023, menandakan risiko keuangan yang berkelanjutan terutama karena tingkat utang yang tinggi dan inefisiensi operasional. Penelitian mengidentifikasi bahwa masalah maskapai berasal dari biaya sewa yang berlebihan, pengawasan keuangan yang buruk, dan dampak pandemi COVID-19 pada perjalanan udara. Sementara upaya restrukturisasi utang dan transformasi bisnis, termasuk merampingkan operasi dan memperluas sumber pendapatan, menunjukkan hasil yang positif, Springate S-Score masih menyoroti kerentanan perusahaan. Springate S-Score dan rasio keuangan yang relevan untuk PT Garuda Indonesia dari tahun 2019 hingga 2024, dengan semua tahun diklasifikasikan dalam "Kesulitan Keuangan". Rasio (A, B, C, dan D) mewakili metrik keuangan utama, dan S-Score (Z) digunakan untuk mengevaluasi risiko kebangkrutan perusahaan. Untuk meningkatkan posisi keuangannya dan Springate S-Score, rekomendasi termasuk mengintensifkan upaya restrukturisasi utang dengan menegosiasikan persyaratan yang lebih baik dengan kreditur, mengeksplorasi opsi pembiayaan alternatif seperti penerbitan ekuitas atau penawaran obligasi, dan memanfaatkan dukungan pemerintah untuk meningkatkan likuiditas. Selain itu, mempercepat transformasi digital, meningkatkan efisiensi operasional, dan menumbuhkan loyalitas pelanggan melalui layanan yang disesuaikan sangat penting untuk keberlanjutan jangka panjang. Tinjauan kinerja secara teratur dan komunikasi yang transparan dengan pemangku kepentingan akan menjadi kunci untuk membangun kembali kepercayaan dan mengamankan masa depan perusahaan.

ABSTRACT

This study aims to examine the financial challenges faced by PT Garuda Indonesia (Tbk) between 2021 and 2023, focusing on its efforts in debt restructuring and business transformation, as well as the impact of these initiatives on its financial recovery. Using a descriptive research approach, the study analyzes quantitative data, including the Springate S-Score model, which assesses bankruptcy risk by evaluating key financial ratios. The findings show that Garuda experienced severe financial distress in 2021, reflected in a significantly low Springate S-Score, indicating a high likelihood of bankruptcy. Although there was a brief recovery in 2022, the score dropped again in 2023, signaling continued financial risks primarily due to high debt levels and operational inefficiencies. The research identifies that the airline's issues stemmed from excessive leasing costs, poor financial oversight, and the impact of the COVID-19 pandemic on air travel. While debt restructuring and business transformation efforts, including streamlining operations and expanding revenue sources, showed positive outcomes, the Springate S-Score still highlights the company's vulnerability. The Springate S-Score and relevant financial ratios for PT Garuda Indonesia from 2019 to 2024, with all years classified under "Financial Distress." The ratios (A, B, C, and D) represent key financial metrics, and the S-Score (Z) is used to evaluate the company's bankruptcy risk. To improve its financial standing and Springate S-Score, recommendations include intensifying debt restructuring efforts by negotiating better terms with creditors, exploring alternative financing options like equity issuance or bond offerings, and leveraging government support to enhance liquidity. Additionally, accelerating digital transformation, improving operational efficiencies, and fostering customer loyalty through tailored services are critical for long-term sustainability. Regular performance reviews and transparent communication with stakeholders will be key to rebuilding trust and securing the company's future.

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INTRODUCTION

Flashback to the Year of 2021, several major Indonesian state-owned enterprises (BUMN) faced serious financial difficulties due to heavy debt burdens, with Garuda Indonesia, the national airline, being one of the hardest hit. The airline was declared technically bankrupt as its debt soared beyond Rp 140 trillion (around USD 9.8 billion), largely due to the sharp decline in air travel during the COVID-19 pandemic. With revenue plummeting as passenger numbers dropped, Garuda struggled to maintain liquidity and fulfill its financial obligations. The government explored different strategies to rescue the airline, including debt restructuring, seeking strategic partners, or even considering liquidation due to the severity of its financial crisis. (www.kumparan.com, 2021)

Garuda Indonesia is facing a major financial crisis, with debts reaching Rp70 trillion. The government remains optimistic that ongoing negotiations with creditors may help the airline recover. A parliament member has urged the government to persist in efforts to keep Garuda operating. An aviation analyst noted that Garuda's financial troubles largely come from internal issues, such as excessive costs for aircraft leasing, maintenance, and crew transportation, which are much higher than those of other airlines using similar planes. Poor financial management has caused small costs to accumulate over many years. While the Covid-19 pandemic has added to the strain by increasing financial burdens by 15%-20%, the airline's main problems existed long before the pandemic began. (www.bbc.com, 2021)

But,the government has signaled that it is unlikely to provide financial support to Garuda Indonesia through capital injections, as the national budget is focused on post-pandemic economic recovery. Even if forced to offer aid, the funds would not be sufficient to cover Garuda's massive debt. A Rp7 trillion injection would only be used to pay off debts to Pertamina and other creditors, without offering a real solution. Experts suggest that at least 30% of the debt needs to be addressed to make any significant impact, or recovery will be challenging. It is estimated that Garuda may take up to 20 years to return to normal operations.

The only way to rescue Garuda Indonesia is through ongoing negotiations with creditors and lessors. The government is hopeful for a quick resolution, as

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prolonged discussions could worsen the airline's financial state. Providing financial assistance through state capital injections is not an option, as the government's focus is on economic recovery following the pandemic. If negotiations fail, closing the airline might become necessary due to its long-standing financial struggles, which stem from costly aircraft leasing agreements and unprofitable international routes. Garuda has been directed to focus on domestic flights and cut unprofitable international routes. If the negotiations collapse, shutting down the airline is seen as a practical step, as the state budget cannot be continuously drained by the airline's financial troubles. Earlier, there was dissatisfaction with the repeated practice of injecting state funds into underperforming state-owned enterprises, suggesting that companies in distress should be closed rather than continually supported (www.cnbcindonesia.com, 2021)

The financial struggles of Garuda Indonesia, burdened with significant debt, have attracted public attention. Some argue that the state-owned airline must be saved from bankruptcy due to its status as Indonesia's national flag carrier and a symbol of national pride. However, others believe Garuda should be declared bankrupt, citing the enormous cost of saving the airline, which would heavily burden the state's finances. Recently, a government official affirmed the commitment to rescue Garuda through debt restructuring and a new business strategy. This commitment has been well-received by various sectors. According to an investment and capital market analyst, the government is obligated to save Garuda, not only because it is a national flag carrier but also due to the fact that over 60% of Garuda's shares are state-owned. (www.tribunews.com, 2021)

Allowing Garuda to fail would harm investor confidence in Indonesia, as Garuda's creditors and lessors have invested in the country. A loss of trust would increase Indonesia's investment risk profile, making it more challenging to attract foreign investments. Additionally, Garuda's failure would create a negative ripple effect on domestic industries, as the airline owes money to both international lessors and other state-owned companies. The analyst emphasized that any debt resolution must be a win-win solution. If Garuda's creditors are unfairly impacted, the government will also suffer losses. Trust in the business world is paramount.

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Garuda's assets currently total approximately Rp 146.6 trillion, while its short-term debt stands at Rp 73 trillion, with long-term debt reaching Rp 114.6 trillion. Interest payments alone amount to about Rp 11.4 trillion per year, further adding to the financial strain.

Several potential solutions to Garuda's debt issues have been proposed. One suggestion is to allow the airline to issue bonds with a 30-year term, valued between Rp 20 trillion and Rp 30 trillion. Half of the bond proceeds would go toward paying off debts, while the rest would fund operational costs. Another option is to offer creditors mandatory convertible bonds (MCBs), which would be converted into Garuda shares after a set period. The issuance of bonds is seen as the most feasible option, allowing the government to share the financial burden with the central bank. A right issue, another possible solution, is less favorable because it could dilute existing shareholders' stakes. Regardless of the chosen solution, the government must demonstrate a strong commitment to fixing Garuda's problems. Cooperative lessors and creditors, combined with a new, capable management team, would be key to Garuda's revival.

THEORITICAL REVIEW

Debt Restructuring

Debt restructuring is a process where creditors and debtors renegotiate the terms of existing loan agreements to help the debtor overcome financial difficulties. In Indonesia, one effective approach to debt restructuring is through mergers and acquisitions (M&A). This method allows financially distressed companies to combine with, or be acquired by, stronger entities, thereby enabling them to stabilize operations, improve liquidity, and reduce debt burdens. Through M&A, the debtor can restructure its balance sheet, consolidate assets, and access new capital, all of which contribute to long-term financial recovery and operational revival. Additionally, M&A can help unlock synergies, reduce costs, and increase market competitiveness, making it a valuable option for companies seeking a strategic and sustainable way to restructure their debts.(Mehmood & De Luca, 2023).

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This issue is connected to research that explores the effects of debt restructuring on investment and financing decisions, as well as the agency conflicts between shareholders and creditors. As a result, companies incur agency costs, which encompass monitoring expenses, bonding costs, and residual losses. However, by applying the principles of debt financing, specifically the trade-off theory, these agency costs can be reduced. This theory suggests that a company can determine its ideal capital structure by balancing the advantages and disadvantages of utilizing debt, ultimately optimizing its financial strategy.(Angelina et al., 2024). Restructuring debt becomes an essential tool for smaller, startup companies that struggle to raise capital to keep running. By choosing debt restructuring, these businesses are able to work around current financial limitations and possibly even overcome them. (Alfawzan et al., 2023).

The impact of debt restructuring on the acceptance of a going concern audit opinion has been the subject of conflicting research findings. According to certain research, debt restructuring has no effect on the possibility of getting a going concern opinion. Other research, however, indicates that debt restructuring may have a detrimental impact on an audit opinion's acceptability as a going concern because it may be assumed that restructured corporations are more financially risky. (Cahyani & Triani, 2023)

Business Transformation

Three fundamental learning principles serve as the foundation for business transformation. Deutero learning encourages more in-depth contemplation, empowering companies to question fundamental beliefs in order to become more flexible. By tackling social concerns and promoting cross-organizational collaboration, a societal learning scope broadens the focus beyond the enterprise. Last but not least, the cooperative advantage goal permits competitive gains while emphasizing alliances for shared benefit.(Hermelingmeier & von Wirth, 2021)

Business transformation is described as a fundamental and comprehensive reconfiguration of an organization's technology, culture, processes, and strategy to create significant changes in its operations, performance, and business model. It involves a strategic overhaul aimed at enhancing competitiveness, fostering sustainable growth, and adapting to evolving stakeholder expectations and market dynamics. This transformation goes beyond minor adjustments or optimization efforts. Common initiatives include diversification, digitalization, organizational restructuring, mergers and acquisitions, and sustainability-focused efforts.(Mehmood & De Luca, 2023) .The initial phase of business transformation involves determining whether change is necessary by evaluating the organization, market conditions, and competitive landscape. During this stage, companies develop a vision for the change, communicate it effectively, and empower employees to take action toward implementing the vision.(Li et al., 2022).Recent research on COVID-19-related business transformation often focuses on specific industries or technologies. However, improving business performance can be accomplished through various types of transformations, with success largely depending on the business context. Additionally, most studies on COVID-19 were conducted during the early months of the pandemic, limiting their scope to initial responses.(Kulkov, 2021)

Financial Distress

When an organization's financial situation significantly worsens and it becomes harder for it to pay short-term debts like interest or accounts payable, financial hardship results. Preceding bankruptcy or liquidation, it is regarded as a phase of financial decline. When the business's operating cash flow isn't enough to pay its present responsibilities, it has to make corrective actions. This is when the issue emerges..(Sari & Diana, 2020). When a business cannot pay its debts, particularly short-term responsibilities pertaining to liquidity and solvency, financial difficulties arise. An organization is considered to be in financial distress if it is unable to pay its debts, which happens when it does not have enough money to run its business..(Hidayat et al., 2021)

Brigham & Houston in (Dharma Swara, 2021) stated , financial difficulties occur when a business is unable to pay its commitments, especially short-term obligations related to liquidity and solvency. When a company cannot pay its bills because it does not have enough money to operate its business, it is said to be in

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financial difficulty.According (Silanno, Glousa Lera & Loupatty, 2021). Financial difficulty is evident when a corporation fails to meet its obligations, which is a primary indicator of continuous liquidity concerns. Three perspectives are available to analyze this process: the duration, the intensity of adversity, and the developmental phases. Four types exist for financial difficulties. Category A denotes extremely serious or dire financial difficulties. High levels of financial trouble are associated with Category B, which is dangerous. Category D denotes little to no financial trouble, whereas Category C denotes considerable suffering..(Rivandi & Ariska, 2019)

Springate Model

The Springate model, a tool within Multiple Discriminant Analysis (MDA), is used to evaluate a company's risk of bankruptcy. Unlike the Z-Score model, which relies on a single ratio, the Springate model uses multiple financial ratios to provide a more comprehensive assessment of a company's financial condition. (Gunawan & Debbianita,2022) .Created by Gordon L.V. Springate in 1978, the model was based on research involving twenty manufacturing firms in Canada. By employing stepwise discriminant analysis, it identifies the most relevant among 19 financial ratios to differentiate between financially stable and distressed companies(Suwandani & Nuzula, 2017). . Similar to Altman's 1968 approach, Springate identified four key ratios that effectively distinguish between companies in financial trouble and those that are not. While there are various methods for bankruptcy analysis, the Springate and Grover models are particularly popular due to their relatively high accuracy in predicting potential bankruptcy when applied. (Gracia et al., 2018). The Springate model is represented by the following formula;

$$\boxed{\mathbf{S = 1.03\ A + 3.07\ B + 0.66\ C + 0.4\ D}}$$

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 utilizes several key financial ratios to assess a company's financial health. Ratio (A) measures liquidity through working capital relative to total assets, while Ratio (B) evaluates profitability by comparing Earnings Before Interest and Taxes (EBIT) to total assets. Ratio (C) assesses the ability to meet short-term debt obligations by comparing Earnings Before Tax (EBT) to total current liabilities, and Ratio (D), or total asset turnover, gauges how effectively total assets generate revenue,(Suwandani & Nuzula, 2017). The cutoff point for the Springate S-score is 0.862, with scores below this indicating potential financial distress and those above suggesting existing financial difficulties. The model boasts a 92.5% accuracy rate in predicting financial hardship and is considered highly effective compared to other models, making it a reliable tool for forecasting financial difficulties (Azwar, 2022). The Springate model is notable for its comprehensive approach to evaluating a company's financial stability through various ratios. Each ratio provides insights into different aspects of financial health, from liquidity and profitability to debt management and asset utilization. With a cutoff S-score of 0.862, the model effectively distinguishes between financially stable companies and those at risk of distress. Its high accuracy rate of 92.5% in predicting financial hardship makes it a valuable tool for organizations seeking to assess and mitigate potential financial risks.

RESEARCH METHODS

Descriptive research involves collecting data, analyzing it, interpreting the findings, and drawing conclusions to present facts, situations, variables, and phenomena as they exist without intervening or manipulating the research subjects. This research method was applied in a case study of PT Garuda Indonesia Airways (Tbk). Utilizing quantitative techniques, this study focuses on numerical data to provide a descriptive overview. By examining current data, the research aims to uncover significant trends and insights that can aid in the company's decision-making processes, while also identifying potential areas for enhancement to foster a

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better understanding of the airline's performance in a competitive market. The findings are intended to offer stakeholders valuable information that can guide strategic planning and operational improvements. Ultimately, this research contributes to a comprehensive understanding of Garuda Indonesia's position in the aviation industry and its prospects for future growth.(Gunawan & Debbianita, 2022)

RESULTS AND DISCUSSION

Debt Restructuring And Businesses Transformation at PT Garuda Indonesia Tbk

PT Garuda Indonesia Tbk (GIAA) has announced encouraging news regarding its debt reduction efforts at the start of 2024, which aligns with the company's ongoing debt restructuring and business transformation initiatives. As of November 30, 2023, the state-owned airline had 59,368 shareholders, and the positive update includes the completion of a partial repayment of its Reg-S bonds amounting to US$536.45 million out of a total US$624.21 million. These bonds carry an interest rate of 6.5% and are set to mature in 2031. Furthermore, Garuda Indonesia successfully repaid US$78.01 million in sukuk issued by Garuda Indonesia Global Sukuk Limited, which also offers a 6.5% periodic distribution with the same maturity date. This strategic move is part of Garuda's broader effort to stabilize its financial standing and enhance its capital structure, thereby enabling a smoother transition into a more sustainable operational model.

The airline's total repayment of US$113.80 million for both the Reg-S bonds and sukuk was executed through a tender offer, with a total execution value of US$49.99 million being settled in phases on December 21, 2023, for the bonds and December 29, 2023, for the sukuk. This repayment was directed toward bondholders and sukuk holders, most of whom are creditors participating in the company's Debt Payment Obligation Postponement (PKPU) process, and was funded through the company's internal cash reserves. This aspect of debt restructuring is crucial for Garuda Indonesia as it not only alleviates immediate financial burdens but also reflects the airline's commitment to improving its overall financial health, which is a critical component of its ongoing business transformation efforts.

In light of this announcement, GIAA shares experienced a significant rise

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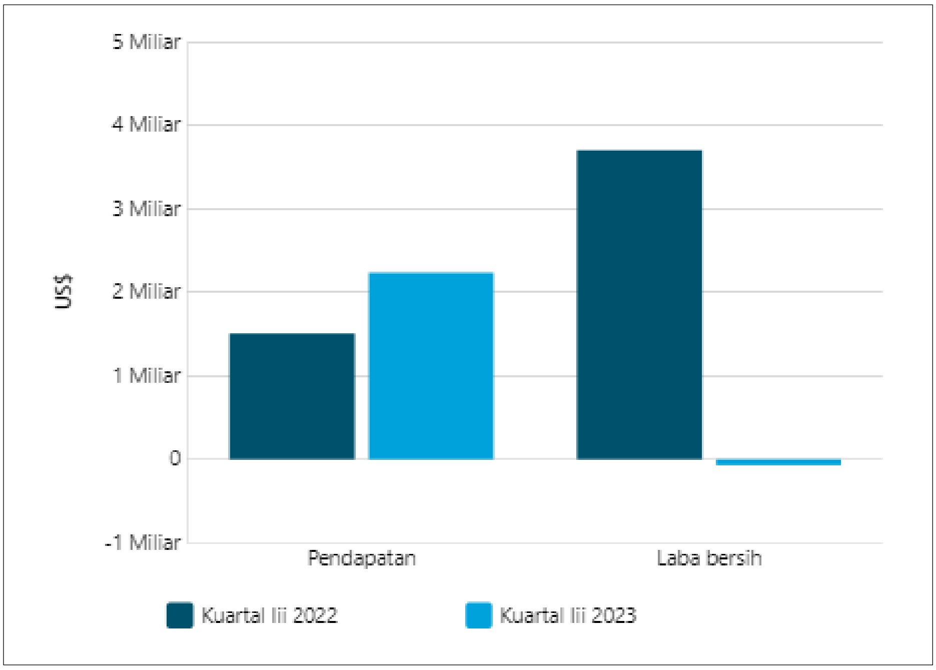
of 5.4%, reaching Rp 78 by the end of the trading session on January 5, marking it as one of the top gainers in the stock market. The successful execution of the corporate action reflects Garuda Indonesia's commitment to maintaining creditor trust and supports its long-term strategy for business transformation. This aligns with the various performance improvement measures the company has implemented following the PKPU, emphasizing a holistic approach to both debt management and operational restructuring.These actions are expected to strengthen the company's capital structure, particularly concerning liquidity and solvency, enabling Garuda Indonesia to operate effectively and adaptively, thereby achieving projected positive performance outcomes. He further noted that the partial repayment of the bonds and sukuk represents Garuda Indonesia's proactive approach to ensuring robust growth in its financial fundamentals while facilitating the transformation into a more agile and competitive entity in the aviation market, and the result described at figure 1 as follows ;

Figure 1 Revenue and Net Profit of Garuda Indonesia/GIAA
(Q3 2022 - Q3 2023)



Source : www.katadata.com

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The company has demonstrated consistent business growth, with a reported 48.32% increase in group revenue for the third quarter of 2023 compared to the same period last year. This growth has been bolstered by a 49.02% year-on-year rise in revenue from scheduled flights, totaling US$1.72 billion. Additionally, non-scheduled flights contributed US$274.25 million in revenue, while other revenues reached US$234.91 million. With improving financial performance indicators, including EBITDA and cash flow ratios, indicate s a gradual and consistent recovery in the company's overall performance, solidifying its commitment to business transformation and effective debt restructuring.

The Facts : Financial Risk of PT Garuda Indonesia (Tbk)

PT Garuda Indonesia (Tbk) demonstrates a fluctuating financial risk profile over the years 2019 to 2023, characterized by high volatility and persistent operational challenges. However, in 2023, the S-Score declined again tobe negative score (-0.9204896), indicating ongoing financial risks despite improvements in working capital and sales efficiency. This decline was attributed to decreased profitability and challenges in maintaining operational performance. Overall, PT Garuda Indonesia's financial stability remains at risk, necessitating strategic initiatives focused on enhancing operational efficiency, improving profitability, and strengthening its capital structure for long-term viability in a challenging environment. The more details are shown in figures below ;

Figure 2 Springate S-Score PT Garuda Indonesia (Tbk) Year 2019

Dimension	Dimension S core	Weight	S-Score
A	0,0215432	3,07	0,0661375
B	0,0215432	3,07	0,0661375
C	0,2090079	0,4	0,0836032
D	0,2090079	0,4	0,0836032
			-0,3729137

Source : PT Garuda Indonesia (Tbk) Financial Report

The total Springate Score (S-Score) of -0.3729137 is well below the critical threshold of 0.862, indicating that Garuda Indonesia is likely experiencing financial distress. This negative score suggests that the company is facing significant financial challenges, possibly related to liquidity issues, poor profitability, or an inability to

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Volume 8 No. 4 Tahun 2024
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effectively manage short-term liabilities. The low S-Scores in the more heavily weighted dimensions imply that the company might be struggling to generate enough profit from its operations or maintain adequate working capital. While dimensions related to debt or liabilities may not be as problematic, they are not strong enough to offset the overall negative assessment. In conclusion, PT Garuda Indonesia (Tbk) is at a high risk of financial distress based on the Springate model, and the company may need to take urgent measures to address these financial challenges. This could involve improving operational efficiency, managing debt more effectively, or enhancing liquidity to avoid further financial deterioration.

Figure 3 Springate S-Score PT Garuda Indonesia (Tbk) Year 2020

Dimension	Dimension Score	Weight	S-Score
A	-0,3483093	1,03	-0,3587586
B	-0,2041764	3,07	-0,6268216
C	-0,6036567	0,66	-0,3984134
D	0,21739092	0,40	0,08695637
			-1,3286708

Source : PT Garuda Indonesia (Tbk) Financial Report

The updated data you provided shows a deeper analysis of PT Garuda Indonesia's financial health, specifically using the Springate model. The scores for each dimension are now more negative, further indicating the company's financial distress. The overall S-Score of -1.3286708 is significantly below the threshold of 0.862, signaling severe financial distress and indicating, that the company is at high risk of bankruptcy or financial collapse.The negative total score -1.3286708 suggests that PT Garuda Indonesia is in a critical financial situation, and without significant intervention or restructuring, the company may struggle to stay financially viable. This suggests that Garuda may be at significant risk of bankruptcy, particularly due to operational inefficiencies, poor profitability, and difficulties in managing liabilities. Urgent corrective measures, such as cost-cutting, refinancing, or restructuring, may be required to improve the company's financial health and prevent further decline.

Figure 4 Springate S-Score PT Garuda Indonesia (Tbk)) Year 2021

Dimension	Dimension Score	Weight	S-Score
A	-0,5545967	1,03	-0,5712346

Dynamic Management Journal
Volume 8 No. 4 Tahun 2024
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B	-0,5508561	3,07	-1,6911281
C	-1,0553591	0,66	-0,696537
D	0,185837	0,4	0,0743348
			-2,884564

Source : PT Garuda Indonesia (Tbk) Financial Report

With an S-Score of -2.884564, PT Garuda Indonesia (Tbk)) was far below the threshold, indicating a high probability of financial distress. This negative score reflects: Liquidity issues, the negative working capital indicates that current liabilities were higher than current assets, making it difficult to cover short-term obligations., Operating losses : the negative EBIT relative to total assets shows that the company's operations were unprofitable, inability to cover liabilities: the negative EBT relative to current liabilities means the company wasn't earning enough to service its liabilities, indicating solvency issues. The Springate S-Score of -2.884564 highlights the severe financial distress faced by PT Garuda Indonesia in 2021. The company's liquidity, profitability, and solvency were all under pressure due to the pandemic's impact on the airline industry, resulting in operational losses and a negative overall financial outlook.

Figure 5 Springate S-Score PT Garuda Indonesia (Tbk) Year 2022

Dimension	Dimension Score	Weight	S-Score
A	-0,1411186	1,03	-0,1453521
B	-0,4212938	3,07	-1,293372
C	2,3409224	0,66	1,5450088
D	0,3368205	0,4	0,1347282
			0,2410129

Source : P PT Garuda Indonesia (Tbk) Financial Report

The Springate S-Score for PT Garuda Indonesia (Tbk) in 2022 reflects a notable change from the previous year, with a calculated score of 0.2410129 compared to -2.884564 in 2021. This improvement indicates a significant recovery in the company's financial condition. The S-Score improved dramatically, moving from deep financial distress to a positive score, indicating that PT Garuda Indonesia has made significant strides in recovering from the challenges of 2021. The 2022 score indicates that the company is now less likely to face bankruptcy compared to the previous year. This positive trend suggests that PT Garuda Indonesia is on a path to stability, though it still has work to do to fully secure its financial health and long-term

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viability.

Figure 6 Springate S-Score PT Garuda Indonesia (Tbk) Year 2023

Dimension	Dimension Score	Weight	S-Score
A	-0,0760121	1,03	-0,0782925
B	-0,3744887	3,07	-1,1496805
C	0,2013372	0,66	0,1328825
D	0,4365021	0,4	0,1746008
			-0,9204896

Source : PT Garuda Indonesia (Tbk)) Financial Report

The shift from an S-Score of 0.2410129 in 2022 to -0.920489 in 2023 suggests that PT Garuda Indonesia faced challenges in maintaining its financial recovery during this period. Although there were positive trends in dimensions such as working capital and sales efficiency, the deterioration in the S-Score is primarily driven by continued losses in operational income (EBIT) and a reduced ability to generate profits relative to current liabilities (EBT). This indicates that while the company has made strides in improving certain aspects of its financial performance, it still faces significant hurdles, particularly in achieving profitability. The negative S-Score suggests that PT Garuda Indonesia may need to reevaluate its strategies to ensure sustainable recovery and long-term viability moving forward.

CONCLUSION AND RECOMMENDATIONS

From 2021 to 2023, PT Garuda Indonesia (Tbk) faced significant financial challenges characterized by high volatility in its Springate S-Score, reflecting the company's struggle with severe distress in 2021, a brief recovery in 2022, and renewed difficulties in 2023. The ongoing financial risks, primarily due to elevated debt levels and operational inefficiencies, necessitated decisive actions. During this period, the company undertook various initiatives aimed at debt restructuring and business transformation to stabilize its financial position and enhance long-term sustainability. While some measures have yielded positive outcomes, continued efforts are essential to ensure the effectiveness of these strategies and adapt to the dynamic aviation landscape.

To strengthen its financial standing, PT Garuda Indonesia should enhance its debt restructuring efforts by reviewing and solidifying existing agreements, exploring alternative financing options like equity issuance, and leveraging government support aimed at the aviation sector. Furthermore, the company should continue new business transformation initiatives by evaluating and expanding revenue diversification, accelerating digital transformation investments to improve operational efficiencies and customer engagement, and prioritizing sustainability and innovation to align with global trends.

Enhancing customer experience through feedback mechanisms and tailored services is also crucial for fostering loyalty. Lastly, establishing a framework for regular performance reviews and maintaining transparent communication with stakeholders will help build trust and support for the company's recovery efforts. By reinforcing these strategies, PT Garuda Indonesia can navigate its current challenges more effectively, positioning itself for improved financial stability and sustainable growth in the competitive aviation market.

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