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Firm's Resilience Before and During Covid-19 Pandemic

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Abstract−This research aims to investigate the company's resilience before and during Covid-19 pandemic. The study examines the differences between firm performance and the average performance using Return on Assets (ROA), Total Asset Turnover (TATO), and current ratio (CR) before and during Covid-19 pandemic. This study uses sample from non-cyclical consumer industries listed on the Indonesian Stock Exchange (BEI) for the period 2017-2022 with 258 firm years observation. The data is analyzed with SPSS using paired t-test sample with Wilcoxson Test. The results show that there is a significant performance difference as measured by ROA and TATO before and during Covid-19. The mean ROA value was 8% before and 5.54% during the covid-19 epidemic, respectively. TATO levels were 0.99 and 0.87 correspondingly before and during the covid-19 epidemic. The current ratio, however, does not alter between the two periods. The mean value of current ratio was 2,46 and 2,49 respectively before and during covid-19. The findings also revealed that there is no difference in non-cyclical industries' average performance (ROA, CR, and TATO) before and after the Covid-19 pandemic.

Keywords: Covid-19; Current Ratio; Resilience; ROA; Total Asset Turnover

1. INTRODUCTION

The COVID-19 outbreak has posed a threat and a challenge to both developed and developing countries. Global economic growth has been hindered as a result of the pandemic (Makni, 2023). Covid-19 pandemic has extensive and severe effects on enterprises across a wide range of industries, interrupting supply chains, altering consumer behaviour, and causing economic uncertainty. Most of industries received a covid impact, including manufacturing industries since they provide goods for society (Pratama et al., 2022), as well as energy sector that experienced a decreased performance during covid-19 (Nurlia et al., 2023). The consequence of Covid-19 pandemic is that numerous businesses must shift how they operate from those that originally intend to be expansive to those that intend to reduce or stop growing by stopping projects, reducing expenditures, and halting operations in order for their business to survive until the pandemic is over and the period of recovery starts in early 2021. The research of economic resilience is conducted in response to a crisis, which has a major negative influence on a company, a sector of activity, a region, or the entire economy (Maha et al., 2023). Resilient businesses have showed the ability to overcome these hurdles while maintaining successful operations. Companies that are resilient may have preserving financial stability and performance stability during periods of crises. The COVID-19 epidemic significantly impacted the firms' performance, cutting both their total investment and their overall income (Makni, 2023)..

Most research studies of the growing literature on COVID-19 emphasize on the impact of a pandemic outbreak on financial markets and still found the mixed results. Some previous research found that there was a significant difference for company's financial performance measured by Return on Equity and Return on Assets before and during Covid-19 pandemic (Indiraswari & Rahmayanti, 2022). Because of the changes that occurred during the epidemic, it was difficult for businesses to resume normal operations. Another study conducted in firms listed in Indonesian Stock Exchange also found there was any significant decrease of companies performance in terms of liquidity and profitability ratio after covid-19 pandemic (Kustinah, 2021). Research in financing industries also withdraw the similiar findings that there are significant differences in profitability ratios (ROA and ROE) before and after the Covid-19 pandemic (Esomar, 2021). Banking industries also experienced a difference performance, measured by ROE, ROA, BOPO, and Loan to Deposit Ratio (Tiono & Djaddang, 2021). Kartika and Riadi (2022) also found the same results for banking industries that experienced a lower performance during covid-19. Another study also investigate the performance of transportation companies listed in Indonesian Stock Exchange and found that there is a significant difference of market performance as measured by share price before and during covid-19 pandemic (Rafsyanjani & Wuryani, 2021). Andriana et al., (2023) investigated the effect of covid-19 on consumer non-cyclical industries and found that there is a significant firm performance before and during Covid-19. In the international context, Muthu and Wesson (2023) found that company performance per Johannesburgh Stock Exchange industry sector in South Africa suffered a significant negative impact during the 2020 pandemic year.

On another hand, previous studies found that there are no significant differences in solvency, liquidity, and activities ratios before and after the Covid-19 pandemic in transportation sector (Indiraswari & Rahmayanti, 2022). Another study also conducted in pharmacy industries also found that there is no significant difference for firm profitability and share price before and during covid-19 (Lestari & Rahmah, 2022). Some studies also suggest that there is no signficant difference in the share trading volume before and during covid-19 pandemic (Suryatimur & Khabibah, 2021). In consumer non-cyclical industries, Zanubah et al., (2023) found that there is no significant difference on companies performance measured by current ratio, price to earnings ratio, and debt to equity ratio. Ben Abdallah and Bahloul (2024) found that t there is no significant correlation between the presence of COVID-19 and the ROA of publicly listed companies in Malaysia.

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Accordingly, the preceding research yielded mixed results. Previous studies also mostly compared performance before and during Covid-19, but did not examine the average corporate performance before and during Covid-19 pandemic. Therefore, this research aims to obtain empirical evidence regarding the firm's resiliency, both in terms of performance and average firm performance before and during Covid-19. This research used Return on Assets, Total Asset Turnover, and current ratio focusing in the non-cyclical consumer industry in Indonesia. This paper's significant contributions are investigating not only the performance, but also the average performance, whereas average performance has not yet been investigated in previous study. Non-cyclical consumer sectors, often known as defensive industries, are sometimes regarded as being resilient to economic crises. Because these businesses produce goods and services that consumers continue to want regardless of the overall state of the economy. While non-cyclical consumer industries may be more resilient during economic downturns, however it is crucial to understand that no industry is completely resistant to economic issues and defences their profitability.

2. RESEARCH METHODS

2.1 Hypotheses Development and Methodology

Profit persistence in industries is a key indicator of long-term financial stability since it represents a natural buffer to absorb asset losses (Pak, 2020). Harfani & Nurdiansyah (2021) defines profitability ratios as the ability of a corporation to earn profits under normal conditions by selling assets, having asset capabilities, and having equity capabilities. Due to the pandemic, the company's ROA will drop with abnormal economic conditions in 2020. Rafsyanjani & Wuryani (2021) found that COVID-19 has a significant influence on firm performance as measured by stock prices. Indiraswari & Rahmayanti (2022) also found that there are significant differences in profitability ratios (ROA) and (ROE) before and after the Covid-19 pandemic. The company ceased operations to adjust to safer conditions. Firm profitability may suffer during the COVID-19 pandemic for a variety of causes, including the epidemic's widespread and devastating effects on the global economy. Consumer spending has been reduced as a result of lockdowns, social distancing measures, and economic uncertainty. Many people have experienced job losses, lower wages, or financial uncertainty, prompting them to reduce non-essential spending. This drop-in demand can have an impact on businesses, lowering profits. To combat the virus's spread, governments around the world have enacted a variety of restrictions and prohibitions. While vital for public health, these policies might limit the operations of certain enterprises and industries, resulting in income losses. Accordingly, the first hypotheses are as follow:

H1a: Return on Assets (ROA) differs significantly before and after the Covid-19 pandemic.

H1b: There is a significant difference in average performance before and after the Covid-19 pandemic, as measured by average Return on Assets (ROA).

The Current Ratio (CR) measures a company's capacity to meet immediate financial obligations by using current assets. The greater this ratio, the better the company's ability to meet its current liabilities with current assets. This demonstrates that as the CR increases, so can the company's profitability. Vice versa. This means that reducing liquidity might boost the company's credibility, prompting investors to commit funds for investment in an effort to raise profitability (Prijantoro et al., 2022). During the pandemic, several firms experienced cash flow problems due to reasons such as decreased sales, delayed client payments, and elevated operational expenditures. A reduction in cash and cash equivalents would result in a fall in the current asset position. To deal with cash flow issues or fund operation throughout the crisis, corporations may have been obliged to incur additional short-term obligations, such as loans or lines of credit, as a result of the pandemic. This has the potential to increase current liabilities, therefore it can lead to the decreasing of current ratio. Makni (2023) examined the performance of publicly traded companies in the Saudi market during the epidemic and found the impact on performance. Another study conducted in firms listed in Indonesian Stock Exchange also found there was any significant decrease of companies performance in terms of liquidity and profitability ratio after covid-19 pandemic (Kustinah, 2021). Based on this explanation, the second hypotheses are stated:

H2a: Current Ratio differs significantly before and after the Covid-19 pandemic.

H2b: There is a significant difference in average performance before and after the Covid-19 pandemic, as measured by average Current Ratio

Total asset turnover is a financial ratio that assesses a company's ability to generate income from its assets. Total Asset Turnover is a ratio that measures a company's intensity in using its assets. The measure used for the most relevant use of assets is sales. Total Asset Turnover is a comparison between total sales and total assets (Cahya et al., 2021). Due to reasons like as lockdowns, lower consumer spending, and economic uncertainty, many businesses saw a major drop in sales and revenue during the pandemic. The decline in sales contributes to a fall in the total asset turnover ratio's numerator. During the pandemic, companies may have had difficulties in successfully maintaining inventory stocks. This could lead to excess or obsolete inventory, reducing the efficiency of converting inventory into sales. A variety of studies revealed that COVID-19 had a detrimental and statistically significant impact on business performance (Suryatimur & Khabibah, 2021; Andriana et al., 2023). Accordingly, the third hypothesis are:

H3a:Total Asset Turnover differs significantly before and after the Covid-19 pandemic.

H3b: There is a significant difference in average performance before and after the Covid-19 pandemic, as measured by average Total Asset Turnover.

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The conceptual framework is depicted in the figure 1 below:

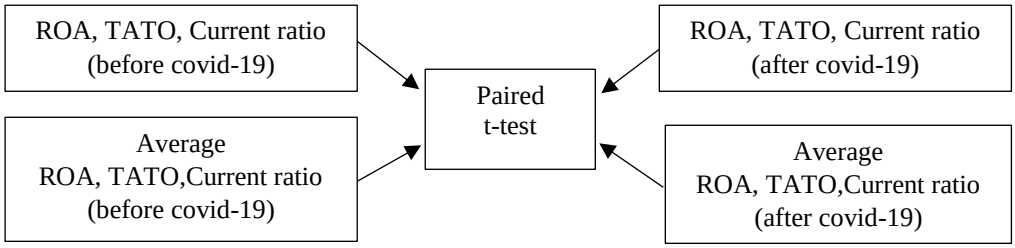

Figure 1. Conceptual Framework

This study employs a quantitative method, specifically the comparative method. The comparative technique is study that compares one variable in the context of this research with another variable, such as a comparison of the ROA variable before and after Covid occurred. This study compares the variables Return on Assets, current ratio, and total asset turnover before and after Covid-19 (2019 compared to 2020), as well as on average performance which is average ROA, Current Ratio, and TATO for the years before Covid-19 (2017-2019) and after Covid-19 pandemic (2020-2022).

2.2 Sample

The study data source is a list of non-cyclical companies registered on the Indonesian Stock Exchange (BEI), and company ratio data is gathered through the OSIRIS database.

This study used purposive sampling with the following criteria:

1. IDX non-cyclical enterprises have been present since 2017.
2. non-cyclical enterprises listed on the main IDX board
3. Companies with complete data for the intent of this study

Companies selected as samples are only those on the main board since those on the main board have already had 36 months or three years of operational experience and have completed audited financial reports for at least the last three years. After meeting the criteria, this study has final sample of 258 firm years observation.

2.3 Variable Operationalization

2.3.1 Current Ratio

Current ratio is a ratio that measures a company's capacity to pay short-term obligations (Prijantoro et al., 2022). In this study, the current ratio is calculated by dividing current assets by current liabilities.

$$\text{Current Ratio} = \text{Current Asset} \div \text{Current Liabilities} \quad (1)$$

2.3.2 Return on Assets

According to Harfani & Nurdiansyah (2021), Return on Assets (ROA) is a ratio that can be used to determine the extent the investment is capable of providing appropriate returns in line with expectations. This ratio is used to assess the company's ability to manage each asset value owned in order to generate net profit after tax. The higher a company's ROA, the better its ability to manage its assets. ROA is determined by dividing net income by total assets.

2.3.3 Total Asset Turnover (TATO)

Cahya et al., (2021) defined Total asset turnover (TATO) is a ratio used to quantify the effectiveness of the entire assets of a business to generate sales, or, in other words, how many sales will be generated from each rupiah fund invested in total assets. This ratio examines the amount of the company's total assets; turnover occurs effectively. The greater this ratio, the better, because it indicates more efficient asset usage and a speedier cash refund. If the ratio is low, it indicates that the company does not operate at a high enough volume to justify its investment capacity. TATO is computed by dividing sales by total assets.

$$\text{Total Asset Turnover} = \text{Sales} \div \text{Total Assets} \quad (2)$$

2.4 Data Analysis

2.4.1 Descriptive Statistic

Descriptive statistics are used to describe the data that has been collected. The data will be described in terms of average, minimum value, middle value, maximum value, and standard deviation at this stage (Irwansyah et al., 2023).

2.4.2 Normality Test

Data analyses are used to verify whether the data is normally distributed. According to Khatun (2021) the normality test is a test in the regression model that determines whether or not the data distribution is normal. The Shapiro-Wilk test is used to determine normality.

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2.4.3 Hypotheses Test

For normally distributed data, the paired sample t-test will be used, and for non-normally distributed data, the Wilcoxon signed rank test will be used (Andriana et al., 2023). The Wilcoxon signed-rank test, also known as the is a non-parametric statistical test employed to determine whether there is a difference between paired samples. When the assumption of normal distribution is violated when the data is ordinal, interval, or ratio but not normally distributed, it is an alternative to the paired t-test. The hypothesis is accepted if the p-value < 0,05.

3. RESULTS AND DISCUSSION

3.1 Results

3.1.1 Descriptive Statistic

In accordance with descriptive statistics, Return on Assets decreased by an average of 2.456977 in 2019-2020 before returning to normal in 2021. The average Current ratio for 2019-2020 subsequently increased by 0.026047. The average total asset turnover fell by 0.1290427. The average return on assets fell by 1.13853, the average current ratio fell by 0.07047, and the average total asset turnover fell by 0.06118. The average ROA before Covid-19 is calculated by the average ROA in 2017-2019, whereas the average ROA after Covid-19 is calculated by the average ROA in 2020-2022

Table 1. Descriptive Statistics

Variable	Mean	Std. dev	Min	Max
ROA 2020	554.790	1.027.146	-19.27	44.84
ROA 2019	800.488	1.514.057	-32.05	56.15
Average ROA (before Covid-19)	860.679	1.517.969	-20.42	61.64
Average ROA (during Covid-19)	746.775	967.885	-13.96	4.077
Current Ratio (CR) 2020	248.604	252.182	0.32	13.27
Current Ratio (CR) 2019	246.000	231.205	0.39	12.63
Average CR (before Covid-19)	251.325	2.366.333	0.49	1.31
Average CR (during Covid-19)	244.279	2.402.021	0.37	1.24
TATO 2020	0.86997	0.68392	0.13	3.01
TATO 2019	0.99452	0.67550	0.16	3.22
Average TATO (before Covid-19)	101.614	0.69032	0.17	3.04
Average TATO (during Covid-19)	0.95496	0.76779	3.56	3.56

3.1.2 Normality Test

This test determines whether or not the data distribution is normally distributed. To realize that the data is normally distributed, Prob>z must be greater than 0.05. The Shapiro-Wilk test is used in this test. The normality test contains no normally distributed variables as depicted in table 2 below. Because there are no normally distributed variables in table 2, the Wilcoxson test will be used for the hypothesis testing

Table 2. Normality Test

Variable	W	V	Z	Prob>z
ROA 2020	0.91791	3.431	2.606	0.00458
ROA 2019	0.90974	3.773	2.807	0.00250
Average ROA (before Covid-19)	0.85939	5.877	3.743	0.00009
Average ROA (during Covid-19)	0.94786	2.180	1.647	0.04980
CR 2020	0.71025	12.112	5.272	0.00000
CR 2019	0.73404	11.117	5.091	0.00000
Average CR (before Covid-19)	0.72465	11.510	5.164	0.00000
Average CR (during Covid-19)	0.69583	12.714	5.374	0.00000
TATO 2020	0.81351	7.795	4.340	0.00001
TATO 2019	0.91519	3.545	2.675	0.00374
Average TATO (before Covid-19)	0.91493	3.556	2.681	0.00367
Average TATO (during Covid-19)	0.76945	9.637	4.789	0.00000

3.1.3 Hypothesis Test

Because the data was not normally distributed, the Wilcoxson method was used to perform the difference test. The findings are described in table 3 below:

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Table 3. Hypothesis Testing

Hipotesis	Variable	Z	p-value	Description
H1a	ROA 2019 ROA 2020	2.246	0.0247	Accepted
H1b	Average ROA (before covid) Average ROA (during covid)	0.254	0.7998	Rejected
H2a	CR 2019 CR 2020	0.229	0.8185	Rejected
H2b	Average CR (before covid) Average CR (during covid)	0	1	Rejected
H3a	TATO 2019 TATO 2020	4.105	0	Accepted
H3b	Average TATO (before covid) Average TATO (during covid)	1.799	0.0720	Rejected

The findings are summarized below:

1. H1a stated that Return on Assets (ROA) differs significantly before and after the Covid-19 pandemic. Based on the test results, the p-value is 0.0247 < 0.05. This statistic demonstrates a significant difference in ROA in the 2019-2020, therefore **H1a is accepted**.
2. H1b stated that there is a significant difference in average performance before and after the Covid-19 pandemic, as measured by average Return on Assets (ROA). Based on the test results, the p-value is 0.7998 > 0.05. This statistic demonstrates that there is no significant difference in average ROA during 2017-2022, therefore **H1b is rejected**
3. H2a stated that Current Ratio differs significantly before and after the Covid-19 pandemic. Based on the test results, the p-value is 0.8185 > 0.05. This statistic demonstrates that there is no significant difference current ratio before and during pandemic therefore **H2a is rejected.**
4. H2b stated that there is a significant difference in average performance before and after the Covid-19 pandemic, as measured by average Current Ratio. Based on the test results, the p-value is 1 > 0.05. This statistic demonstrates that there is no significant difference in average Current Ratio before and during Covid-19, therefore **H2b is rejected**
5. H3a stated that Total Asset Turnover differs significantly before and after the Covid-19 pandemic. Based on the test results, the p-value is 0,0000 < 0.05. This statistic demonstrates a significant difference in TATO in the 2019-2020, therefore **H3a is accepted**.
6. H3b stated that there is a significant difference in average performance before and after the Covid-19 pandemic, as measured by average Total Asset Turnover. Based on the test results, the p-value is 0.0720 > 0.05. This statistic demonstrates that there is no significant difference in average Current Ratio before and during Covid-19, therefore **H3b is rejected**

3.2 Discussion

3.2.1 Return on Assets (ROA) differs significantly before and after the Covid-19 pandemic

Based on the statistical result shows that there is a significant difference in ROA before covid (2019) and during covid (2020), therefore H1a is accepted. Because of the pandemic, the company's ROA will fall in 2020 due to anomalous economic conditions. Indiraswari & Rahmayanti (2022) discovered that profitability ratios, measured by Return on Asset and Return on Equity change significantly before and after the Covid-19 pandemic. Covid-19 also suggest that COVID-19 has a negative impact on the performance of companies in sectors such as communication services, consumer discretionary, financial, industrial, material, real estate, and information technology (IT) (Pratama et al., 2022). To adapt to safer conditions, the company suspended operations. For a multitude of reasons, including the pandemic's extensive and destructive effects on the global economy, firm profitability may suffer during the COVID-19 pandemic. Lockdowns, social distancing measures, and economic uncertainty have all affected consumer purchasing. Many people have had job losses, lower salaries, or financial insecurity, prompting them to cut back on non-essential spending. This decrease in demand has the potential to have an impact on enterprises, and therefore cutting company's earnings. The Covid-19 pandemics overall has a negative impact on the company's performance are also inline with the previous research (Pratama et al., 2022; Nurlia et al., 2023; Makni, 2023). With the help of quarterly data of Chinese listed firms from 2019 to 2021, Zhang and Zheng (2022) find that the Covid-19 decreases the sale-related profitability

3.2.2 Average Performance as measured by average ROA differs significantly before and after the Covid-19 pandemic

Based on the statistical result shows that there is no significant difference in average ROA before covid (2017-2019) and during covid (2020-2022), therefore H1b is rejected. This result is in line with the previous research conducted by Indiraswari and Rahmayanti (2022). They found that non-cyclical companies were not adversely affected in their

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operations during the pandemic. Non-cyclical consumer firms concentrating on products and services which are deemed primary or essential needs recover faster during pandemics. The nature of the products, steady demand, and buyer demographics are some of the variables that might clarify why those businesses endured to recover more quickly. Even in weak economic periods, consumers are expected to require items such as food, cleaning supplies, as well as medical care during the pandemic. The continued high demand for these necessities contributes in the recovery of these business. Some non-cyclical firms may also be equipped to swiftly adapt to changing market circumstances. Lestari and Rahmah (2022), Ben Abdallah and Bahloul, (2024) also found that there are no significant differences in the financial ratios, captured by ROA before and after the Covid-19 pandemic. Irwansyah et al., (2023) suggest that larger corporations, notably those in the Americas, Europe, and Asia-Pacific, showed stronger resilience and performance during the pandemic. Furthermore, effective leveraging helped to maintain performance during the pandemic.

3.2.3 Current Ratio differs significantly before and after the Covid-19 pandemic

Based on the statistical result shows that there is no significant difference in Current Ratio before covid (2019) and during covid (2020), therefore H2a is rejected. This result is consistent with Lestari & Rahmah (2022) who found that there are no significant differences in the financial ratios, captured by current ratio in the pharmaceutical industries before and after the Covid-19 pandemic. Some industries or sectors may be less affected by the pandemic, while others may see increasing demand, hence this companies experienced a more limited impact on their current ratios. Besides that, the impact on liquidity and current ratios may be minimal if a company operates in a relatively stable industry such as non-cyclical consumer industry.

3.2.4 Average Performance as measured by average Current Ratio differs significantly before and after the Covid-19 pandemic

Based on the statistical result shows that there is no significant difference in average current ratio before covid (2017-2019) and during covid (2020-2022), therefore H2bb is rejected. This result is in line with the previous research conducted by Indiraswari and Rahmayanti (2022) as well as Zanubah et al., (2023). They found that non- cyclical companies were not adversely affected in their operations during the Covid-19 pandemic. Non-cyclical consumer firms concentrating on products and services which are deemed primary or essential needs recover faster during pandemics. Lestari and Rahmah (2022) also found that both before and during the Covid-19 pandemic, pharmaceutical businesses' financial performance did not differ significantly in terms of Liquidity Ratios, Profitability Ratios, Solvency Ratios, and Activity Ratios.

3.2.5 Total Asset Turnover differs significantly before and after the Covid-19 pandemic

Based on the statistical result shows that there is a significant difference in TATO before covid (2019) and during covid (2020) pandemic, therefore H3a is accepted. Kartika and Riadi (2022) revealed that covid-19 decrease total asset turnover significantly COVID-19 pandemic may result in a severe drop in a company's revenues or profitability owing to direct effects on consumer demand, business closures, or limits on economic activity. This decline may have an impact on overall asset turnover. During the pandemic, changes in customer demand or supply chain interruptions may have an impact on a company's inventory management. Inventory adjustments can have an impact on overall asset turnover. Andriana et al., (2023) investigated the effect of covid-19 on consumer non-cyclical industries and found that there is a significant firm performance before and during Covid-19. This findings are also in line with Jin et al., (2023) that find a significant negative impact of the COVID-19 pandemic on the performance of tourism companies.

3.2.6 Average Performance as measured by average Total Asset Turnover differs significantly before and after the Covid-19 pandemic

According to the statistical result shows that there is no significant difference in average total asset turnover before covid (2017-2019) and during covid (2020-2022), therefore H3b is rejected. This result is in line with the previous research conducted by Indiraswari and Rahmayanti (2022) showing that there are no significant differences in solvency, liquidity, and activities ratios before and after the Covid-19 pandemic. Non-cyclical consumer enterprises that successfully handle the hurdles posed by the pandemic may recover faster due to the features of their underlying company and the nature of the items they provide. Non-cyclical consumer firms concentrating on products and services which are deemed primary or essential needs recover faster during pandemics.

4. CONCLUSION

This research aims to investigate the company's resilience before and during Covid-19 pandemic. The study examines the differences between firm performance and the average performance using Return on Assets (ROA), Total Asset Turnover (TATO), and current ratio (CR) before and during Covid-19 pandemic. This research found that there is a significant difference for ROA and TATO before and during Covid-19 for non-cyclical consumer industry. The current ratio, however, does not alter between the two periods. The findings also revealed that there is no difference in non-

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cyclical industries' average performance (ROA, CR, and TATO) before and after the Covid-19 pandemic. The limitation of this research is the data exclusively uses non-cyclical sectors, namely sub-parts of the manufacturing industry, hence the research results cannot generalize in other manufacturing sectors. Future research can include another financial ratio such as solvency ratios and market prices as variables in order for the data acquired to better reflect the company's performance before and after Covid-19. The practical implication of this study is that organizations might have to modify their strategies to cope with the pandemic's obstacles if they're going to be resilient. Authorities might have to reconsider their economic policy as a way to help struggling enterprises. This might involve assistance programs and other economic recovery initiatives. Investors would definitely surely reevaluate their investments in light of the pandemic's impact on various businesses. Investments in more resilient sectors could become more appealing to investors.

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