Profitability ratio analysis to assess the financial performance

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ABSTRACT

Financial ratios become an illustration in consideration materials to explain the values in the financial statements. All aspects of the business sector are crucial in paying attention to financial management in banking, industry, manufacturing, and retail. This is because the financial sector applies financial principles in an institution to create optimal value to make decisions and appropriately manage resources owned by the company. This study uses data analysis based on financial statements by measuring, knowing, illustrating, and comparing charts in financial statements, especially the balance sheet and profit and loss. Ratio analysis uses a method of financial statement analysis that looks at a certain period of years and then compares financial statements with different years through sections of the financial statements. This study aims to develop a model for reviewing financial statements from financial performance. This research is expected to make theoretical contributions to the literature in this context, including in the context of financial and banking management.

Keywords:
Gross Profit Margin; Net Profit Margin; Return on Asset; Return on Equity.

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1. INTRODUCTION

Financial statements are a source of information needed as one of the tools to assess the success of management, which is expected to provide information about a company's progress and development (Gu et al., 2023, 2024; Lasabud et al., 2019). Financial statements are a very important tool to obtain information concerning the wishes of certain parties interested in the financial statements. Financial statements will be more meaningful to interested parties if analyzed further to obtain information to support the policy (Nguyen et al., 2023; Winarno, 2017; Zhang et al., 2023).

Financial statements are the final part of the accounting process that plays an important role in measuring and evaluating a company's performance. Companies in Indonesia, especially those that go public, must make financial statements periodically (Mujari, 2019; Supsermpol et al., 2023; Zhang et al., 2023).

Financial performance is work performance in the financial field that has been achieved by the company and stated in the company's financial statements. Meanwhile, according to Munawir, financial performance is Work performance obtained by a company in a certain period and is payable in the relevant financial statements (Hasan, 2023). Financial performance has many aspects, but economists usually only focus on three main aspects: efficiency, technological advancement, and balance in distribution. In simple terms, the calculation of efficiency is to produce maximum value with a certain number of inputs, both quantitatively physical and economic.
Financial performance is an achievement achieved by a company in a certain period that reflects the company's level of health. This is in contrast to Fahmi, who stated that financial performance is an analysis carried out to see the extent to which a company has implemented financial implementation rules properly and correctly. So, it can be concluded that financial performance is a picture of financial condition, which is a measure of success or achievement achieved by the company in maintaining health and stability in the financial sector by using financial implementation rules properly and correctly during a certain period (Buntu, 2023).

Ratio analysis is a ratio to measure the company's ability to meet Long-term liabilities of the company, besides profitability is a ratio used to measure the company's ability to generate profits generated from sales (Noordiatmoko, 2020). Profitability is the net result of various policies and decisions, where this ratio is used as a measure of a company's ability to profit from every dollar of sales generated (Widarjo & Setiawan, 2009). So that the results of the profitability ratio can be used as an illustration of the effectiveness of bank performance in terms of net profit obtained compared to the cost of revenue (Fernos, 2017). The profitability ratio measures a company's ability to profit using resources such as assets, capital, or sales. Profitability ratios include return on assets, equity, profit margin ratio, and basic earning power (Jajuli et al., 2023). Return on assets measures a company's ability to use all assets to generate after-tax profits. ROA indicates the level of efficiency of an asset. The formula for calculating Return on Assets divided by Total Assets (Gunawan et al. 2022; Hariyanto 2022; Hawaldar et al. 2022).

Return on Equity measures a company's ability to use its capital to generate after-tax profits. Return on Equity reflects the efficiency of one's capital. The formula for calculating Return on Equity is divided by Equity (Zulkarnain et al., 2022; Kusz et al., 2023; Saputra, 2022). Measure the company's ability to generate net profit from sales made. The one ratio reflects the efficiency of production, personnel, marketing, and finance. The formula for calculating Net Profit Margin is divided by Sales. Gross Profit Margin Gross profit margin is a company's ability to generate gross profit from sales (Hadi & Amzul, 2023). The Gross Profit Margin reflects the efficiency of the production part. The formula for calculating Gross Profit Margin is Ebit divided by Revenue (Nur et al., 2023; Zhafira & Lubis, 2023).

PT Unilever Indonesia Tbk is a multinational company that produces beauty products, cosmetics, and household needs in Indonesia. PT Unilever Indonesia strives to meet the needs of consumers in order to feel comfortable, good appearance, and enjoy the products created by Unilever. The values created by Unilever strive to meet the values that prosper consumers, shareholders, and the entire community; this is to enable the company to achieve the objectives set by the company before. The right funding decision for the company is a decision by the management team to develop potential and achieve maximum performance. In the world of business competition, Unilever always increases value in all its operations to maintain the company's existence. The source of funding carried out by Unilever is debt, and it is recommended for the company's survival that it always experiences developments in its operations (www.unilever.co.id).

This study aims to develop a model for reviewing financial statements from financial performance. This research is expected to make theoretical contributions to the literature in this context, including in the context of financial and banking management

2. RESEARCH METHOD
By reading books, articles, scientific papers, and reports, especially those related to financial statements and financial performance, researchers can better understand the theory and solidify their understanding. This knowledge is then used to analyze and formulate theories or information closely related to the research conducted so that the research has a solid theoretical foundation. PT Unilever Indonesia Tbk. financial statements for 2019 to 2023 and other supporting data are searched and collected using Internet media. This is the analytical approach used in this investigation. Qualitative analysis with a descriptive approach is analyzing data using a series of numbers, such as those contained in balance sheets and income statements, and applying that
information to research describing reports related to profitability. The author also uses quantitative analysis combined with justification or summary of findings. The data analysis phase involves using financial ratios to assess data from PT Unilever Indonesia Tbk for 2019 – 2023 Unilever Indonesia Tbk's balance sheet and profit and loss for 2019 – 2023. The calculation findings are discussed or reported after they have been obtained.

3. RESULTS AND DISCUSSIONS

The following is presented the results of financial performance analysis based on profitability ratio at PT Unilever Indonesia Tbk in full can be seen below:

Table 1. Financial performance analysis based on probability ratio per year 2019 – 2023

<table>
<thead>
<tr>
<th>Information</th>
<th>Year 2019</th>
<th>Year 2020</th>
<th>Year 2021</th>
<th>Year 2022</th>
<th>Year 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Cash</td>
<td>628,649</td>
<td>844,076</td>
<td>325,197</td>
<td>502,882</td>
<td>827,913</td>
</tr>
<tr>
<td>Securities</td>
<td>2,429,234</td>
<td>2,463,104</td>
<td>2,453,871</td>
<td>2,625,116</td>
<td>2,710,286</td>
</tr>
<tr>
<td>Total  Active</td>
<td>8,530,334</td>
<td>8,828,360</td>
<td>7,642,208</td>
<td>7,567,768</td>
<td>8,937,321</td>
</tr>
<tr>
<td>Total  Passive</td>
<td>10,715,376</td>
<td>10,419,902</td>
<td>10,102,086</td>
<td>9,536,027</td>
<td>9,464,746</td>
</tr>
<tr>
<td>Total</td>
<td>20,649,371</td>
<td>20,534,632</td>
<td>19,068,532</td>
<td>18,318,114</td>
<td>19,558,427</td>
</tr>
</tbody>
</table>

Table 2. Income statement of PT Unilever Tbk as of december 31, last 5 years

<table>
<thead>
<tr>
<th>Information</th>
<th>Year 2019</th>
<th>Year 2020</th>
<th>Year 2021</th>
<th>Year 2022</th>
<th>Year 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>42,922,563</td>
<td>42,972,474</td>
<td>39,545,959</td>
<td>41,218,881</td>
<td>10,604,855</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>22,028,693</td>
<td>22,456,990</td>
<td>19,626,387</td>
<td>19,068,532</td>
<td>14,320,858</td>
</tr>
<tr>
<td>Profit Before Tax</td>
<td>9,901,772</td>
<td>9,206,869</td>
<td>7,496,592</td>
<td>6,993,803</td>
<td>1,817,440</td>
</tr>
<tr>
<td>Net Profit</td>
<td>7,392,837</td>
<td>7,163,536</td>
<td>5,758,148</td>
<td>5,364,761</td>
<td>1,405,283</td>
</tr>
<tr>
<td>Ebit</td>
<td>10,120,906</td>
<td>9,437,368</td>
<td>4,321,269</td>
<td>3,997,256</td>
<td>5,342,733</td>
</tr>
</tbody>
</table>

Profitability Ratio

a. Return on Asset (ROA)
Year 2019 = 0.35, Year 2020 = 0.34, Year 2021 = 0.30, Year 2022 = 0.29, Year 2023 = 0.07. Based on the calculation above, it shows that the Return on Assets (ROA) of PT Unilever Tbk in 2019 was 0.35%, down 1% to 0.34% in 2020, then decreased again by 4% in 2021 to 0.30%, then in 2022 it increased by 3% to 0.29%, and there was a decrease again in 2023 by 23% to 0.07%. The decline in 2019, 2020 and 2022 was caused by an increase in total assets and a decrease in net income. This shows that the company cannot utilize assets to obtain profits, and its performance is also considered unfavourable because it has decreased from year to year.

b. Return on Equity (ROE)
Year 2019 = 1.39, Year 2020 = 1.45, Year 2021 = 1.33, Year 2022 = 1.34, Year 2023 = 0.26. The calculation above shows that PT Unilever Tbk’s return on equity in 19 was 1.39%, up 6% to 1.45%. In 2021, it decreased again by 12% in 2021 to 1.33. Then, in 2022, it increased by 1%, namely 1.34%, and there was a decrease again in 2023 by 8%, namely 0.26%; the decline that occurred in 2019, 2021 and 2023 was caused by an increase in total assets and a decrease in net income. This shows that the company cannot utilize assets to obtain profits, and its performance is also considered not good because it has decreases a lot from year to year.
c. Net Profit Margin (NPM)
Year 2019 = 0.17, Year 2020 = 0.16, Year 2021 = 0.01, Year 2022 = 0.13, Year 2023 = 0.13. The calculation above shows that the Net Profit Margin (NPM) of PT Unilever Tbk in 2019 was 0.17%, down 61% to 0.16%. In 2020, it decreased again by 15%; in 2021, it decreased to 0.01. Then, in 2022, it will increase by 12%, namely 0.13%, and in 2023, Parhutungan will remain at 0.13%. The decline in 2021 was caused by an increase in total assets and a decrease in net income. This shows that the company cannot utilize assets to obtain profits, and its performance is also considered not good because it has decreased a lot from year to year.

d. Gross Profit Margin (GPM)
Year 2019 = 0.23, Year 2020 = 0.21, Year 2021 = 0.19, Year 2022 = 0.17, Year 2023 = 0.17. The calculation above shows that the Gross Profit Margin (GPM) of PT Unilever Tbk in 2019 was 0.23%, down 2% to 0.21%. In 2021, it decreased again by 2% in 2021 to 0.19%, then in 2022 it experienced a decrease of 2%, namely 0.17%, and in 2023 the calculation remained at 0.17%. The decline in 2021 and 2022 was caused by an increase in total assets and a decrease in net income. This shows that the company cannot utilize assets to obtain profits, and its performance is also considered not good because it has decreased a lot from year to year. Financial statements are transaction reports companies use to see their company's condition. Financial performance describes the strength of a company's financial structure and the extent to which, with available assets, the company can profit (Mus, 2021).

4. CONCLUSION
This ratio is a measure in a company or organizational institution for the ability that can be obtained through the value of sales, assets, and capital owned by the company to create profits or profits. The Profitability Ratio consists of several components, including the Gross Profit Margin, which measures the company's level to achieve gross profit generated based on sales obtained. GMP has not reached an increase from 2019 to 2023; if it continues to decline profits from company assets, then the company will experience many losses. Net Profit Margin, which measures the company's level to achieve net profit generated based on NMP sales, has decreased from 2019-2023. This shows that the company cannot utilize assets to earn profits, and its performance is also considered unfavourable because it has decreased from year to year. Return on Equity, where this ratio measures the ability possessed by the company in the capital owned by producing how much is earned for the company's net income. Return on Asset (ROA) is a form of profitability ratio used to measure a company's ability to generate profits using total existing assets. Return on Asset (ROA) positively and significantly affects the company's value. The company's ROA decreased in 2019, 2020 and 2022 due to increased total assets and decreased net income. This shows that the company cannot utilize assets to obtain profits, and its performance is also considered unfavourable because it has decreased from year to year. Gross Profit Margin, which in this ratio measures the company's level to achieve gross profit generated based on sales obtained. The Company's return on equity decreased slightly in 2023. This shows that the company cannot utilize assets to earn profits, and its performance is also considered unfavourable because it has experienced many declines from year to year. This research only focuses on financial performance reports, for future research it is necessary to analyze the debt owned by PT Unilever. This study aims to develop a model for reviewing financial statements from financial performance. This research is expected to make theoretical contributions to the literature in this context, including in the context of financial and banking management.

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