IJAFIBS, 11 (4) (2024) pp. 964-969

Published by: TRIGIN Publisher

International Journal of Applied Finance and Business Studies

Journal homepage: www.ijafibs.pelnus.ac.id

Profitability ratio analysis to assess the financial performance

Iin Rahmah Fadhillah[1], Nadiyah[2], Lutfiyatul Rohmah[3], Didit Haryadi[4], Wahyudi Wahyudi[5]

[1,2,3,4,5]Prody Management, Department of Economics and Business, Primagraha University, Serang, Indonesia

ARTICLE INFO

Article history:

Received Jan 13, 2024
Revised Feb 6, 2024
Accepted Feb 13, 2024

Keywords:

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

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

Corresponding Author:

Iin Rahmah Fadhillah,
Prody Management,
Department of Economics and Business,
Primagraha University,
Komplek Griya Gemilang Sakti, Jl. Trip Jamaksari No. 1A Kaligandu, Serang, Banten 42111, Indonesia
Email: irafah13@gmail.com

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 (price). In short, it can be explained that a certain number of inputs of a bonus nature are avoided so that no resource is unused and wasted (Wenda & Ditilebit 2021).

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 well. 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 the 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

Information	Year				
	2019	2020	2021	2022	2023
Assets					
Cash and Cash Equivalents	628,649	844,076	325,197	502,882	827,913
Setup	2,429,234	2,463,104	2,453,871	2,625,116	2,710,286 2
-Total Active Lancar	8,530,334	8,828,360	7,642,208	7,567,768	8,937,321 7
-Total Fixed Assets	10,715,376	10,419,902	10,102,086	9,536,027	9,464,746
Total active	20,649,371	20,534,632	19,068,532	18,318,114	19,558,427
Passive					
Current Debt	13,065,308	13,357,536	12,445,152	12,442,223	12,237,132
Long-Term Debt	2,302,201	2,239,728	2,302,111	1,878,635	1,978,562
- Total Debt	15,367,509	15,597,264	14,747,263	14,320,858	14,215,694
- Equity	5,281,862	4,937,368	4,321,269	3,997,256	5,342,733
Total Passive	20,649,371	20,534,632	19,068,532	18,318,114	19,558,427

Source: attachment data 2019 – 2023

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

Information	Year				
	2019	2020	2021	2022	2023
Sales	42,922,563	42,972,474	39,545,959	41,218,881	10,604,855
Gross Profit	22,028,693	22,456,990	19,626,387	19,064,937	5,229,942
Profit Before Tax	9,901,772	9,206,869	7,496,592	6,993,803	1,817,440
Net Profit	7,392,837	7,163,536	5,758,148	5,364,761	1,405,283
Ebit	10,120,906	9,451,012	7,679,451	7,068,808	1,857,523

Source: attachment data 2019 – 2023

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 2019 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 decreased 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.

ACKNOWLEDGEMENTS

The author would like to express my deepest gratitude for the expression and dedication of the entire team. The International Journal of Applied Finance and Business Studies has reviewed the article and published the author's paper. In addition, the author also would like to thank all peer reviewers who have collaborated and supported the preparation of this article so that it can be successful and published in the International Journal of Applied Finance and Business Studies.

REFERENCES

Buntu, B. (2023). Analisis Rasio Likuiditas, Rasio Leverage dan Profitabilitas Pada PT Telkom Indonesia (Persero) Tbk. *Jurnal Ekonomi Dan Bisnis*, *15*(1), 1–14. https://doi.org/10.55049/jeb.v15i1.142

Fernos, J. (2017). Analisis Rasio Profitabilitas Untuk Mengukur Kinerja (Studi Kasus Pada PT. Bank Pembangunan Daerah Provinsi Sumatera Barat). *Jurnal Pundi*, *1*(2), 107–118. https://doi.org/10.31575/jp.v1i2.25

Gu, J., Shi, X., Wang, J., & Xu, X. (2024). Examining the impact of market power discrepancy between supply chain partners on firm financial performance. *International Journal of Production Economics*, *268*, 109100. https://doi.org/10.1016/j.ijpe.2023.109100

Gu, X., Nagarajan, N. J., Sayrak, A., & Srinivasan, D. (2023). U.S. Airline Responses to Mandated Disclosure of Non-Financial Performance. *Journal of Contemporary Accounting & Economics*, 100394. https://doi.org/10.1016/j.jcae.2023.100394

Gunawan, R., Widiyanti, M., Malinda, S., & Adam, M. (2022). The Effect of Current Ratio, Total Asset Turnover, Debt To Asset Ratio, and Debt To Equity Ratio on Return on Assets in Plantation Sub-Sector Companies Listed on the Indonesia Stock Exchange. *International Journal of Economic, Business, Accounting, Agriculture Management and Sharia Administration (IJEBAS)*, *2*(1), 19–28. https://doi.org/10.54443/ijebas.v2i1.139

Hadi, E. S., & Amzul, T. A. A. (2023). Pengaruh Current Ratio Terhadap Gross Profit Margin pada PT. Mayora Tbk. Periode 2010-2022. *Jurnal Ekonomi Utama*, *2*(2), 138–142. https://doi.org/10.55903/juria.v2i2.62

Hariyanto, D. (2022). The Effect of Return on Assets and Return on Equity on Company Value with Dividends as Intervening Variables in Manufacturing Companies in the Basic and Chemical Industry Sectors Listed on the Indonesia Stock Exchange in 2017-2020. *TechHub Journal*, *2*(1), 27–48. Retrieved from www.techhubresearch.com

Hasan, H. (2023). Analisis Profitabilitas Dalam Menilai Kinerja Keuangan Pada Pt Pos Indonesia. *Ekonomi & Bisnis*, *22*(1), 93–108. https://doi.org/10.32722/eb.v22i1.5770

Hawaldar, I. T., Meher, B. K., Kumari, P., & Kumar, S. (2022). "Modelling the effects of capital adequacy, credit losses, and efficiency ratio on return on assets and return on equity of banks during COVID-19 pandemic." *Banks and Bank Systems*, *17*(1), 115–124. https://doi.org/10.21511/bbs.17(1).2022.10

Iskandar Zulkarnain, Nanda Sulistiyowati, & Sjukun. (2022). The Effect of Return on Equity and Debt To Equity Ratio on Stock Prices in the Company Transportation Sub Sector Listed on the Indonesia Stock Exchange for the 2015-2019 Period. *International Journal of Social Science*, *1*(6), 955–966. https://doi.org/10.53625/ijss.v1i6.1666

Jajuli, Sofi'i, I., & Haryadi, D. (2023). Moderation of non-performing financing on the effect of buying and selling financing on return on assets empirical study on Islamic banking in Indonesia in 2015-2020. *International Journal of Applied Finance and Business Studies*, *11*(21), 231–238.

Kusz, D., Bąk, I., Szczecińska, B., Wicki, L., & Kusz, B. (2023). Determinants of Return-on-Equity (ROE) of Biogas Plants Operating in Poland. *Energies*, *16*(1). https://doi.org/10.3390/en16010031

Lasabuda, N. L. M. P., Pelleng, F. A. O., & Tampi, D. L. (2019). Analisis Rasio Kinerja Keuangan pada PT Telekomunikasi Indonesia (Persero), Tbk. *Productivity*, *1*(2), 154–162.

Mujari. (2019). Analisis Laporan Keuangan Untuk Mengukur Kinerja Keuangan Perusahaan Telekomunikasi Yang Terdaftar Di Bursa Efek Indonesia. *Proceedings of the Institution of Mechanical Engineers, Part J: Journal of Engineering Tribology*, *224*(11), 122–130.

Mus, I. M. (2021). Analisis Kinerja Keuangan Pada PT. Unilever Indonesia Tbk di Bursa Efek Indonesia Tahun 2018-2020. *Jurnal Manajemen Keuangan*, *1*, 1–21.

Nguyen, P. N.-D., Mai, K. N., & Le, T.-H. (2023). Strategic perspectives, creativity, and financial performance in Vietnamese SMEs. *Heliyon*, *9*(9), e20354. https://doi.org/10.1016/j.heliyon.2023.e20354

Noordiatmoko, D. (2020). Analisis Rasio Profitabilitas Sebagai Alat Ukur Untuk Menilai Kinerja Keuangan Pada Pt Mayora Indah Tbk, Periode 2014-2018. *Jurnal Parameter*, *5*(4), 38–51.

Nur, L. Z., Riyadi, W., & Hernita, N. (2023). Effect of Gross Profit Margin and Dividend Policy on Stock Price (Case Study of Food and Beverage Companies Listed on the IDX for the 2016-2021 Period). *Journal of International Conference Proceedings*, *6*(2), 222–231. https://doi.org/10.32535/jicp.v6i2.2443

Saputra, F. (2022). The effect of return on equity, earning per share and price earning ratio to the stock prices of manufacturing companies listed in the Indonesia stock exchange. *Dinasti International Journal of Economics, Finance and Accounting (DIJEFA)*, *3*(1), 82–94. Retrieved from http://repository.uph.edu/41805/%0Ahttp://repository.uph.edu/41805/4/Chapter1.pdf

Supsermpol, P., Huynh, V. N., Thajchayapong, S., & Chiadamrong, N. (2023). Predicting financial performance for listed companies in Thailand during the transition period: A class-based approach using logistic regression and random forest algorithm. *Journal of Open Innovation: Technology, Market, and Complexity*, *9*(3), 100130. https://doi.org/10.1016/j.joitmc.2023.100130

Wenda, A., & Ditilebit, N. (2021). Analisis Likuiditas Dan Profitabilitas Untuk Menilai Kinerja Keuangan Pada

Pt. Telekomunikasi Indonesia, Tbk. *Jurnal Ekonomi Dan Bisnis*, *11*(2), 33–42. https://doi.org/10.55049/jeb.v11i2.79

Winarno, S. H. (2017). Penilaian Kinerja Keuangan Perusahaan Melalui Analisis Profitabilitas. *Jurnal Moneter*, *IV*(2), 106–112.

Zhafira, A., & Lubis, A. (2023). Analisis Pengaruh Gross Profit Margin Dan Return on Equity Terhadap Harga Saham Pada Perusahaan Sektor Infrastruktur Yang Terdaftar Di Bursa Efek Indonesia Periode 2020-2022. *COMSERVA : Jurnal Penelitian Dan Pengabdian Masyarakat*, *3*(4), 1459–1467. https://doi.org/10.59141/comserva.v3i4.943

Zhang, W., Chen, F., Liu, E., Zhang, Y., & Li, F. (2023). How does digital inclusive finance promote the financial performance of Chinese cultural enterprises? *Pacific-Basin Finance Journal*, *82*, 102146. https://doi.org/10.1016/j.pacfin.2023.102146

Zhang, X., Q., Dai, Z., & Zhang, X. (2023). The impact of carbon markets on the financial performance of power producers: Evidence based on China. *Energy Economics*, *127*, 107119. https://doi.org/10.1016/j.eneco.2023.107119