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(Research Article)

Analysis of financial ratios in measuring pt Unilever's financial performance in 2020-2023

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Abstract

The purpose of this study is to show the company's financial ratios PT. Unilever Indonesia, Tbk. Consisting of: liquidity ratio (Current Ratio, Quick Ratio, Cash Ratio), activity ratio (Inventory Turn Over, Fixed Asset Turn Over, Total Assets Turn Over), solvency ratio (total Debt to Total Asset, Total Debt to Equity Ratio), and profitability ratios (Net Profit Margin, Return on Investment, Return on Equity). The type of research conducted is descriptive research. The focus of the research is the company's financial statements, which consist of a balance sheet, and income statement for the period 2020-2023. The research was conducted through the official website of the Indonesia Stock Exchange (IDX) on the website. The data source used is secondary data. The data collection technique used in this research is documentation. The data analysis used in this research is descriptive analysis using financial ratio analysis. The results of the analysis of financial ratios consisting of liquidity ratios, solvency ratios, activity ratios, and profitability ratios for the 2020-2023 period.

Keywords: Liquidity Ratio; Solvency Ratio; Activity Ratio; Profitability Ratio; Financial Performance

1 Introduction

In essence, the company was established with the aim of generating maximum profits. Related to the current increasing business competition, companies are required to be able to improve their performance, especially in their financial performance. According to Saputra (2018), a company's financial performance is an overview of the financial condition of a company that is analyzed with financial analysis tools, so that it can be known about the good or bad condition of a company that reflects work performance in a certain period. Good financial performance can be assessed from the results of the analysis that obtain a percentage that is in accordance with the set standards.

The company's financial condition is known from the company's financial statements consisting of a balance sheet, a statement of profit and loss, a statement of changes in equity, and a statement of cash flow. From the financial statements alone, it is not possible to provide the right information before the analysis of the financial statements is carried out. Therefore, a further analysis of the financial ratios in the company's financial statements is needed. Good company performance can help management in achieving company goals.

An overview of the financial position can be found out by analyzing financial statements. The balance sheet reflects the value of assets, debt, and capital in a certain period, while the income statement reflects the company's costs, revenue, and profit and loss achieved in a certain period. The analysis of financial data from the past year was carried out to find out the weaknesses of its performance and evaluate the results that were considered quite good. The results of the analysis of financial statements will be able to help interpret various key relationships and trends that can provide a basis for consideration regarding the potential for future success in the company.

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The results of a company's financial performance can be seen from the company's financial statements for several periods that it reports. The company's financial statements are very beneficial for the public, investors, shareholders, and management in the decision-making process and development of their assets. The development of a company is highly dependent on the capital invested by investors, so the company must have good performance in order to gain the trust of investors to invest its capital in the company. Financial ratios show the company's ability to obtain profits or a measure of the effectiveness of company management (Wiagustini, 2010).

Financial performance measurement can be analyzed using several types of analysis tools, one of which is by using ratio analysis. By using ratio analysis, the company can predict the financial condition seen from the company's financial statements Hery (2017) In practice, there are 5 (five) types of financial ratios, namely liquidity ratio, solvency ratio (leverage), activity ratio, profitability ratio and market ratio.

2 Material and methods

2.1 Material

2.1.1 Financial Ratios

Financial ratios are the act of comparing numbers from financial statements by dividing one number from another. Comparisons can be made between components in one financial statement or between components of different financial statements. The numbers compared can include data from a single period or multiple periods. (Kasmir, 2009)

According to Jumingan (2011), financial ratio analysis is a number that reflects the relationship between one element and another element in financial statements. This relationship is expressed in simple mathematical form. Individual ratios have a small value unless compared to the standard ratio which can be used as a reference for comparison. Without a standard for comparing company ratios, analysts cannot conclude whether the conditions indicated by these ratios are favorable or not.

2.1.2 Liquidity Ratio

Liquidity Ratio is a ratio that represents a company's ability to meet its short-term obligations. The liquidity ratio also has the ability to show and measure the company's ability to fulfill its obligations that are due, both its obligations to parties outside the company and within the company. In addition, this liquidity ratio is also used to measure how liquid a company is by comparing all components in current assets with components in current debt (short-term debt) (Kristanti, 2019).

Liquidity ratios include:

a. Current Ratio is a commonly used measure of short-term solvency, the ability of a company to meet its short-term debt needs when it matures.

According to Rahayu (2021) in the formula for the Current ratio is as follows:

$$\frac{\text{Current Assets}}{\text{Current Liabilities}}$$

b. Quick Ratio is a quick ratio where the measure of short-term solvency tests is more thorough than the current ratio because the numerator eliminates inventories that are considered current assets that are slightly illiquid and may be a source of loss.

According to Rahayu (2021) in the Quick Ratio formula is as follows:

$$\frac{(\text{Current Assets} - \text{Inventory})}{\text{Current Liabilities}}$$

c. Cash Ratio is the ratio of cash and banks to current debt. To find out the company's ability to pay off its current debts without using receivables and inventory.

According to Rahayu (2021) in the Cash Ratio formula is as follows:

$$\frac{\text{Cash}}{\text{Current Liabilities}}$$

2.1.3 Solvency Ratio

According to Hamidah (2015) solvency ratio is a ratio used to measure the extent to which a company's assets are financed with debt, meaning the amount of debt that a company uses to finance its business activities when compared to using its own capital.

Solvency / Leverage ratios include:

a. Debt to Total Asset / Debt Ratio Where this ratio is referred to as a ratio that looks at the company's debt comparison.

According to Rahayu (2021) in the formula is:

$$\frac{\text{Total Liabilities}}{\text{Total Assets}}$$

b. Debt to Equity Ratio is a measure used in analyzing financial statements to pay attention to the amount of collateral available to creditors.

According to Rahayu (2021) in the formula is:

$$\frac{\text{Total Liabilities}}{\text{Total Equity}}$$

2.1.4 Activity Ratio

The activity ratio is a ratio used to measure the effectiveness of a company in using its assets. Or it can also be used to measure the efficiency level of the company's resource utilization. Efficiency is carried out, for example, in the fields of sales, inventory, collection of receivables and efficiency in other fields. There are several types of activity ratios that are used as a measuring tool to determine the company's ability to use its assets, including:

a. Inventory Turn Over According to Kasmir (2010), inventory turnover is a ratio used to measure the number of times the funds invested in inventory (inventory) rotate in one period.

According to Rahayu (2021) in the formula is:

$$\frac{\text{Cost of Good Sold}}{\text{Average Inventory}}$$

b. Total Assets Turnover According to Kasmir (2012), total asset turnover or total assets turnover is a ratio used to measure the turnover of all assets owned by the company and measure the amount of sales obtained from each rupiah of assets.

According to Rahayu (2021) in the formula is:

$$\frac{\text{Total Sales}}{\text{Total Assets/2}}$$

2.1.5 Profitability Ratio

The profitability ratio is the ability of a company to obtain profits in relation to sales, total assets and its own capital.

a. Net Profit Margin Rasio

This ratio is used to measure the company's ability to generate net profit from sales made by the company. Net profit margin is a measure of profit by comparing profit after interest and taxes with sales.

According to Rahayu (2021) the formula is:

$$\frac{\text{Cost of Good Sold}}{\text{Average Inventory}}$$

b. Return on Assets (ROA)

ROA shows the company's ability to use all assets owned to generate profit after tax.

According to Rahayu (2021) formula is:

$$\frac{\text{Total Sales}}{\text{Total Assets/2}}$$

c. Return on Equity (ROE) ROE indicates a company's ability to generate after-tax profits using the company's own capital.

According to Rahayu (2021) the formula is:

$$\frac{\text{Earning After Tax (EAT)}}{\text{Sales}}$$

2.2 Method

2.2.1 Research Approach

According to Sugiyono (2012) in his book entitled Quantitative, Qualitative and R&D Research Methods states that: "Research methods are a scientific way to obtain data with specific purposes and uses". In this study, the author uses a quantitative research method, namely from the financial statements of PT Unilever Indonesia Tbk, for the 2020-2023 period.

2.2.2 Population and Sample

The population in this study is the financial statements of PT Unilever Indonesia Tbk, for the period 2020 - 2023. The sample used in the saturated sample study is a financial statement consisting of the Balance Sheet and Profit and Loss Statement of PT Unilever Indonesia Tbk, for the 2020-2023 period.

2.2.3 Data Collection Techniques

The data source used in this study is secondary data, in this case it is data that has been published by PT Unilever Indonesia Tbk, through the internet, books and related research journals. The data collection techniques carried out in this study:

1. Literature Research is research by collecting information and data through reading related books or through literature, the internet and scientific works related to the problems in this research.

2. Documentation is information obtained from the company's Financial Statements related to financial performance.

3 Results

3.1 Data Analysis

3.1.1 Presentation of Research Data

Data Analysis of Liquidity Ratio

Table 1 Data Analysis of Liquidity Ratio

Liquidity Ratio	2020	2021	2022	2023	Average
Current Ratio	0.66	0.61	0.61	0.09	0.49
Quick Ratio	0.48	0.42	0.40	0.34	0.41
Cash Ratio	0.06	0.03	0.04	0.55	0.17

Table 2 Data Analysis of Solvency Ratio

Solvency Ratio	2020	2021	2022	2023	Average
Debt to Assets Ratio	1.51	1.63	1.64	11	3.95
Debt to Equity Ratio	2.71	2.88	3.11	3.32	3

Table 3 Data Analysis of Activity Ratio

Activity Ratio	2020	2021	2022	2023	Average
Inventory Turn Over	7.44	8.00	7.26	8.02	7.68
Total Assets Turn Over	2.09	2.07	2.25	2.32	2.18

Table 4 Data Analysis of Profitability Ratio

Profitability Ratio	2020	2021	2022	2023	Average
Net Profit Margin	0.39	0.29	0.28	0.25	0.30
Return On Assets	4.87	5.17	5.45	37.83	13.33
Return On Equity	8.70	9.15	10.31	11.42	9.90

4 Discussion

4.1 Liquidity Ratio

From table 1, the current ratio shows the number of times that lancer assets cannot finance the company's current debts. The higher this ratio, the better the company's financial performance is shown. Based on the results in table 1, the average current ratio for four years from 2020 to 2023 is 0.49, this means that in the last 4 years during the period 2020 to 2023 current assets have not reached 100% of the company's current debt. However, according to the industry average, the company's condition is said to be not good. In this case, it shows that PT. Unilever Indonesia, Tbk has had poor liquidity in the last 4 years.

The quick ratio has decreased and the average quick ratio for the last 4 years is 0.41. This shows that in the last 4 years from 2020 to 2023 the company's current debt was guaranteed by 0.41 of the company's current assets. Although current debt has decreased, this shows that the liquidity condition of PT Unilever Indonesia, Tbk is in poor condition because it is still far from the industry average and shows that the company must sell inventory if it wants to pay off its current debt.

The cash ratio shows that during 2020 to 2023 the company guarantees its current debt using 0.17 of its current assets in the form of cash. The decline experienced by the company was due to current debts which were nominal larger than the cash owned by the company. The increase experienced by the company was due to the increased nominal debt. The cash ratio at PT Unilever Indonesia Tbk shows an increase and the company still has poor financial performance because it is below the industry average both in 2020 – 2023.

4.2 Solvency Ratio

Table 2, shows that the debt-to-asset ratio has been unstable and has averaged over the past four years at 3.95. This shows that the company is said to be not doing well because long-term debt is greater than the total assets owned by the company, so it will be difficult for the company to obtain a loan. This condition also shows that the company is almost half of the debt.

The debt-to-equity ratio has been unstable and the average over the past four years is 3.This shows that the company is said to be unsafe and risky because the amount of debt the company has is close to the amount of capital.

4.3 Activity Ratio

In table 3, the ratio in 2020 shows that 7.44 times the merchandise preparation was replaced in one year. If the industry average for ITO is 20 times, it means that the ITO is still below the industry standard. The company does not hold excessive (unproductive) inventory. Meanwhile, in 2023 it shows that 8.02 times the inventory of merchandise is replaced in one year, meaning that the ITO is not good. The average of the fixed asset turnover ratio is 7.68. The decline in the company can be caused by several factors, namely overproduction but there is no demand for products produced by PT. Unilever Indonesia, Tbk or use too many machines to produce its products. The decline was also due to the imbalance between total fixed assets and sales. This indicates that the company is not good at using the total fixed assets owned by the company.

In the asset turnover ratio, which has decreased from year to year, this shows that the company is unable to optimize its assets. The average asset turnover ratio for the last three years from 2020 to 2023 is 2.18. This shows that in those four years it is well below the industry standard which shows that the company's financial performance in terms of total asset turnover is not good.

4.4 Profitability Ratio

From Table 4, it can be seen that the average Net Profit Margin in 2020 – 2023, which is 0.3, is said to be stable, which means that the company's financial performance is in the good category. The decline in 2020 to 2023 was due to a declining net profit after tax. From the results of the analysis above, it can be concluded that the net profit margin can be said to be good because it is still at the industry average.

The average Return On Investment over the last four years is 13.33. This shows that the company was able to generate 13.33 net profit for the utilization of all available assets in PT. Unilever Indonesia, Tbk. In 2021, profit increased by 0.31. The decrease in profit on return on investment is caused by the increasing total assets, the company should be able to generate maximum profits. This indicates that for the last three years the company's condition has not been good.

Return on Equity has increased significantly from 2020 - 2023. The average return on equity at PT. Unilever Indonesia, Tbk for the last four years was 9.9. This increase was due to a fairly high increase in revenue from the previous year. In this case, it can be concluded that the company is in good condition because the company is able to generate maximum corporate profits.

5 Conclusion

The Liquidity Ratio at PT Unilever Indonesia, Tbk from 2020 to 2023 at the current ratio shows that PT. Unilever Indonesia, Tbk is able to fulfill its current obligations. The quick ratio shows that the company has also been able to fulfill its current obligations using current assets. Cash ratio in 2020 to 2023 The cash ratio shows that the company is less able to meet current liabilities from current assets in the form of company cash.

The solvency ratio in the debt to assets ratio or debt ratio shows that the company's condition is not good, and the percentage is increasing every year, but the total assets higher than the company's debt can still cover the total debt owned by the company. The debt to equity ratio also shows a poor situation because the amount of debt continues to increase and the total equity is smaller than the total debt owned by the company.

The ratio of activity in 2020 to 2023 in inventory turnover is not good because companies hold excessive (unproductive) inventory. The fixed asset turnover ratio used by PT. Unilever Indonesia, Tbk has experienced a decline every year, the decline is due to excess production but there is no demand for products that have been produced by the company, this can be said that the company is still inefficient in utilizing the fixed assets owned by the company.

The ratio of activity in the company from 2020 to 2023 has decreased, so this shows that the company is still less efficient in optimizing all assets owned.

The profitability ratio of PT. Unilever Indonesia, Tbk in 2020 to 2023 in the net profit margin ratio shows the company's poor condition due to an unstable percentage and it can be said that the company is still not able to generate the company's net profit. The return on investment shows an unstable percentage and it can be said that the company is in poor condition, because the number of assets continues to increase every year but the profits generated are not optimal. Return on Equity shows that the company is in a condition of being less able to obtain profits using the company's capital, less able due to an increase in the total equity owned by the company but the profit generated is less than optimal.

Compliance with ethical standards

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Disclosure of conflict of interest

Authors contributed during this research and no conflict of interest from authors while writing this research.

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