

Financial Ratio Analysis to Measure Financial Performance at PT Astra International, Tbk

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ABSTRACT

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In general, the purpose of establishing a company is to obtain optimal profits or profits according to the company's capabilities. Earning a profit for the company is an effort to maintain business continuity and increase the expected growth. To find out the success of a company in achieving these goals, financial measures or indicators are needed. Financial statement analysis needs to be done by every company so that management can find out the company's performance in that year. The main purpose of this research is to determine the financial position, calculation and interpretation of the company's financial ratios. The method used in this research is descriptive quantitative, namely the method used to describe, explain, summarize various conditions, situations, or various research variables. The ratio analysis used in this research is the liquidity ratio, solvency ratio and profitability ratio. The results show that the company is declared liquid but has not been able to take advantage of existing assets and equity to get maximum revenue.

Keywords: *Analysis Ratio, Liquidity Ratio, Solvency Ratio, Profitability Ratio*

1. INTRODUCTION

The rapid development of the economy requires every company to be able to start in the business world to advance and maintain the life of the company. Companies need integrated and strategic activities that are planned, coordinated, and under control. One of the functions of management is controlling the company's activities to be carried out to achieve company goals. In general, the purpose of establishing a company is to obtain optimal profits or profits according to the company's capabilities. Earning a profit for the company is an effort to maintain business continuity and increase the expected growth. To find out the success of a company in achieving these goals, financial measures or indicators are needed. These indicators can be obtained from financial reports that are prepared periodically, which are generally in the form of balance sheets and income statements. To be able to obtain the development of the financial condition and performance of a company, it is necessary to have an analysis of the company's financial data. The financial data will be reflected in the financial statements, which are reports of on going past events from sources, liabilities, and the company's economic activities. Financial statements provide an overview of the state of a company, where the balance sheet reflects the value of assets, debt and equity at a certain time and the income statement reflects the results achieved during a certain period usually covering a period of one year. Analysis of the company's financial data can be used by interested parties as a basis for consideration in making economic decisions.

Balance sheet financial statements and income statements can be analyzed including through financial ratios and comparative analysis of financial statements. The financial ratios used to perform the analysis include the ratio of liquidity, solvency, activity and profitability. Analysis of financial statements through financial ratios is used to determine the financial condition and performance of the company in that year. The relation between financial ratio analysis with financial condition and company performance is by using financial ratio analysis, companies can plan, manage and regulate all company needs to measure strengths and weaknesses in achieving and improving what the company aspires to. PT. Astra International, Tbk. Established in Jakarta in 1957 as a general trading company under the name Astra International Inc. In 1990, the name was changed to PT. Astra International, Tbk. in the context of the initial public offering of the company's shares to the public, followed by the listing of the company's shares on the Indonesia Stock Exchange using the ticker ASII. Astra's market capitalization value at the end of 2020 was Rp.

244 trillion.

Based on the description above, the writer are interested in writing a Final Project report regarding, Analysis of Financial Ratios at PT. Astra International, Tbk. in 2019-2021."

2. LITERATUR REVIEW

According to Kasmir (2018:104), in his book entitled financial statements analysis says that The definition of financial ratios according to James C Van Home explain about Financial Ratio as follows: "Financial Ratio is an index that connects two accounting numbers and is obtained by dividing one number by another. Financial ratios are used to evaluate the company's financial condition and performance. From the results of this financial ratio will be seen the health condition of the company concerned. According to Wiratna Sujarweni (2020:60) in her entitled book of analysis of theoretical financial statements, applications, and research results says that the form of financial ratios based on the source, the ratios can be classified into 3 groups : 1). Balance Sheet Ratios, namely ratios sourced from balance sheet accounts. 2). Profit and Loss Statement Ratios, namely the ratios sourced from the Income Statement. 3). Ratios between reports, namely the ratios derived from income statements

Samryn (2021:30) defines that: "A complete financial report consists of a balance sheet, income statement, cash flow statement, statement of changes in capital/equity, and notes to financial statements. Each financial report is interconnected with one another.". In a journal written by Perwira Pustapa, Andina Riandra and Ririn Aisyah (2019:4) in Journal of community service entitled Financial Accounting Training for Small and Medium Enterprise Medan City says that one of the results of accounting activities is in the form of financial reports. Then this report can later be used for external and internal purposes of the company. And the types of financial statements resulting from accounting activities are as follows:

1. Cash flow report is a type of report that can provide information about cash receipts and payments of a company during a certain period.
2. The income statement is one of the reports that results from accounting activities, where this report can provide information about the results (profit and loss) of a company's activities during a certain period.
3. The balance sheet is a type of financial report that can provide information related to the assets, equity and liabilities of a company.
4. Capital Statements is a type of financial statement that provides information relating to owner's equity or capital during a certain period in a company.
5. Notes to financial statements are information that is physical, financial or non-financial. The purpose of this report is to provide information about the accounting policies used by a company.

According to Kasmir (2018:11), in his book entitled financial statements analysis says that the purpose of financial statement analysis are: 1). To find out the company's financial position in a certain period, both assets, liabilities, equity, and operating results that have been achieved for several periods. 2). To find out what are the weaknesses of the company. 3). To find out the strengths of the company. 4). To find out what corrective steps need to be taken in the future related to the company's current financial position 5). To evaluate the performance of management in the future whether it needs to be refreshed or not because it is considered successful or failed. 6). Used as a comparison with similar companies about the results they achieve. Aldila Septiana (2019:29) basic concepts and descriptions of financial statements, The steps or procedures carried out in financial analysis are:

1. Collect the necessary financial and supporting data as completely as possible, both for one period or for several periods
2. Do calculations with certain formulas, in accordance with commonly used standards carefully and thoroughly, so that the results obtained are appropriate
3. Do calculations by entering the numbers in the financial statements carefully
4. Provide an interpretation of the results of calculations and measurements that have been made.
5. Make a report on the company's financial position; as well as
6. Provide the necessary recommendations in connection with the results of the analysis.

a. Liquidity Ratio

The ratio used to measure the company's ability to meet short-term financial obligations in the form of short-term debt. This ratio is shown from the size of current assets. How quickly (liquid) the company fulfills its financial performance, generally short-term obligations, (liabilities of less than one period/year). The liquidity ratio consists of:

1. Current Ratio Is a ratio used to measure the company's ability to pay obligations, in the short term by using current assets owned.

2. Quick ratio is a ratio used to measure a company's ability to pay its short-term obligations by using more liquid assets.
3. Cash Ratio Is a ratio used to measure the company's ability to pay short-term obligations with cash available and stored in the Bank.
4. Working Capital to Total Assets Ratio is a Ratio used to calculate liquidity from total assets and working capital position (net).

b. Solvency Ratio

This ratio is used to measure the company's ability to fulfill all its obligations, both short term and long term. How effectively the company uses its resources, the resources in question such as receivables and capital and assets.

1. Total Debt to Equity Ratio is a comparison between debt and equity in the company's funding and shows the company's own capital ability to meet all its obligations. This ratio can be calculated by the formula:
2. Total Debt to Total Asset Ratio This ratio is a comparison between current liabilities and long-term debt and the total assets are known. This ratio shows how much of the total assets are spent by debt
3. Long Term Debt to Equity Ratio Part of each rupiah of own capital used as collateral for long-term debt
4. Tangible Assets Debt Coverage The amount of tangible fixed assets used to guarantee long-term debt for each rupiah
5. Times Interest Earned Ratio The amount of guaranteed profit to pay interest on long-term debt.

Activity Ratio

The ratio used to measure the level of effectiveness of the use of assets or company assets, how far the company's assets are financed with debt or financed by outside parties. Outside parties here can be investors or banks.

1. Total Asset Turnover The ability of the funds embedded in the overall assets to rotate within a certain period or the ability of the invested capital to generate revenue.
2. Receivable Turnover The ability of funds embedded in receivables to rotate within a certain period.
3. Average Collection Period The average period required to collect receivables.
4. Inventory Turnover The ability of funds embedded in inventory to rotate within a certain period, or liquidity and inventory and the tendency to have "overstock".
5. Working Capital Turnover Working capital turnover is the ratio used to calculate the working capital capability (net) in a period of the company's cash cycle

c. Profitability Ratio

This ratio is used to measure the level of return or gain (profit) compared to sales or assets, measuring how much the company's ability to earn profits in relation to sales, assets and profits and own capital.

1. Gross Profit Margin Is a comparison between net sales minus Cost of Goods Sold with the level of sales, this ratio describes the gross profit that can be achieved from the number of sales.
2. Net Profit Margin Is a ratio used to measure net profit after tax and then compared with sales volume.
3. Return on Assets is a ratio that shows the results (return) on the number of assets used in the company. In other words, this ratio is used to measure how much net profit will be generated from each fund embedded in total assets.
4. Return on Equity is a ratio used to measure net income after tax with own capital. This ratio also aims to show the efficiency of users of own capital, the higher this ratio, the better.
5. Return on Investment is a ratio that shows what percentage of net income is obtained when measured from total assets. The bigger the ratio, the better.

According to Fahmi (2014), performance finance is an analysis that done to see to what extent a the company has carried out with use implementation rules finance properly. According to Sawir (2008), financial performance is a process or set of processes for know the financial condition of the company by way of decision making rational use of tools certain analysis. According to Islahuzzaman (2012), financial performance is a comparison between the real results (realization) with reject previously determined measure. Evaluation financial performance utilized by management for the following (Sucipto, 2007):

1. Manage the organization's operations effectively and efficiently through motivating employees maximum. In managing company, management establishes goals to be achieved in the future coming and in the process called planning.
2. Assist decision making related to such employees promotions, transfers and terminations. Performance appraisal

will generate data which can be used basically relevant decision making with employees who are assessed based on performance.

3. Identify training needs and employee development and for provide selection and evaluation criteria employee training program. If Top management doesn't know its strengths and weaknesses, difficult for management to evaluate and selecting employee training programs that suit the needs of employees.
4. Provide feedback for employees about how their bosses are assess their work. Within the organization company, top management delegate some of its authority to the management under them.
5. Provide a basis for distribution award. The results of these measurements can also be used as a performance evaluation tool management during this time did they have work effectively or not. If succeeded in achieving the set target they are said to have hit the target for a period or several periods. But vice versa if it fails or not managed to achieve the specified this will be a lesson for management and should be investigated the location of the error so that the incident is not repeated.

3. RESEARCH METHOD

Data analysis method used in this research is statistical analysis descriptive. According to Sugiyono (2014), descriptive statistical research namely analysis data by describing or describe the data that has been collected as it is without meaning make valid conclusions for general. Descriptive statistical analysis techniques in this study use financial ratios consisting of (Kasmir, 2013):

1. Liquidity Ratio The liquidity ratio used in this research is the current ratio. Formula to calculate the current ratio is:

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

2. Solvability Ratio (leverage) The solvency ratio used in this study is the debt ratio. Formula used is

$$\text{Total Debt to Equity Ratio} = \frac{\text{Liabilities}}{\text{Shareholder Equity}}$$

3. Profitability Ratio The profitability ratios used in this research is the return on investment (ROI). The formula used is:

$$\text{Return On Investment} = \frac{\text{EAIT}}{\text{Total Assets}}$$

Data Type: Qualitative Data is data in form sentences, words or pictures. Data qualitative used is theories and general description of PT. Astra International Tbk. these data used for development analysis of Liquidity Ratio, Solvability and Profitability in measuring financial performance. **Quantitative Data** is data in the form numbers or qualitative data raised. Quantitative data that used are financial reports company from 2019-2021. These data are used for know the number or amount of analysis of liquidity ratios, solvency, and Profitability in measuring financial performance.

Data sources used in this research is secondary data. According to Sugiyono (2014), data sources secondary is a source that is not directly provide data to data collectors, for example through people other or documents. In research In this case, secondary data is obtained through internet, books, journals and theses related to research. method of collecting data used are: Documents are records of events that has passed and is in written form , drawings, or monumental works from someone (Sugiyono, 2014). Data used in this technical document in the form of a general description of PT. Astra International Tbk. obtained through the site <http://www.astra.co.id> and report data corporate finance from 2019-2021 obtained from the Stock Exchange Indonesia downloaded through the site <http://www.idx.co.id>

4. RESULTS AND ANALYSIS

Liquidity ratio analysis in this study using the current ratio. Based on company financial statements, headings used to calculate the current ratio are current assets and current liabilities. Current ratio PT. Astra International Tbk. can be seen in Table 1

Table 1. Liquidity Ratio (Current Ratio) at PT. Astra International Tbk. 2019-2021

Year	Current Assets	Current Liabilities	Current Ratio
2019	129,058	99,962	1,29
2020	132,308	85,736	1,54
2021	160,262	103,778	1,54
Average			1,46
Industry Standard			2X
Analysis Result			Good

Source : Processed Data (2022)

Based on table 1 it is explained that the Liquidity level (current ratio) of PT Astra International, Tbk. in 2019 was 1.29 times. This means that every Rp. 1 The company's current liabilities are guaranteed by Rp. 1.29 current assets of the company. In 2020 and 2021, the company's current ratio has increased 0.25 Times or 19.3% to 1.54 times, which means every Rp. 1 The company's current liabilities are guaranteed by Rp. 1.54 current assets of the company. The average current ratio for 2019-2021 is 1.46 times, where this ratio is below the industry standard, which is 2 times. However, the company is declared liquid because it can cover current liabilities with the company's current assets.

The solvency level used in this study is the debt ratio. For obtain the results of the debt ratio that is with compare the size of the total debt with the total assets of the company. Debt ratio at PT. Astra International Tbk. Can seen in Table 2.

Table 2. solvency level (Debt Ratio) at PT. Astra International Tbk. 2019-2021

Year	Liabilities	Shareholder Equity	Current Ratio
2019	165,195	186,763	88,45%
2020	147,729	195,454	73,03%
2021	151,696	215,615	70,35%
Average			77,28%
Industry Standard			90%
Analysis Result			Good

Source : Processed Data (2022)

Based on table 2, it is explained that in 2019 the solvency level of PT Astra International, Tbk as measured by the debt to equity ratio is 88.45%, this mean that every Rp. 1 of the company's capital can guarantee Rp. 0.884 of the company's debt. In 2020, the solvency level of PT Astra International, Tbk as measured by the debt to equity ratio decreased 15.42% to 73.03%, this mean that the company's debt of Rp. 0.730 is guaranteed by Rp. 1 capital. In 2021, the solvency level of PT Astra International, Tbk as measured by the debt to equity ratio decreased 2.68% to 70.35%. This shows that Rp. 0.703 of the company's debt is guaranteed by Rp. 1 of the company's capital. The company's internal average is 77.28%, this mean that for every Rp. 1 of the company's capital, it can guarantee Rp. 0.772 of the company's debt and it can be said to be solvable because the ratio is 53 below the industry average of 90%, where the greater the ratio, the worse the company's performance is because the company does not able to cover its debts with existing equity

The profitability ratio used is the return on investment. The magnitude of the value return on investment is calculated by compare net income to total company assets. The value of the return on investment is determined by the size ratio of net profit to total assets. The higher the net profit and the lower the total assets, the more the value of the return on investment is also high. Return on investment PT. Astra International Tbk. can be seen in table 3.

Table 3. profitability ratio (return of investment) at PT. Astra International Tbk. 2019-2021

Year	EAIT	Asset	Current Ratio
2019	26,621	351,958	7,56%
2020	18,571	338,203	5,49%
2021	25,586	367,311	6,96%
Average			6,67%
Industry Standard			30%
Analysis Result			Not Good

Source : Processed Data (2022)

The results of the calculation of the profitability ratio using Return on Investment, in 2019 the company's return on investment was 7.56% where every Rp. 1 Existing assets earn profit after tax of IDR 0.007. In 2020 the company's Return on Investment decreased by 2.07% to 5.49% where every Rp. 1 Existing assets earn profit after tax

of IDR 0.005. In 2022 the company's Return on Investment has increased by 1.47% to 6.96% where every Rp. 1 existing asset earns profit after tax of IDR 0.001. The company's internal average for 3 years from 2019-2021 is 6.67% where this value is very small compared to the industry average of 30%. The low ratio is due to low profit margins due to low asset turnover

5. CONCLUSION

Financial condition at PT. Astra International, Tbk. is "good". In the balance sheet position, the company's assets and liabilities decreased in 2020 but in the following year the company managed to increase its assets and liabilities again which indicates that the company's financial condition is improving. Even though assets and liabilities decreased, the company's Equity from 2019 - 2021 increased as the year progressed. This equity increases due to the company's Retained earnings factor which also increases every year. In the Income statement position, the company's profit for the year also decreased in 2020 and increased again the following year. The company's liquidity ratio can be said to be liquid because the company can fulfill all its obligations. For the company's solvency ratio, the total debt to equity ratio can be said to be solvable because the company can cover its debts with existing equity, but the total debt to asset ratio still needs improvement because it is still below industry standards. The company's profitability ratio is still far below the industry average where the company has not been maximal in utilizing existing assets to get maximum profit.

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