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Analysis of Financial Statements to Assess Financial Performance: Empirical Study of PT. Unilever Indonesia Tbk

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Abstract: This study aims to analyze the financial performance of PT Unilever Indonesia Tbk during the 2020–2023 period by using a financial ratio analysis method which includes liquidity ratio, solvency, activity, and profitability. The data used is secondary data from the company's annual financial statements. The analysis method applied is horizontal analysis to compare financial performance between periods. The results of the study show that the liquidity ratio tends to decrease, indicating that the company's ability to meet short-term obligations is decreasing. Solvency ratios are increasing, indicating an increased reliance on external financing that can increase financial risks. The activity ratio shows fluctuating efficiency in asset use and receivables management, while the profitability ratio decreases consistently, reflecting a decrease in the company's efficiency in generating profits.

Keywords: Financial Statement Analysis, Financial Performance, Financial Ratio, PT. Unilever Indonesia Tbk.

1. INTRODUCTION

Financial performance is a description of how a company manages and utilizes its assets to ensure that its financial activities run smoothly and efficiently. According to (Hutabarat F., 2021) Financial performance is an analysis carried out to see the extent to which a company has implemented by using the rules of financial implementation properly and correctly. By looking at financial performance, we can see whether the company is good or not. Company owners use financial statements to evaluate whether the business they are running is able to achieve the goals that have been set, especially in generating profits in accordance with expectations, this report helps owners to understand business performance, identify opportunities to increase profits, and assess the effectiveness of the strategies implemented (Dharma, B., et al., 2024).

Financial statement information is very important for management, financial statements are used by management as a form of company accountability for the use of resources entrusted to the company. (Maith, H. A., 2013) The company regularly publishes financial statements prepared by the accounting department and distributed to various interested parties, such as the government, creditors, shareholders, and the management of the company itself (Pratiwi et al., 2014). Seeing the importance of financial statements in assessing the health of a company, financial statements must be prepared carefully and free from bias. Financial statements must be able to be interpreted by interested parties with the same perception. The company prepares financial statements with the aim of analyzing financial statements for each period. With the existence of financial statements, owners can see their financial performance, by looking at the level of liquidity, solvency, activity and profitability. The

purpose of this study is to find out the financial performance of PT. Unilever Indonesia Tbk is based on an analysis of its liquidity, solvency, activity and profitability ratio.

2. LITERATURE REVIEW

2.1. Financial Performance

The Company's financial performance is one of the bases for assessing the Company's financial condition which is carried out based on the analysis of the Company's financial ratios. Interested parties urgently need the results of measuring the company's financial performance to be able to see the company's condition and the company's success rate in carrying out its operational activities (Munawir in Wijaya, R., 2019).

2.2. Financial Statement Analysis

Financial statement analysis is a process carried out to see the financial position and performance of a company's activities in the current and previous periods. (According to Kasmir in Panjaitan, R. Y., 2020) The analysis of financial statements is to find out the company's current financial position by knowing the financial position, after an in-depth analysis of the financial statements, it will be seen whether the company can achieve the previously planned target or not.

2.3. Financial Ratio Analysis

Financial ratio analysis is a calculation technique used to support the evaluation of financial statement performance. Financial ratio analysis is the process of comparing data in financial statements by dividing one number by another (Kasmir, 2008).

1. Liquidity Ratio

The liquidity ratio is an indicator of a company's ability to pay all short-term financial obligations at maturity using available current assets. Liquidity is not only concerned with the overall state of a company's finances, but also with its ability to convert certain current assets into cash.

2. Solvency Ratio

Solvency ratio is a ratio that measures a company's ability to meet long-term obligations or debts. If a company has wealth greater than all its debts, then the company is automatically in a solvable state, but on the other hand, the amount of wealth is smaller than all its debts when liquidated.

3. Rentability Ratio

Profitability is a ratio that shows how successful the company is in generating profits. According to (Choiri O, E, 2023) The profitability ratio is a ratio that is often used to measure the ability of a company to generate profits within a certain period of time.

4. Rasio leverage

Ratio leverage is a measure of how much a company is financed with debt. The use of debt that is too high will harm the company because the company will be included in the category of extreme leverage, that is, the company is trapped in a high level of debt and it is difficult to release the debt burden.

5. Activity Ratio

Activity Ratio is a ratio used to measure the level of efficiency in the use of company resources (sales, inventory, debt collection, and others).

6. Profitability Ratio

Profitability Ratio is the ability of a company to generate profits. (Syafri in Azlina N, 2009) The profitability of a company is the ability of the company to earn profits through all existing capabilities and sources such as sales activities, cash, capital, number of employees, number of branches and so on.

2.4. Horizontal and Vertical Analysis

Horizontal analysis is an analysis by comparing financial statements for several periods or a few moments, so that the development will be known. This horizontal method is also called the dynamic analysis method. Vertical analysis compares one post with another in the financial statement, so that only the financial situation or operating results at that time will be known. This vertical analysis is also called a static analysis method because the conclusions that can be obtained only for a period without knowing its development (Soedarmanto, Widyawati N, 2022).

3. RESEARCH METHODS

This research uses a descriptive approach. Descriptive research aims to describe, explain, and validate the phenomena being studied (Ramdhan M, 2021). In this study, the focus is on the annual financial statements of PT Unilever Indonesia Tbk, specifically the statements from the years 2020 to 2023. The data collection method employed in this study is secondary data. Secondary data refers to data that has been collected by other researchers or organizations and is accessed by the researcher for analysis. In this case, the secondary data was obtained from PT Unilever Indonesia Tbk's official website. Secondary data can be sourced from various platforms, including statistical bureaus (BPS), books, reports, and academic journals. For data analysis, a horizontal analysis method is used. Horizontal analysis involves comparing financial statements across multiple periods to identify trends and changes over time (Soedarmanto & Widyawati N, 2022). The analysis will focus on key financial ratios, including the liquidity ratio, solvency ratio, activity ratio, and profitability ratio.

4. RESULTS AND DISCUSSION

4.1. Result

Unilever Indonesia has been one of the companies that has always accompanied people's daily lives since December 5, 1933, an FMCG company that has various products such as Pepsodent, Lux, Lifebuoy, Dove, Sunsilk, Clear, Rexona, Vaseline, Rinso, Molto, Sunlight, Wall's, Royco, Bango, and many more. In 1981 Unilever Indonesia first offered its shares to the public and since January 11, 1982 it has been listed on the Indonesia Stock Exchange. Unilever Indonesia has more than 40 brands and also 9 factories located in the industrial areas of Jababeka, Cikarang and Rungkut, Surabaya, currently Unilever Indonesia's headquarters in Tangerang. Unilever indonesia factories and products have also received halal certification from the Majelis Ulama Indonesia (MUI). Employees are an important asset to the company, in the development of our business, more than 4,000 employees have contributed, and we believe that continuous capacity building of employees can support the company to remain competitive.

*a. Liquidity Ratio***Table 1. Comparison of Liquidity Ratio in 2020 and 2021**

Information	2020	2021	Result	Interpretation
Current Ratio	66.09%	61.41%	Decrease	Bad
Quick Ratio	47.65%	41.69%	Decrease	Bad
Cash Ratio	6.32%	2.61%	Decrease	Bad

Table 2. Comparison of Liquidity Ratio in 2021 and 2022

Information	2021	2022	Result	Interpretation
Current Ratio	61.41%	60.82%	Decrease	Bad
Quick Ratio	41.69%	39.72%	Decrease	Bad
Cash Ratio	2.61%	4.04%	Escalate	Good

Table 3. Comparison of Liquidity Ratio in 2022 and 2023

Information	2022	2023	Result	Interpretation
Current Ratio	60.82%	55.17%	Decrease	Bad
Quick Ratio	39.72%	33.59%	Decrease	Bad
Cash Ratio	4.04%	9.09%	Escalate	Good

*b. Solvency Ratio***Table 4. Comparison of Solvency Ratio in 2020 and 2021**

Information	2020	2021	Result	Interpretation
Debt to Asset Ratio	75.96%	77.34%	Escalate	Bad
Debt-to-Capital Ratio	3.16%	3.41%	Escalate	Bad

Table 5. Comparison of Solvency Ratio in 2021 and 2022

Information	2021	2022	Result	Interpretation
Debt to Asset Ratio	77.34%	78.18%	Escalate	Bad
Debt-to-Capital Ratio	3.41%	3.58%	Escalate	Bad

Table 6. Comparison of Solvency Ratio in 2022 and 2023

Information	2022	2023	Result	Interpretation
Debt to Asset Ratio	78.18%	79.71%	Escalate	Bad
Debt-to-Capital Ratio	3.58%	3.93%	Escalate	Bad

*c. Activity Ratio***Table 7. Comparison of Activity Ratio in 2020 and 2021**

Information	2020	2021	Result	Interpretation
Total Asset Turnover	2.09 time	2.07 time	Decrease	Bad
Fixed Asset Turnover	3.67 time	3.46 time	Decrease	Bad
Average Age of Receivables	45 Days	42 Days	Decrease	Good
Inventory Turnover	8.32 time	8.11 time	Decrease	Bad

Table 8. Comparison of the Activity Ratio in 2021 and 2022

Information	2021	2022	Result	Interpretation
Total Asset Turnover	2.07 time	2.25 time	Decrease	Good
Fixed Asset Turnover	3.46 time	3.83 time	Decrease	Good
Average Age of Receivables	42 Days	37 Days	Decrease	Good
Inventory Turnover	8.11 time	8.44 time	Escalate	Good

Table 9. Comparison of the Activity Ratio in 2022 and 2023

Information	2022	2023	Result	Interpretation
Total Asset Turnover	2.25 time	2.31 time	Escalate	Good
Fixed Asset Turnover	3.83 time	3.68 time	Decrease	Bad
Average Age of Receivables	37 Days	24 Days	Decrease	Good
Inventory Turnover	8.44 time	8.02 time	Decrease	Bad

*d. Profitability Ratio***Table 11. Comparison of Profitability Ratio in 2020 and 2021**

Information	2020	2021	Result	Interpretation
Net Profit Margin	16.67%	14.56%	Decrease	Bad
Return On Asset	34.89%	30.20%	Decrease	Bad
Return On Equity	145.09%	133.25%	Decrease	Bad
Gross Profit Margin	52.26%	49.63%	Decrease	Bad
Operating Profit Margin	21.99%	19.42%	Decrease	Bad

Table 12. Comparison of Profitability Ratio in 2021 and 2022

Information	2021	2022	Result	Interpretation
Net Profit Margin	14.56%	13.02%	Decrease	Bad
Return On Asset	30.20%	29.29%	Decrease	Bad
Return On Equity	133.25%	134.21%	Escalate	Good
Gross Profit Margin	49.63%	46.25%	Decrease	Bad
Operating Profit Margin	19.42%	17.15%	Decrease	Bad

Table 13. Comparison of Profitability Ratio in 2022 and 2023

Information	2022	2023	Result	Interpretation
Net Profit Margin	13.02%	12.43%	Decrease	Bad
Return On Asset	29.29%	28.81%	Decrease	Bad
Return On Equity	134.21%	141.99%	Escalate	Good
Gross Profit Margin	46.25%	49.71%	Escalate	Good
Operating Profit Margin	17.15%	16.26%	Decrease	Bad

4.2. Discussion

This study discusses the financial performance of PT. Unilever Indonesia Tbk using financial ratio analysis, including liquidity, solvency, activity, and profitability ratios, for the period 2020 to 2023. The following is a summary of the results of the discussion of each ratio:

a. Liquidity Ratio

The current ratio of PT. Unilever Indonesia Tbk shows a downward trend from 2020 to 2023. The ratio value decreased from 66.09% (2020) to 55.17% (2023). This decline indicates that the company's ability to meet its short-term obligations is declining. A ratio below 100% indicates that the company's current assets are insufficient to cover its current liabilities, which can lead to liquidity issues.

The quick ratio also shows a downward trend, from 47.65% (2020) to 33.59% (2023). This decline indicates that the company's ability to pay off its short-term liabilities with more liquid assets (without considering inventory) is declining. This could indicate increased liquidity risk. Although the cash ratio decreased from 2020 to 2021, there was an increase from 2021 to 2023 (from 2.61% to 9.09%). This increase indicates an improvement in the company's ability to pay off its short-term liabilities with available cash. However, the value of the cash ratio that is still below 10% indicates that the company has relatively small cash compared to its current liabilities.

b. Solvency Ratio

The debt-to-assets ratio showed an increase from 75.96% (2020) to 79.71% (2023). This increase indicates that the proportion of the company's assets financed by debt is getting larger. This can increase the company's financial risk, although it can also signal that the company is leveraging leverage for growth. The debt-to-capital ratio also showed an increase from 3.16% (2020) to 3.93% (2023). This increase indicates that the company is increasingly dependent on external financing compared to its own capital. Although the value of this ratio is still relatively low, the upward trend needs to be considered to maintain the balance of the company's capital structure.

c. Activity Ratio

Total asset turnover fluctuated, with a decline from 2020 to 2021, but then increased from 2021 to 2023 (from 2.07 time to 2.31 time). This increase indicates better efficiency in the use of company assets to generate sales. Asset turnover continued to increase from 2021 to 2022 (from 3.46X to 3.83X), but decreased slightly in 2023 (3.68X). Overall, this trend shows a relatively stable efficiency in the use of fixed assets to generate sales. The average age of receivables shows a consistent downward trend from 45 days (2020) to 24 days (2023). This is a positive indicator that shows that the company is increasingly efficient in collecting its receivables. Inventory turnover fluctuated, with a decline from 2020 to 2021, an increase in 2022, and a decline again in 2023. The final value of 8.02X in 2023 shows that the company is still quite efficient in managing its inventory, although there is a slight decrease in efficiency compared to the previous year.

d. Profitability Ratio

Net Profit Margin shows a downward trend from 16.67% (2020) to 12.43% (2023). This decline indicates that the company's ability to generate net profit from its sales is declining, which could be due to increased costs or increasingly fierce competition. ROA shows a downward trend from 34.89% (2020) to 28.81% (2023). This decline indicates that the company's efficiency in using its assets to generate profits is decreasing. Although ROE decreased from 2020 to 2021, there was an increase from 2021 to 2023 (from 133.25% to 141.99%). This increase shows that the company can increase efficiency in generating profits from the capital invested by shareholders. The Gross Profit Margin decreased from 2020 to 2022, but increased again in 2023 to 49.71%. This increase shows that the company can increase efficiency in production or get better selling prices. Operating Profit Margin shows a downward trend from 21.99% (2020) to 16.26% (2023). This decline indicates that the company's operational efficiency is declining, which can be caused by an increase in operating costs or a decrease in selling prices.

5. CONCLUSION

The financial performance of PT Unilever Indonesia Tbk from 2020 to 2023 reflects several important trends across its liquidity, solvency, activity, and profitability ratios, each of which provides insights into the company's financial health and operational efficiency.

a. Liquidity Ratio

The liquidity position of PT Unilever Indonesia Tbk shows a concerning downward trend over the period analyzed. Both the current ratio and quick ratio have decreased, suggesting a reduction in the company's ability to meet its short-term obligations. This decline in liquidity could indicate potential challenges in managing cash flows, which may impact the company's ability to respond quickly to unforeseen expenses or downturns. Although the cash ratio has improved slightly in the most recent year, it remains relatively low, which could raise concerns about the company's immediate cash reserves.

This pattern suggests that PT Unilever needs to closely monitor its short-term financial management to avoid liquidity crunches in the future.

b. Solvency Ratio

On the other hand, the solvency ratios, including both the debt-to-assets and debt-to-capital ratios, have shown a consistent increase year-over-year. This indicates that PT Unilever is increasingly relying on external financing to support its operations and growth. While leveraging debt can offer opportunities for expansion, it also increases the financial risk, particularly if the company faces challenges in generating enough returns to cover its liabilities. The rising solvency ratios suggest that the company may be taking on more risk, which could have implications for its long-term financial stability and investor confidence.

c. Activity Ratio

The activity ratios present a mixed picture of the company's operational efficiency. On a positive note, both the total asset turnover and fixed asset turnover have remained relatively stable, with slight improvements, indicating that the company has maintained a good level of efficiency in utilizing its assets to generate revenue. Furthermore, the average age of receivables has improved significantly, reflecting an enhanced efficiency in the collection of outstanding payments. This could point to better management of credit risk and a more effective working capital strategy. However, inventory turnover has shown some fluctuation, with a slight decrease in the most recent year. This could be an area of concern, as it may indicate issues with inventory management or reduced demand for certain products.

d. Profitability Ratio

The profitability ratios, unfortunately, reflect an unfavorable trend. Key indicators, such as the Net Profit Margin, Return on Assets (ROA), and Operating Profit Margin, have all experienced a consistent decline from 2020 to 2023. This suggests a decrease in the company's efficiency in converting revenues into profits, which could be the result of rising costs, reduced sales margins, or operational inefficiencies. However, there are some positive developments within the profitability metrics. The Return on Equity (ROE) has shown improvement in the last two years, indicating that the company has become more effective in generating returns for shareholders. Additionally, the Gross Profit Margin increased in 2023, which could reflect better control over production costs or pricing strategies. Nonetheless, overall profitability is under pressure, which may be attributed to the challenges of increasing competition or rising operational costs.

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