

FINANCIAL RATIO ANALYSIS TO ASSESS PERFORMANCE FINANCE OF PAPER MANUFACTURERS ON STOCK EXCHANGE INDONESIA

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Abstract : *Globalization presents a number of challenges related to human resource management. The type of research in this study uses qualitative research and is a case study. The data analysis technique used is descriptive qualitative analysis technique. The liquidity ratio can be seen by the SAIP current ratio of 155.30%, the SAIP quick ratio of 93.27%. The debt to equity ratio solvency ratio, both companies are not good, while the solvency ratio consisting of debt to total assets ratio FASW is quite good from SAIP which is 63.609%. The ratio of total asset turnover activity, financial performance of paper companies is not good because the average total asset turnover is more than 1, namely SAIP of 0.149% and FASW of 0.821%. receivable turn over FASW of 7.603%. When viewed from the comparison of profitability ratios consisting of profit margin, Return On Assets and Return On Equity FASW has the best financial performance.*

Keywords: *Liquidity, Activity, Solvency, and Profitability.*

1. INTRODUCTION

Globalization presents a number of challenges related to human resource management (HR) (Enny Istanti, 2020). Indonesia is a developing country that cannot be separated from the wheels of international economic activity. (Achmad Daengs et al., 2020). The development of the business world increasingly requires companies to race to overcome increasingly fierce and complex competition, so companies are required to be able to carry out management effectively and efficiently in order to achieve the expected goals. (Istanti, 2020, 1). The company was founded to achieve certain goals, namely to obtain optimal profits with minimal sacrifices. (Istanti et al., 2021, 800) The development of the business world increasingly requires companies to race to overcome increasingly fierce and complex competition, so companies are required to be able to carry out management effectively and efficiently in order to be able to achieve the expected goals. (Enny Istanti¹), Bramastyo Kusumo²), 2020). To obtain an overview of the company's financial development, it is necessary to conduct an analysis of the financial data reflected in the financial statements (Budyono, et al, 2021). Financial statements are prepared with a view to providing financial information of a company to interested parties as a material consideration in making economic decisions (Prastiwi and Anik, 2020). By analyzing the company's financial statements, correct and complete information will be obtained about the company's performance. The high and low performance of a company is the basis for consideration for the selection of investment objectives by investors in general. If the performance of a company is good, it can be said that the company has run its business effectively and efficiently. One way to measure the company's financial performance is to analyze the company's financial ratios. Ratio analysis is an analytical method to determine the relationship of certain items in the balance sheet or income statement individually or a combination of both (Tho'in, et al, 2020).

To perform financial ratio analysis, it is necessary to calculate financial ratios that reflect

certain aspects. The selection of aspects to be assessed needs to be linked to the purpose of the analysis. If the analysis is carried out by the creditor, the aspect assessed is different from the assessment made by the prospective investor. Creditors will be more interested in the company's ability to pay off financial obligations on time, while investors will be more interested in the company's ability to generate profits. This research was conducted on paper companies where in this study focused on financial performance so that it can provide information for the public, especially for investors who want to invest their funds or capital. The companies studied were paper producing companies, PT Fajar Surya Wasesa tbk and PT Surabaya Agung Pulp Industries tbk. Based on the description above, the formulation of the problem is "How is financial ratio analysis used to assess the financial performance of paper producers on the Indonesia Stock Exchange?"

Financial ratio analysis is a way of comparing financial data to be more meaningful (Samryn, 2015). according to Halim, (2018) financial ratio analysis is a ratio that is prepared based on the combination of the numbers between the income statement and the balance sheet. The results of the calculation of financial ratios are then compared with comparative figures (rule of thumb) according to (Darsono and Ashari., 2010) namely as follows: 1. The liquidity ratio is 1 to 2 or 100% to 200%, 2. Maximum solvency ratio is 100%, 3. Activity ratio is 6 – 12 times and 4. Profitability ratio > one year interest. From the results of this financial ratio analysis will show the company's performance whether the company is able to generate maximum profit each year, and whether the assets owned by the company are able to provide the maximum contribution to generate the planned level of income. Furthermore, the company will take appropriate steps for the company's future needs for the company's survival.

2. RESEARCH METHODS

The type of research in this study uses qualitative research and is a case study. A case study is a research with problem characteristics related to the background and current condition of the particular object being studied. (Sugiyono, 2015) The data analysis technique used in this research is descriptive qualitative analysis technique. The data collected comes from documentation obtained from financial statements consisting of balance sheets and profit and loss statements of paper companies on the Indonesia Stock Exchange in the period 2017 to 2019, as well as other data in the form of history, profile and business scope from the Capital Market Reference Center. (PRPM), as well as from the site www.idx.co.id, Indonesian Stock Exchange (IDX) and Indonesian Capital Market Directory (ICMD)

3. RESULTS AND DISCUSSION

3.1 Research result

The analytical steps used to assess the company's financial performance are as follows:

1. Calculating the company's financial ratios consisting of liquidity ratios, solvency ratios, activity ratios, and profitability ratios.
 - a. The liquidity ratios used in this study are:

$$\text{Current Ratio} = \frac{\text{Current asset}}{\text{Current liabilities}} \times 100\%$$

$$\text{Quick Ratio} = \frac{\text{Current Assets} - \text{Inventory}}{\text{Current liabilities}} \times 100\%$$

b. The solvency ratio used in this study are:

$$\text{Debt to Equity Ratio} = \frac{\text{Total Liability}}{\text{Total Own Capital}} \times 100\%$$

$$\text{Debt to Total Assets} = \frac{\text{Total Liability}}{\text{Total Assets}} \times 100\%$$

c. The activity ratios used in this study are:

$$\text{Total asset turnover} = \frac{\text{Sale}}{\text{Average Total Assets}}$$

$$\text{Receiveble Turn Over} = \frac{\text{Sale}}{\text{Average Account Receivable}}$$

d. The profitability ratios used in this study are:

$$\text{Profit Margin} = \frac{\text{net profit}}{\text{sale}} \times 100\%$$

$$\text{Return On Assets} = \frac{\text{Net Profit}}{\text{Total Assets}} \times 100\%$$

$$\text{Return On Equity} = \frac{\text{Net Profit}}{\text{Total Equity}} \times 100\%$$

2. Analyzing the development of liquidity ratios, solvency ratios, activity ratios, and profitability ratios in paper companies from year to year.
3. Comparing financial ratios consisting of liquidity ratios, solvency ratios, activity ratios, and profitability ratios between companies.
4. Comparing financial ratios with comparisons (rule of thumb) according to Darsono and Ashari (2005:61-80), namely:
 - a. The liquidity ratio is 1 to 2 or 100% to 200%.
 - b. The maximum solvency ratio is 100%.
 - c. Activity ratio is 6–12 times.
 - d. Profitability ratio > one year interest.
5. Summing up the company's best financial performance

3.2 Discussion

From the results of the analysis on several financial ratios at paper companies in the 2017 to 2019 period, a recapitulation of the best financial performance of the company can be made, which is as follows in table 1

Table 1
Best Financial Performance Recapitulation

Ratio	SAIP	FASW	Mark Best	Company
<i>Current ratio</i>	155.30 %	91.51%	155.30%	PT. Surabaya Agung Industry Pulp Tbk (SAIP)
<i>Quick ratio</i>	93.27%	46.66%	93.27%	PT. Surabaya Agung Industry Pulp Tbk (SAIP)
<i>Debt to equity ratio</i>	- 85.340 %	176.980 %	-	Nothing is good
<i>Debt to total assets ratio</i>	68.303 %	63.609%	63.609%	PT. Fajar Surya Wisesa Tbk(FASW)
<i>Total asset turnover</i>	0.149%	0.821%	-	Nothing is good
<i>Receivable turn over</i>	7.603%	4,007	7,603 tim e	PT. Fajar Surya Wisesa Tbk(FASW)
<i>Profit margin</i>	-5.671%	3,900%	3,900%	PT. Fajar Surya Wisesa Tbk (FASW)
<i>Return On Assets</i>	3.024%	0.142%	3.024%	PT. Fajar Surya Wisesa Tbk (FASW)
<i>Return On Equity</i>	4,704	7.756%	7.756%	PT. Fajar Surya Wisesa Tbk (FASW)

Source: Researcher (2021)

From table 1 it can be seen that:

- Based on the comparison of the liquidity ratios, it can be seen that:
 - When viewed from the current ratio, PT. Surabaya Agung Industrial Pulp Tbk (SAIP) has the best financial performance of 155.30%.
 - If viewed from the quick ratio, PT. Surabaya Agung Industry Pulp Tbk (SAIP) has the best financial performance of 93.27%.
- When viewed from the comparison of the solvency ratio which consists of the debt to equity ratio, neither of the two companies is good because both companies rely a lot on debt where the

higher the debt ratio shows performance.

bad finances, while if seen from the comparison of the solvency ratio which consists of the debt to total assets ratio of PT. Fajar Surya Wisesa Tbk (FASW) is quite good from PT. Surabaya Agung Industry Pulp Tbk (SAIP) which is 63.609% because the higher the debt ratio indicates poor financial performance.

3. Based on the comparison of activity ratios, it can be seen that:
 - a. When viewed from the total asset turnover, the financial performance of paper companies is not good because there is no company that has an average total asset turnover of more than 1, namely PT. SAIP is 0.149% and PT FASW is 0.821%.
 - b. When viewed from the receivable turn over, PT. Fajar Surya Wisesa Tbk (FASW) has the best financial performance of 7.603%.
4. When viewed from the comparison of profitability ratios consisting of profit margin, Return On Assets and Return On Equity, PT. Fajar Surya Wisesa Tbk (FASW) has the best financial performance

From table 1 it can also be seen that the company that has the best financial performance is PT. Fajar Surya Wisesa Tbk (FASW) because of the 9 financial ratios studied, PT. Fajar Surya Wisesa Tbk has the best 4 financial ratios.

5. CONCLUSION

Based on the results of research on the financial performance of paper companies on the Indonesia Stock Exchange in the period 2017 to 2019, it can be concluded as follows:

1. Tools to measure the financial performance of companies on the Indonesia Stock Exchange can use financial ratios, namely liquidity ratios, activity ratios, solvency ratios, and profitability ratios.
2. The financial performance of paper companies on the Indonesia Stock Exchange can be concluded as follows:
 - a. Based on the comparison of the liquidity ratios, it can be seen that:
Current ratio the best is PT. Surabaya Agung Industry Pulp Tbk (SAIP) can be seen in table 1 which is 155.30%.
 - b. Based on the comparison of the solvency ratio of PT. Fajar Surya Wisesa Tbk (FASW) because it has an average debt to total assets ratio of less than 100% and the smallest is 63.609%, it can be seen in table 1
 - c. Based on the comparison of activity ratios, it can be seen that:
Total asset turnover There are no paper companies that are good because there are no companies that have an average total asset turnover of more than 1.
Receivable turn over the best is PT. Fajar Surya Wisesa Tbk (FASW) which is 7,603
 - d. Based on the comparison of profitability ratios, PT. Fajar Surya Wisesa Tbk (FASW) has the best profit margin, return on assets and return on equity.

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