**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. **PRELIMINARY**

Globalization presents a number of challenges related to human resource management (HR)(Enny Istanti, 2020). PerThe 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). PThe 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 that 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 acquire an outline of the organization's monetary turn of events, it is important to direct an investigation of the monetary information reflected in the budget reports. Financial statements are prepared with the intention of providing financial information of a company to interested parties as material for consideration in making economic decisions. 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 method for estimating the organization's monetary exhibition is to dissect the organization's monetary proportions. Proportion examination is an insightful strategy to decide the relationship of specific things yet to be determined sheet or pay articulation independently or a blend of both.

 To perform monetary proportion examination, it is important to compute monetary proportions that mirror specific viewpoints. The choice of perspectives to be evaluated should be connected to the motivation behind the examination. Assuming the examination is done by the lender, the perspective evaluated is not the same as the appraisal made by the imminent financial backer. Loan bosses will be more keen on the organization's capacity to take care of monetary commitments on schedule, while financial backers will be more keen on the organization's capacity to produce benefits. This exploration was led on paper organizations where in this review zeroed in on monetary execution with the goal that it can give data to people in general, particularly for financial backers who need to contribute their assets or capital. The organizations considered were paper creating organizations, PT Fajar Surya Wasesa tbk and PT Surabaya Agung Pulp Industries tbk. In view of the depiction over, the plan of the issue is "How is monetary proportion examination used to survey the monetary exhibition of paper makers 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) monetary proportion examination is a proportion that is arranged dependent on the mix of numbers between the pay proclamation and accounting report. The results of the calculation of financial ratios are then compared with the 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. The maximum solvency ratio is 100%, 3. The 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 needs later for the company's survival.

1. **RESEARCH METHODS**

The type of research in this study uses qualitative research and is a case study. A case study is research with problem characteristics related to the background and current conditions of the particular object being studied.(Sugiyono, 2015) The information examination strategy utilized in this exploration is illustrative subjective investigation procedure. The information gathered comes from documentation got from budget reports comprising of monetary records and benefit and misfortune articulations of paper organizations on the Indonesia Stock Exchange in the period 2017 to 2019, just as different information as history, profile and business scope from the Capital Market Reference Center. (PRPM), just as from the sitewww.idx.co.id, Indonesian Stock Exchange (IDX) and Indonesian Capital Market Directory (ICMD)

1. **RESULTS AND DISCUSSION**
	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:

|  |  |  |  |
| --- | --- | --- | --- |
|  Current Ratio = | Current asset | x 100% |  |
| Current liabilities |  |
|  |  |  |

*Quick Ratio* = Current Assets – Inventory x 100%

Current liabilities

b. The solvency ratio used in this study is:

*Debt to Equity Ratio =* Total Liability x 100%

Total Own Capital

*Debt to Total Assets =* Total Liability x 100%

Total assets

c. The activity ratios used in this study are:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | *Total asset turnover* | *=* |  | Sale |  |
|  |  |  |  |
| Average Total Assets |  |
|  |  |  |  |  |
|  | *Receivable Turn Over* | = |  | Sale |  |
|  |  |  |  |
|  |  |  |  |

Average Accounts Receivable

d. The profitability ratios used in this study are:

 Profit Margin = net profitx 100 %

 sale

 Return On Assets = Net Profit x 100%

Total assets

*Return On Equity* = Net Profit x 100%

 Total Equity

1. Analyzing the development of liquidity ratios, solvency ratios, activity ratios, and profitability ratios in paper companies from year to year.
2. Comparing financial ratios consisting of liquidity ratios, solvency ratios, activity ratios, and profitability ratios between companies.
3. Comparing financial ratios with comparisons (rule of thumb) according to Darsono and Ashari (2005:61-80), namely:
	1. The liquidity ratio is 1 to 2 or 100% to 200%.
	2. The maximum solvency ratio is 100%.
	3. Activity ratio is 6– 12 times.
	4. Profitability ratio > one year interest.
4. 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 period 2017 to 2019, 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** | **Score** |  | **Company** |  |
|  |  | **Best** |  |  |
|  |  |  |  |  |
|  |  |  |  |  |  |  |
| *Current ratio* | 155.30% | 91.51% | 155.30% |  | PT. Surabaya Agung Industry Pulp Tbk (SAIP) |  |
|  |  |  |  |  |  |  |
| *Quick ratio* | 93.27% | 46.66% | 93.27%. |  | PT. Surabaya Agung Industry Pulp Tbk (SAIP) |  |
|  |  |  |  |  |  |  |
| *Debt to equity ratio* | -85.340% | 176.980% | - |  | Nothing is good |  |
|  |  |  |  |  |  |  |
| *Debt to total assets ratio* | 68.303% | 63.609% | 63.609% |  | PT. Fajar Surya Wisesa Tbk(FASW) |  |
|  |  |  |  |  |  |  |
| *Total asset turnover* | 0.149% | 0.821% | - |  | Nothing is good |  |
|  |  |  |  |  |  |  |
|  | 7.603% | 4,007 | 7,603 |  | PT. Fajar Surya Wisesa Tbk(FASW) |  |
| *Receivable turn over* |  |  | time |  |  |
|  |  |  |  |
|  |  |  |  |  |  |  |
| *Profit margin* | -5.671% | 3,900% | 3,900% |  | PT. Fajar Surya Wisesa Tbk (FASW) |  |
|  |  |  |  |  |  |  |
| *Return On Assets* | 3.024% | 0.142% | 3.024% |  | PT. Fajar Surya Wisesa Tbk (FASW) |  |
|  |  |  |  |  |  |  |
| *Return On Equity* | 4,704 | 7.756% | 7.756% |  | PT. Fajar Surya Wisesa Tbk (FASW) |  |
|  |  |  |  |  |  |  |



From table 1 it can be seen that:

1. Based on the comparison of the liquidity ratios, it can be seen that:
	1. When viewed from the current ratio, PT. Surabaya Agung Industrial Pulp Tbk (SAIP) has the best financial performance of 155.30%.
	2. If viewed from the quick ratio, PT. Surabaya Agung Industry Pulp Tbk (SAIP) has the best financial performance of 93.27%.
2. 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 when viewed from the comparison of solvency ratios consisting of debt to total assets ratio of PT. Fajar Surya Wisesa Tbk(FASW) is quite good from PT. Surabaya Agung Industry Pulp Tbk (SAIP) is 63.609% because the higher the debt ratio indicates poor financial performance.

1. Based on the comparison of activity ratios, it can be seen that:
	1. 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%.
	2. When viewed from the receivable turn over, PT. Fajar Surya Wisesa Tbk (FASW) has the best financial performance of 7.603%.
2. 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.

1. **CONCLUSION**

**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%.

* + 1. 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
		2. 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

1. 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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