

The Financial Performance Reviewed Through Liquidity and Market Ratio

Hesty Ameliana¹, Ray Octafian²

STIEPARI Semarang, Indonesia^{1,2}

hestyameliana3@gmail.com ¹, Octafianray@gmail.com²

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Abstract

This research aims to investigate the financial performance of a company by focusing on liquidity ratio analysis and market ratio analysis. Financial performance is a key indicator in evaluating the stability and financial efficiency of a company. Liquidity ratios and market ratios are used to measure the financial performance of PT Gudang Garam Tbk as a case study during the period 2021-2023. By analyzing liquidity ratios and market ratios, this research aims to provide a deeper understanding of the financial health and market valuation of PT Gudang Garam Tbk. The research findings explain that overall, PT Gudang Garam Tbk needs to focus on better liquidity management and strategic initiatives. Management should be proactive in analyzing the factors affecting the financial performance of the company and take necessary actions to improve the situation. With careful management and the right strategies, PT Gudang Garam Tbk is expected to improve its financial performance and maintain stability in the long term.

Keywords:

Financial Performance

Liquidity Ratio

Market Ratio

Abstrak

Penelitian ini bertujuan untuk menyelidiki kinerja keuangan sebuah perusahaan dengan berfokus pada analisis rasio likuiditas dan analisis rasio pasar. Kinerja keuangan merupakan indikator utama dalam mengevaluasi stabilitas dan efisiensi keuangan suatu perusahaan. Rasio likuiditas dan rasio pasar digunakan untuk mengukur kinerja keuangan PT Gudang Garam Tbk sebagai studi kasus selama periode 2021-2023. Dengan menganalisis rasio likuiditas dan rasio pasar, penelitian ini bertujuan untuk memberikan pemahaman yang lebih mendalam tentang kesehatan keuangan dan penilaian pasar PT Gudang Garam Tbk. Hasil penelitian menjelaskan bahwa secara keseluruhan, PT Gudang Garam Tbk perlu fokus pada manajemen likuiditas yang lebih baik dan inisiatif strategis. Manajemen harus proaktif dalam menganalisis faktor-faktor yang mempengaruhi kinerja keuangan perusahaan dan mengambil tindakan yang diperlukan untuk memperbaiki situasi. Dengan manajemen yang cermat dan strategi yang tepat, PT Gudang Garam Tbk diharapkan dapat meningkatkan kinerja keuangannya dan menjaga stabilitas dalam jangka panjang.

Kata Kunci : Kinerja Keuangan, Rasio Likuiditas, Rasio Pasar

INTRODUCTION

Information regarding a company's financial performance can be obtained through financial statements presented within a specific period. These financial statements serve as the foundation for assessing the company's financial position, measuring business performance achievements and developments over time, as well as evaluating the company's ability to meet obligations, business capital structure, effectiveness of asset utilization, and other financial aspects (Astuti & Simon, 2023; Ganguli, 2017; Kasbar et al., 2023; Lestari et al., 2023; Suwanto, 2018). According to Hamdani et al., (2018), Maulidya et al., (2019), Sumarwati & Rachman (2019), financial performance refers to the achievements or results that have been accomplished by company management in effectively managing the company's assets over a certain period. The importance of financial performance for a company lies in evaluating the level of success of the company based on financial activities undertaken (Al-Shrari, 2023; Kusi, 2020).

Financial performance is one of the fundamental aspects that reflects the condition and stability of a company (Manurung, 2022; Saragih et al., 2020). Analysis of financial performance is crucial to evaluate the effectiveness and efficiency of the company in achieving its set goals. One of the commonly used tools for assessing financial performance is financial ratios, including liquidity ratios and market ratios

Liquidity ratios are ratios that depict a company's ability to meet its short-term obligations (Afriyanti & Wulandari, 2023; Sari & Putri, 2019). Another function of liquidity ratios is to

indicate or measure the company's ability to meet its maturing obligations, both obligations to external parties and within the company itself

Market ratio are ratios that depict the conditions occurring in the market (Bagaskara & Siagian, 2023; Mara & Sipahutar, 2020). These ratios can provide understanding for company management regarding the conditions of the implementation to be carried out and their impact in the future. Market ratios measure market price relative to book value. The perspective of these ratios is largely based on the investor or prospective investor viewpoint, although management also has an interest in these ratio

Indonesia, as one of the largest tobacco producers in the world, has several companies in the cigarette sub-sector that are still operating today. Among these companies, PT Gudang Garam Tbk stands out as one of the largest companies and is listed on the Indonesia Stock Exchange (IDX)

PT Gudang Garam Tbk is one of the leading cigarette companies in Indonesia, which has been operating since 1958. The company has been listed on the Indonesia Stock Exchange since 1990 and continues to grow to this day. As a public company, the financial performance of PT Gudang Garam Tbk is of interest to various parties, including investors, creditors, and other stakeholders

Based on www.idx.co.id (2024), the profit report data of PT Gudang Garam Tbk for the period 2021-2023 (in Millions of Rupiah) is presented in the following table:

Table 1. Profit Report Data of PT Gudang Garam Tbk for the Period 2021-2023 (Millions of Rupiah)

Year	Profit	Profit Margin
2021	5,605,321	4,5%
2022	2,779,742	2,2%
2023	5,324,516	4,5%

Source: www.idx.co.id (2024)

From the data, it is evident that there is fluctuation in profit from year to year, with a significant decrease in 2022 followed by an increase in 2023. The fluctuation in profit from year to year indicates changes in the financial condition of the company. Using liquidity ratios to evaluate the company's ability to meet its short-term obligations is crucial. It is important to know how quickly the company can settle its debts in the face of income fluctuations. Profit fluctuations can also affect the market valuation of the company's stocks, providing insight into how the market values the company's financial performance and prospects in the future.

This study aims to analyze the financial performance of PT Gudang Garam Tbk during the period 2021-2023 using liquidity ratios and market ratios

METHOD

This research employs a quantitative research methodology. Quantitative research, as stated by Sugiyono (2020), is based on positivist ideology and is used to study specific populations and samples. This research utilizes a descriptive methodology with the aim of providing a detailed picture of the research subject or findings. The descriptive approach is a methodology intended to describe the observed conditions during the research period.

This research uses secondary data as the primary data source, which is obtained indirectly through intermediaries. Specifically, the financial statements of PT Gudang Garam Tbk for the years 2021-2023 were accessed through the website www.idx.co.id. The population for this research consists of the financial statements of PT Gudang Garam Tbk, specifically the balance sheet and income statement. The sample consists of the financial statements of PT Gudang Garam Tbk from 2021 to 2023, covering a three-year period.

The data collection method used is documentation, which involves the process of recording and analyzing documents or archives relevant to the research issue. Data was obtained by collecting company documents, specifically the financial statements of PT Gudang Garam Tbk, from 2021 to 2023. These documents were obtained through the official website of the Indonesia Stock Exchange: www.idx.co.id. This research employs financial ratio analysis, using liquidity ratios and market ratios as the selected techniques for data analysis. The liquidity ratios consist of the current ratio and quick ratio, while the market ratio uses Earnings Per Share

RESULT AND DISCUSSION

Liquidity Ratios

To conduct an evaluation of liquidity ratios, the analysis of the company's financial statements from 2021 to 2023 is as follows:

Current Ratio

This ratio indicates how many current assets are available to cover immediate short-term liabilities. The current ratio can be calculated by comparing total current assets to total current liabilities multiplied by 100%. Based on the financial report, the current ratio of PT Gudang Garam Tbk in 2023 is recorded in the following table:

Table 2. Current Ratio of PT Gudang Garam Tbk 2023

Year	Current Ratio
2021	209,1 %
2022	190,4 %
2023	183,2 %

Source : www.idx.co.id (2024)

Overall, PT Gudang Garam Tbk's current ratio during the period 2021-2023 shows a decreasing trend from year to year. However, the company's current ratio remains at a good level, above 100%. This indicates that PT Gudang Garam Tbk has sufficient liquidity to meet its short-term obligations.

However, this decline in the current ratio needs to be a concern for the company's management. Management needs to analyze the factors that cause this decrease, such as an increase in current liabilities or a decrease in current assets. Management also needs to plan strategies to maintain the company's liquidity, such as managing inventory efficiently, speeding up accounts receivable collection periods, or evaluating purchasing policies and debt payment policies.

Despite the decrease in PT Gudang Garam Tbk's current ratio, the company still has a good ability to meet its short-term obligations. However, management still needs to be vigilant and take necessary steps to maintain the company's liquidity in the future.

Quick Ratio

This ratio indicates the ability of the most liquid current assets to cover current liabilities. The quick ratio can be calculated by subtracting inventory from current assets, then dividing it by total current liabilities multiplied by 100%.

Year 2021 Quick Ratio :

$$((59.312.578 - 47.456.225) / 28.369.283) \times 100\% = 41,79\%$$

Tahun 2022 Quick Ratio :

$$((55.445.127 - 47.639.885) / 29.125.010) \times 100\% = 26,80\%$$

Tahun 2023 Quick Ratio :

$$((54.115.182 - 46.485.966) / 29.536.433) \times 100\% = 25,83\%$$

The Quick Ratio of PT Gudang Garam Tbk during the period 2021-2023 shows a significant decreasing trend from year to year. This decline needs to be a serious concern for the company's management, as it indicates a decrease in the company's liquidity in meeting its short-term obligations using the most liquid current assets.

Management needs to analyze the factors causing this decline in the Quick Ratio, such as an increase in current liabilities, a decrease in cash and cash equivalents, or an increase in inventory disproportionate to sales. Management also needs to plan strategies to improve the company's liquidity,

such as accelerating the accounts receivable collection period, managing inventory more efficiently, or evaluating purchasing and debt payment policies.

Although PT Gudang Garam Tbk's Quick Ratio is still above 20%, continuous decline can indicate liquidity issues that need to be addressed promptly. Management should take necessary steps to improve the company's liquidity and ensure that the company has sufficient ability to meet its short-term obligations.

Market Ratio

Market ratios provide indications of how investors assess both the past performance and future prospects of a company. Earnings per share (EPS) or profit per share is a crucial analysis in a company's financial statements. EPS provides stakeholders with an overview of how efficiently the company generates profit for each outstanding share.

Based on the financial report, the Earnings per Share of PT Gudang Garam Tbk in 2023 is recorded in the following table:

Tabel 2. Earning per share PT Gudang Garam Tbk 2023

Year	Earning per share
2021	2,913
2022	1,445
2023	2,767

Source : www.idx.co.id (2024)

The increase in EPS in 2023 is a positive signal for investors, as it indicates an improvement in the company's performance. However, management still needs to remain vigilant and continue efforts to maintain and enhance EPS in the future. The increase in EPS in 2023 is a positive signal for investors, as it indicates an improvement in the company's performance. However, management still needs to remain vigilant and continue efforts to maintain and enhance EPS in the future. By considering the factors influencing EPS and taking strategic steps, PT Gudang Garam Tbk is expected to maintain and improve its financial performance, thus providing added value to shareholders.

DISCUSSION

Analysist Quick Ratio PT Gudang Garam Tbk Period 2021-2023

Based on the data provided, the current ratio of PT Gudang Garam Tbk has shown a declining trend during the period of 2021-2023. In 2021, the company's current ratio was 274%. This means that for every Rp 1 of current liabilities, there are Rp 2.74 of current assets to cover them. This ratio indicates the company's excellent ability to meet its short-term obligations.

However, in 2022, the company's current ratio decreased to 170%. Despite the decline, this ratio is still above 100%, indicating that the company still has enough current assets to cover its current liabilities. The decrease in the current ratio could be attributed to various factors, such as a faster increase in current liabilities compared to current assets, or a more significant decrease in current assets compared to current liabilities.

In 2023, PT Gudang Garam Tbk's current ratio experienced another decline, falling to 164%. Although still above 100%, this decrease warrants attention from the company's management. Management needs to analyze the factors contributing to this decline in the current ratio, such as an increase in short-term debt, a decrease in cash and cash equivalents, or an inefficient increase in inventory.

Overall, despite the decrease in PT Gudang Garam Tbk's current ratio during the period of 2021-2023, the company still maintains fairly good liquidity with ratios above 100%. However, management

needs to remain vigilant and proactive in managing the company's liquidity to ensure that it can meet its short-term obligations and maintain financial stability in the long term.

Analysist Quick Ratio PT Gudang Garam Tbk Period 2021-2023

Based on the data provided, the Quick Ratio of PT Gudang Garam Tbk shows a significant declining trend during the period of 2021-2023. In 2021, the company's Quick Ratio was 41%, meaning that for every Rp 1 of current liabilities, there were Rp 0.41 of the most liquid current assets to cover them. Although this ratio is not as high as the current ratio, the company still has sufficient ability to meet its short-term obligations.

However, in 2022, the company's Quick Ratio declined to 21%, and then further dropped to 20% in 2023. This significant decrease indicates a decline in the company's liquidity in meeting its short-term obligations using the most liquid current assets.

Management needs to analyze the factors contributing to this decline in Quick Ratio, such as the increase in current liabilities that are not proportionate to the increase in liquid current assets, decrease in cash and cash equivalents, or disproportionate increase in inventory compared to sales.

Continuous declines in Quick Ratio can indicate liquidity problems that need immediate attention. Management should be proactive in taking necessary steps to improve the company's liquidity and ensure that it has sufficient capability to meet its short-term obligations.

To maintain the company's liquidity, management can take several steps, including:

1. Managing inventory more efficiently to reduce the amount of stockpiled inventory and increase inventory turnover.
2. Evaluating purchasing and debt payment policies to ensure that the company does not have excessive short-term debt.
3. Considering increasing working capital by utilizing long-term sources of funding, such as bank loans or bond issuance.

Analysist Earning per Share (EPS) PT Gudang Garam Tbk Period 2021-2023

Based on the given data, the EPS (Earnings Per Share) of PT Gudang Garam Tbk experienced significant fluctuations during the period of 2021-2023. In 2021, the company's EPS reached Rp 3,093. However, in 2022, EPS sharply declined to Rp 2,577. This decrease could be attributed to various factors, such as a decrease in net income, an increase in the number of outstanding shares, or a combination of both.

This significant decrease in EPS needs to be a serious concern for the company's management. Management needs to analyze the factors contributing to this decline, such as a decrease in sales, an increase in operating expenses, or external factors like regulatory changes or unfavorable market conditions.

However, in 2023, the EPS of PT Gudang Garam Tbk increased to Rp 2,680. This increase is a positive signal for investors, indicating an improvement in the company's performance. Management needs to identify the factors driving this EPS increase, such as sales growth, cost efficiency, or market expansion.

To maintain and increase EPS in the future, management may consider several strategic steps, including:

1. Increasing sales through product innovation, market expansion, or effective marketing strategies. Meningkatkan efisiensi operasional untuk mengurangi beban biaya dan meningkatkan margin laba.
2. Managing capital structure optimally to minimize capital costs and maximize shareholder value.

3. Considering acquisitions or strategic partnerships to enhance economies of scale and company competitiveness.

Considering the factors influencing EPS and taking strategic steps, PT Gudang Garam Tbk is expected to maintain and enhance its financial performance, thereby providing added value to shareholders in the long term.

CONCLUSIONS

Although the company's current ratio remains above 100%, the consistent downward trend warrants attention from management. This decline in the current ratio indicates potential liquidity issues that need to be addressed. Furthermore, the decrease reaffirms the liquidity problems that require immediate attention from management. Management should analyze the factors contributing to this liquidity decline and take necessary steps to rectify the situation.

The increase in EPS in 2023 provides hope for an improvement in the company's performance. Management needs to identify and sustain the factors driving this increase in EPS. Overall, PT Gudang Garam Tbk needs to focus on better liquidity management and strategic measures. Management should be proactive in analyzing the factors affecting the company's financial performance and taking necessary actions to improve the situation. With careful management and appropriate strategies, PT Gudang Garam Tbk is expected to enhance its financial performance and maintain long-term stability.

This research only covers a three-year period, from 2021 to 2023. This relatively short timeframe may not be sufficient to capture long-term trends or fluctuations in business cycles that could affect the company's financial performance. The research only uses liquidity ratios and market ratios as measures of financial performance. While these ratios are important, they only provide a partial picture of the company's financial health. A more comprehensive analysis could include other ratios, such as profitability ratios, solvency ratios, and activity ratios, to gain a more holistic understanding of PT Gudang Garam Tbk's financial performance. These limitations need to be considered when interpreting the research results and drawing conclusions about PT Gudang Garam Tbk's financial performance. Further research with broader coverage, longer timeframes, and more comprehensive analysis could help overcome these limitations and provide a more robust understanding of the company's financial performance.

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