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EFFICIENCY ANALYSIS OF FIRM FINANCIAL PERFORMANCE: CASE STUDY OF PT. UNILEVER INDONESIA

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ABSTRACT

The purpose of this study is to analyze the profitability ratios and company liquidity ratios to assess the efficiency of company performance. This research is included in descriptive research, which is research that seeks to describe a phenomenon, event, event that is happening now. The reason this type of research is used is because the researcher tries to describe the events and events that are the center of attention without giving special treatment to those events. The study was conducted at PT. Unilever Indonesia, is the largest manufacturing company in Indonesia. The data analysis technique used in this study is quantitative descriptive using financial ratio analysis. The results show financial performance seen from the profitability ratio, overall the average is said to be efficient because of its magnitude above the industry average as a benchmark. Financial performance can be seen from the liquidity ratio, overall the average ratio is said to be liquid because the average is above the industry average as a benchmark.

Keyword**: **Corporate Financial Performance, Profitability, Liquidity.

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INTRODUCTION

Development of technology which continues to increase rapidly causes increasingly the need for expertise in analyzing financial statements. For this reason, managers are required to choose information in a wide network to find out the current condition of the company and the forecast of conditions in the future (Malik, et al, 2016). By analyzing the financial statements will help the parties concerned in selecting and evaluating information and only focus on that information, so that each company is required to be able to improve their competitiveness. But in essence, almost all companies experience the same problem, namely how to allocate their resources effectively and efficiently in order to achieve the company's goals, which is to obtain maximum profits to maintain the company's existence (Priya & Nimalathasan, 2013).

Financial statements are a source of information regarding the financial position and financial performance of the company (Saleem & Rehman, 2011). The financial data is further analyzed so that information will be obtained that can support the decisions made. These financial statements must describe all relevant financial data and have established procedures so that financial reports can be compared so that the level of accuracy of the analysis can be accounted for. Financial analysis and interpretation categorizes several analytical techniques and tools that can be used to produce information that is useful for internal and external parties related to the company (Alshatti, 2015).

For management, the information obtained serves as one of the basic considerations in the decision making process of corporate coordination and control (Srbinoska, 2018). In fact, often these analytical tools have not been utilized by the company. Strategic decision making at companies is often done by business founders and decisions taken are personal, bold and high risk. In the short term, decision making in this way is quite successful, but in the long run and in line with company growth, this method is inadequate (Caleb, et al, 2013). This means that the utilization of financial statements as a source of information for managers in making planning and control decisions has not been carried out optimally even though decision making based on financial performance is a must for every company.

Effectiveness and efficiency of a company in carrying out its operations are determined by the company's ability to obtain profitability and activities within the company (Fong, et al, 2017). Thus the use of financial ratio analysis can describe the financial performance that has been achieved. To support business continuity and improvement, companies need to analyze financial statements in order to obtain information about the financial position of the company concerned.

Information presented must be analyzed and interpreted further in order to have a use value for company management. For management, in conducting an analysis of financial performance in the form of an analysis that is fundamental and integrative which will later provide a fundamental and comprehensive picture of the financial position and achievements (Owolabi and Obida, 2012).

(Guerrieri & Lorenzoni, 2017) explained that there are several ways to assess the health condition of a company by using an analysis of financial performance, but in this case the writer only uses an analysis of the company's liquidity ratios and profitability ratios. The author considers these two ratios important for the company, because it involves the survival of the company. Company performance appraisal for management, especially to measure the company's profitability is one important factor to determine the level of company efficiency.

The high profitability of the company is more important than the maximum profit achieved by the company in each accounting period, because with profitability as a measurement tool, we can find out the extent of the company's ability to generate maximum profits compared to the capital used by the company (Alagathurai, 2013). For this reason, every company leader is required to be able to manage the company's management well in order to achieve optimal efficiency levels from the use of its capital. As in the management of asset turnover, where asset turnover is very important to measure the company's ability to manage specific management in the financial sector. Because asset management is very important in increasing the company's revenue acquisition through sales. Each component of special assets or working capital is able to provide the maximum contribution to produce the level of income that the company wants to achieve (Niresh, 2012).

Management has a dual interest in the analysis of financial work, namely assessing asset turnover and operating profitability, and weighing how effective the use of company resources. An assessment of operating efficiency is largely based on an analysis of the income statement, while the effectiveness of resource use is usually measured by reviewing both the balance sheet and the income statement (Acharya, et al, 2017). To ensure that the company's goals can be achieved and know the extent to which the effectiveness of the company's operations in achieving the objectives, periodically the company's performance is measured.

The company's ability to be competitive is very much determined by the company's performance itself. Furthermore, to find out the company's performance can be seen through its financial statements, it is necessary to do an analysis of the financial statements so that from this analysis can be obtained an overview of the results or business development of the company concerned. The analysis used to assess financial performance is the analysis of financial ratios, with the analysis of financial ratios can be known the level of liquidity and profitability of the company. In assessing financial performance using financial ratio analysis, it is necessary to know the standard ratio. This standard is determined by comparing several financial ratios of similar companies. The assessment is done by comparing the financial ratios obtained with the existing financial ratio standards. In general, a company's financial performance is categorized as good if the magnitude of the company's financial ratios is equal or above the standard financial ratios (Madushanka & Jathurika, 2018).

Ratio analysis is a form or method commonly used in analysis used to measure strengths or weaknesses in the financial sector. The use of ratio analysis to carry out profit analysis will use certain measures called ratios. Financial ratio analysis that will be used in this study is the analysis of Liquidity Ratios and Profitability Ratios. These two analysis ratios were chosen because they are very important ratios in companies in assessing financial performance (Lagos, et al, 2017).

A company is said to be liquid if it has current assets that have greater current debt, and from that the company is able to meet its financial obligations that are due soon. Then the liquidity analysis is needed to determine the company's financial condition. The level of profitability generated by the company is considered by investors in their investment choices. How much profit a company can make becomes an important factor in measuring the success of a company's performance (Lartey, et al, 2013).

In carrying out the interpretation and analysis of a company's financial statements, a financial analyzer requires a certain size. A measure often used in financial analysis is ratio. Ratios are tools expressed in arithmetic terms that can be used to explain the relationship between two kinds of financial data. By using the ratio technique can be known the company's performance in the use of existing funding sources. Individually, these ratios are small, unless compared to a standard ratio that is fit for comparison. This ratio analyzes the short-term financial position, which is to determine the company's ability to hold liquid instruments (easily disbursed or sold) to guarantee long-term debts that have or will mature.

Liquidity Analysis, is the ability of a company to meet its financial obligations that must be fulfilled immediately, or the company's ability to meet financial obligations in the short term when billed. The liquidity ratio used in this paper is as follows: (1) Net working capital, is the difference between current assets and current liabilities. Net working capital shows, roughly, the potential cash reserves of the company. (2) Current ratio, is the company's ability to pay debts that must immediately be met with current assets. and (3) Quick ratio, showing the ability to pay obligations that must be fulfilled immediately with more liquid liquid assets.

Profitability analysis, which is a ratio that is intended to measure the efficiency of the use of company assets. The profitability ratios used are: (1) Profit

Margin, this ratio measures how much operational profit can be obtained from each sales rupiah. and (2) Return On Equity, this ratio shows the ability of own capital to generate profits for preferred shareholders and ordinary shares.

(Yameen, et al, 2019) revealed that current liquidity ratios and fast ratios have a positive and significant impact on the profitability of pharmaceutical companies as measured by return on assets, while leverage control variables, company size, and age have a negative impact on the profitability of pharmaceutical companies. This study uses the latest literature to explore gaps in the existing literature. (Rashid, 2018) analyzed the efficiency of financial ratios to evaluate company liquidity, the results were estimated that the company did not have liquidity problems from the evaluation results, but it was possible to have some difficulties in accordance with the fast ratio in several years of research.

Research (Durrah, et al, 2016) shows there is no relationship between all liquidity ratios and gross profit margins, while there is a positive weak relationship between current ratios and each operating profit margin and net profit margin, as shown by research on the existence of positive relationship between (fast ratio, defensive interval ratio) and operating cash flow margins. (Bolek & Wolski1, 2012) analyze profitability or liquidity that affects the market value of companies in Poland, the results are seen investors in the Polish market consider profitability more important than liquidity in valuing companies on the Warsaw Stock Exchange. (Gbalam & Uzochukwu, 2020) shows that debtors and inventory management have a negative and not significant effect on company performance which is proxied by ROA, while cash management shows a positive but not significant impact on company performance.

METHODOLOGY

This research is included in descriptive research, which is research that seeks to describe a phenomenon, event, event that is happening now. The reason this type of research is used is because the researcher tries to describe the events and events that are the center of attention without giving special treatment to those events. The study was conducted at PT. Unilever Indonesia, is the largest manufacturing company in Indonesia. The data analysis technique used in this study is quantitative descriptive using financial ratio analysis.

1. Profitability

   Net profit Margin $= \frac{Net\ Income\ After\ Tax}{Sales} \times 100\%$

2. Return on Equity $= \frac{Net\ Income\ After\ Tax}{Equity} \times 100\%$

3. Liquidity

   Current Ratio $= \frac{Current\ Assets}{Current\ Liabilities} \times 100\%$

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

Cash Ratio $= \frac{Cash}{Current\ Liabilities} \times 100\%$

RESULT

Summary of Important Financial Data

The following is a summary of the Company's important financial data for the five years ended December 31, 2017, 2016, 2015, 2014 and 2013, which are derived from financial statements for the years ended December 31, 2017, 2016, 2015 and 2014 (audited by KAP Siddharta Widjaja & Partners, and for the year ended December 31, 2013 (audited by KAP Tanudiredja, Wibisana & Rekan), with an unqualified opinion for the Company's financial statements for the year ending December 31, 2017, as stated in the Independent auditor's report dated February 26, 2018.

Table 1
Summary of Important Financial Data

Description	2017	2016	2015	2014	2013
in billions Rupiah					
Net Sales	41.205	40.054	36.484	34.511	30.757
Cost of Goods Sold	(19.985)	(19.595)	(17.835)	(17.304)	(14.979)
Gross Profit	21.220	20.459	18.649	17.207	15.778
Operating Expenses	(11.724)	(11.751)	(10.710)	(9.194)	(8.614)
Operating Profit	9.456	8.708	7.939	8.013	7.164
Profit before Income Tax	9.372	8.572	7.829	7.928	7.159
Income before the Year	7.005	6.391	5.851	5.927	5.353
EBITDA	10.150	9.258	8.444	8.388	7.675

Source: Annual Report of PT. Unilever Indonesia Tbk (2019)

Calculation of PT. Unilever Indonesia, Tbk.

Profitability ratios are ratios to assess a company's ability to find profits. The profitability ratio calculated in this study is as follows:

1. Net Profit Margin
   Net profit margin is the ratio used to measure the profit margin on sales.

Net profit Margin $= \frac{Net\ Income\ After\ Tax}{Sales} \times 100\%$

The following is the calculation of the net profit margin of PT. Unilever Indonesia, Tbk in 2014-2017:

Table 2
Net Profit Margin of PT. Unilever Indonesia, Tbk in 2014-2017

Years	*Net Profit*	*Sales*	*Net Profit Margin (%)*
2014	5,927,000,000,000	34,511,000,000,000	17.174
2015	5,851,000,000,000	36,484,000,000,000	16.037
2016	6,391,000,000,000	40,054,000,000,000	15.956
2017	7,005,000,000,000	41,205,000,000,000	17.000
Average of Net Profit Margin			16.542

Source: Secondary data processed (2019)

Based on Table 2, it can be seen the calculation of net profit margin of PT. Unilever Indonesia, Tbk in 2014-2017. The amount of net profit margin generated in 2014-2017 overall was the highest in 2014 at 17.174% and the lowest in 2016 at 15.996%. There were consecutive decreases in 2014, 2015 and 2016, namely 17.174% down to 16.037% and down again to 15.956%, this shows that the company was not able to generate net profit by increasing the number of sales in 2014, 2015 and 2016 which did not exceed the burden cost of goods sold. However, the increase occurred in 2016 to 2017 from 15.956% to 17.00%, indicating that the company was able to generate net profit by increasing the number of sales in 2017 that exceeded the cost of goods sold.

Thus it can be seen that in 2014-2017 the average net profit margin generated by PT. Unilever Indonesia, Tbk amounted to 16.542%. The greater the net profit margin, the better because it is considered the company's ability to get profits is also quite high, while a low net profit margin indicates inefficiency of the company.

2. Return On Equity
   Return on equity measures the company's ability to generate profits based on certain share capital.

   Return On Equity = $\frac{Net\ Profit}{Equity}$ x 100%

Table 3
Return On Equity PT. Unilever Indonesia, Tbk in 2014-2017

Years	*Net Profit*	*Equity*	*Return On Equity (%)*
2014	5,927,000,000,000	14,280,670,000,000	41.504
2015	5,851,000,000,000	15,730,000,000,000	37.196
2016	6,391,000,000,000	16,745,695,000,000	38.165
2017	7,005,000,000,000	18,906,413,000,000	37.051
Average of Return On Equity			38.479

Source: Secondary data processed (2019)

Based on Table 3, it can be seen the calculation of return on equity of PT. Unilever Indonesia, Tbk in 2014-207. The amount of return on equity generated in 2014-2017 overall was highest in 2014 at 41.504% and the lowest in 2017 at 37.051%. The increase occurred in 2015-2016 from 37.196% to 38.165%. The higher the return on equity obtained the better. This means that the position of the owner of the company is getting stronger. It's just that the increase is still less efficient by using their own capital.

Thus it can be seen that in 2014-2017 the average return on equty produced by PT. Unilever Indonesia, Tbk means that the average return on equity during 2014-2017 is able to generate a net profit from its own capital of 38.479%. These results indicate that the return on equty generated is efficient because the company has a high ability to produce profitability which will affect the stock price increase.

Calculation of Liquidity Ratio of PT. Unilever Indonesia, Tbk.

Liquidity ratios are ratios that illustrate the company's ability to meet short-term obligations (debt). The liquidity ratios calculated in this study are as follows:

1. Current Ratio
   Current ratio is a ratio to measure a company's ability to pay short-term obligations or debt that is due immediately when billed as a whole.

   Current Ratio = $\frac{Current\ Assets}{Current\ Liabilities}$ x 100%

The following is the calculation of the Current ratio of PT. Unilever Indonesia, Tbk in 2014-2017:

Table 4
Current ratio of PT. Unilever Indonesia, Tbk in 2014-2017

Years	*Current Assets*	*Current Liabilities*	*Current Ratio (%)*
2014	6,316,245,000,000	1,250,000,000,000	505.300
2015	6,623,114,000,000	1,700,000,000,000	389.595
2016	6,588,109,000,000	2,392,970,000,000	275.311
2017	7,941,635,000,000	3,450,000,000,000	230.192
	Average of Current Ratio		350.099

Source: Secondary data processed (2019)

Based on Table 4, it can be seen the current ratio calculation of PT. Unilever Indonesia, Tbk in 2014-2017. The magnitude of the current ratio produced in 2014-2017 overall was the highest in 2014 at 505,300% and the lowest in 2017 at 230,192%. There is no increase in the current ratio in the company because the value of current liabilities continues to increase from year to year during the observation year. This condition shows that the company is less capable in fulfilling its current liabilities on time with its current assets.

Thus it can be known that in 2014-2017 the average current ratio produced by PT. Unilever Indonesia, Tbk is 350.099%, meaning that if the average current ratio is low, it can be said that the company is unable to pay its current liabilities with current assets, but if the results of measurement of high ratios are not necessarily in good condition. This can happen because cash is not used as well as possible.

2. Quick Ratio

   Quick ratio is a ratio that shows a company's ability to meet or pay obligations or current debt (short-term debt) with current assets without regard to inventory value.

   Quick ratio = $\frac{Current\ Assets - Inventory}{Current\ Liabilities}$ x 100%

The following is the calculation of the Quick ratio of PT. Unilever Indonesia, Tbk in 2014-2017:

Table 5

Quick ratio of PT. Unilever Indonesia, Tbk in 2014-2017

Years	*Current Assets*	*Current Liabilities*	*Inventory*	*QR (%)*
2014	6,316,245,000,000	1,250,000,000,000	2,325,989,000,000	319.220
2015	6,623,114,000,000	1,700,000,000,000	2,297,502,000,000	254.448
2016	6,588,109,000,000	2,392,970,000,000	2,318,130,000,000	178.438
2017	7,941,635,000,000	3,450,000,000,000	2,393,540,000,000	160.814
Average of Quick Ratio				228.230

Source: Secondary data processed (2019)

Based on Table 5, it can be seen the calculation of PT. Unilever Indonesia, Tbk in 2014-2017. The amount of quick ratio generated in 2010-2014 overall was the highest in 2014 at 319,220% and the lowest in 2017 at 160.814%. There was no quick ratio increase in the company because the value of current liabilities continued to increase from year to year during the observation year. However, the company is still able to pay its short-term obligations guaranteed by current assets without entering inventory.

Thus it can be seen that in 2014-2017 the average quick ratio produced by PT. Unilever Indonesia, Tbk amounted to 228.23%, meaning that the average quick ratio during 2014-2017 is good enough to pay off short-term obligations when they are due.

3. Cash Ratio
   Cash ratio is a tool used to measure how much cash is available to pay debts.

   Cash Ratio = $\frac{Cash}{Current\ Liabilities}$ x 100%

The following is the calculation of the Cash ratio of PT. Unilever Indonesia, Tbk in 2014-2017:

Table 6
Quick ratio of PT. Unilever Indonesia, Tbk in 2014-2017

Years	Cash	Current Liabilities	Cash Ratio
2014	14,280,670,000,000	1,250,000,000,000	1142.45
2015	15,729,945,000,000	1,700,000,000,000	925.29
2016	16,745,695,000,000	2,392,970,000,000	699.79
2017	18,906,413,000,000	3,450,000,000,000	548.01
Average of Cash Ratio			828.89

Source: Secondary data processed (2019)

Based on Table 6 can be seen the calculation of the cash ratio of PT. Unilever Indonesia, Tbk in 2014-2017. The amount of cash ratio generated in 2014-2017 overall was highest in 2014 at 1142.45% and the lowest in 2017 at 548.01%. The decrease in cash ratio indicates that the company's ability to pay off its financial obligations is smaller because the company's cash has not increased so much that it cannot compensate for the increase in current debt.

Thus it can be seen that in 2014-2017 the average cash ratio produced by PT. Unilever Indonesia, Tbk amounted to 828.89%, meaning that the average cash ratio during 2014-2017 was said to be able to guarantee its short-term financial obligations due to the large average cash ratio above the time series data.

Financial Performance Appraisal with Industry Ratio Standards

Based on the calculation of the ratio that has been described, it can be seen the financial condition of PT. Unilever Indonesia, Tbk, which will be assessed through the company's financial performance includes profitability ratios and liquidity ratios. If the results of the calculation of the company's financial ratios are greater or above the industry ratios, the company's financial condition is said to be efficient (good) and if the results of the calculation of the company's financial ratios are smaller or below the industry ratio, the company's financial condition is inefficient (not good).

Table 7
Financial Performance Appraisal with Industry Ratio Standards
PT. Unilever Indonesia, Tbk in 2014-2017

Financial Ratios	Years (%)				Average (%)	Industry Standards (%)	Result
	2014	2015	2016	2017			
Net profit Margin	17.174	16.037	15.956	17	16.542	5	Efficient
Return on Equity	41.504	37.196	38.165	37.051	38.479	20	Efficient
Current Ratio	505.3	389.595	275.311	230.192	350.099	200	Efficient
Quick Ratio	319.22	254.448	178.438	160.814	228.23	100	Efficient
Cash Ratio	1142.45	925.29	699.79	548.01	828.89	30	Efficient

Source: Secondary data processed (2019)

Based on Table 7 above it can be seen that the analyzed ratios of Net Profit Margin, Return on Equity, Current Ratio, Quick Ratio and Cash Ratio as a whole mean the value of the ratio during the observation year is more than the industry ratio standard. According to Djarwanto (2004: 144), a good ratio standard is one that gives an average picture. The most appropriate description of the average is the ratio of the industry (a combination of similar companies). With this standard, a company can determine whether its financial performance is good or not. This assessment is carried out by comparing the financial ratios obtained with the existing financial ratio standards. In general, a company's financial performance is categorized as good or efficient if the magnitude of the company's financial ratios is equal to or above the industry's financial ratio standards.

The average value of net profit margin produced by PT. Unilever Indonesia, Tbk is 16.542%> 5% industry standard ratio, so that the Net profit Margin is considered efficient. The greater the net profit margin, the better because it is considered the company's ability to generate high profits, while a low net profit margin shows the company's inefficiency in generating profits. Net profit margin is the ratio used to measure the profit margin on sales.

The average value of return on equty produced by PT. Unilever Indonesia, Tbk during 2014-2017 was able to generate net profit from its own capital as much as 38.479%> 20% industry average standards. These results indicate that the return on equty generated is efficient because the company has a high ability to produce profitability which will affect the stock price increase. Return on equity measures the company's ability to generate profits based on certain share capital.

The average value of the current ratio produced by PT. Unilever Indonesia, Tbk during 2014-2017 amounted to 350.099%> 200% industry average standard, meaning that if the high average current ratio can be said that the company is able to pay its current liabilities with its current assets. This is because the company can allocate cash as well as possible so that the results can be used to meet the company's short-term obligations. Current ratio is a ratio to measure a company's ability to pay short-term obligations or debt that is due immediately when billed as a whole.

The average quick ratio value produced by PT. Unilever Indonesia, Tbk is 228.23%> 100% industry average standard, meaning that the average quick ratio during 2014-2017 is good enough to pay off short-term liabilities at maturity that are guaranteed with current assets without entering inventory. Quick ratio is a ratio that shows a company's ability to meet or pay obligations or current debt (short-term debt) with current assets without regard to inventory value.

The average value of the cash ratio produced by PT. Unilever Indonesia, Tbk amounted to 828.89%> 30% industry average standard, meaning that the average cash ratio during 2014-2017 was said to be able to guarantee its short-term financial obligations due to the large average cash ratio above the industry average standard. Cash ratio is a tool used to measure how much cash is available to pay debts.

CONCLUSION

Results of the analysis of profitability ratios and liquidity ratios, it can be seen the financial performance of PT. Unilever Indonesia, Tbk in 2014-2017 can be explained as follows: (1) Financial performance in terms of profitability ratios, overall the average net profit margin of PT. Unilever Indonesia Tbk during 2014-2017 amounted to 16,542%> 5% industry average standards. Thus the net profit margin is said to be efficient because the average size is above the industry average as a benchmark. Overall return on equty is 38.479%> 20% industry average standard. This is said to be efficient because the average size is above the industry average as a benchmark. (2) Financial performance seen from the liquidity ratio, overall the average current ratio of PT. Unilever Indonesia, Tbk during 2014-2017 amounted to 350.099%> 200% industry average standards. Thus the current ratio is said to be liquid because the average is above the industry average standard as a benchmark. The average quick ratio value of 228.23%> 100% industry average standard is said to be a Liquid, and the overall cash ratio is an average of 828.89%> 30% industry average standard. This is also called Liquidity, because the average size is above the industry average as a benchmark.

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