

Analysis of Liquidity, Profitability and Solvency Ratio on Financial Performance (Case Study on PT. Gudang Garam TBK. 2019-2023 Period)

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ABSTRACT

This research employs a quantitative approach, focusing on PT. Gudang Garam Tbk. as the object of study. The research population consists of the company's financial reports, specifically the Balance Sheet and Profit and Loss Statement for the 2019-2023 period. The analyzed sample includes the financial statements of PT. Gudang Garam Tbk. over these five years. The data used is quantitative and sourced from the company's official website (<https://gudanggaramtbk.com/investor/>). Data collection was conducted using documentation and literature study methods, while descriptive statistical analysis was applied as the analytical technique. The findings indicate that PT. Gudang Garam Tbk.'s financial performance, based on liquidity ratios measured through the current ratio, quick ratio, and cash ratio, has fluctuated. The current ratio remains at a satisfactory level, whereas the quick ratio and cash ratio fall into a weaker category. Additionally, the profitability ratio assessed through net profit margin, return on equity, and return on investment reflects suboptimal outcomes. Meanwhile, solvency ratios including the debt to assets ratio, debt to equity ratio, and times interest earned ratio indicate unfavorable conditions throughout the 2019-2023 period.

INTRODUCTION

In today's era of globalization, the global economy is expanding rapidly, driven by technological advancements that significantly contribute to progress across various business sectors. These advancements have also intensified competition, requiring businesses to put in greater effort to sustain themselves and stand out in the market. Generally, a company's primary objective is to maximize profits, making a strong competitive advantage essential for achieving this goal.

According to Nst, Sri (2021), financial reports have a major role in presenting the results of company activities and evaluating the effectiveness of strategies that have been implemented to achieve business goals. This report includes various important elements, such as balance sheets, income statements, and other reports that provide valuable insights for investors, potential investors, and company management in decision making. One of the methods commonly used in analyzing financial reports is financial ratio analysis, which includes liquidity, profitability, and solvency ratios (Nur'Rahmah & Komariah in Nst, Sri, 2021). In this study, financial ratio analysis focuses on these three types of ratios to assess the financial performance of PT. Gudang Garam Tbk.

Financial performance represents a company's ability to efficiently manage its assets and resources to achieve organizational objectives within a specific timeframe. Assessing financial performance is crucial in determining how effectively a company conducts its financial operations (Rudianto, 2021). One of the key approaches to evaluating a company's financial health and progress is through financial statement analysis. These statements serve as a fundamental aspect of corporate accountability in the accounting process and provide essential information for stakeholders involved in economic decision making.

Companies engaged in the industrial sector are interesting to study because they have a strategic role in supporting business activities of various types of industries. One of the industrial companies listed on the Indonesia Stock Exchange (IDX) is PT. Gudang Garam Tbk., which is known as one of the largest kretek cigarette producers in Indonesia. This company has around 36,400 employees and contributes significantly to the country's excise.

Table 1. Financial Report of PT. Gudang Garam Tbk. 2019-2023

Year	Total Equity	Total Debt	Total Revenue	Total Assets	Net profit
2019	50,930,758	27,716,516	110,523,819	78,647,274	10,800,102
2020	58,522,468	19,668,941	114,477,311	78,191,409	7,591,709
2021	59,288,274	30,676,095	124,881,266	89,964,369	5,768,435
2022	57,855,966	30,706,651	124,682,692	88,562,617	2,896,890
2023	60,862,843	31,587,980	118,952,997	92,450,823	5,315,783

Source: Financial Report Data of PT. Gudang Garam Tbk. (2019-2023)

From the table above, it can be seen that the financial performance of PT. Gudang Garam Tbk. during the 2019-2023 period experienced a significant increase in total equity, which rose from IDR 50,930,758 in 2019 to IDR 60,862,843 in 2023. This shows the strengthening of the company's financial position. Although total debt fluctuated, there was a sharp decline in 2020 before

stabilizing at around IDR 30,676,095 since 2021. The company's revenue continued to increase from IDR 110,523,819 in 2019 to IDR 118,952,997 in 2023.

However, there was a significant decline in the company's net profit, which decreased from IDR 10,800,102 in 2019 to IDR 5,315,783 in 2023. This phenomenon requires further analysis, considering the possible influence of various factors such as increased operating costs, high interest expenses, or external conditions that impact the company's profitability. Therefore, a more in-depth evaluation of the efficiency of cost management and external factors that affect financial performance is needed to understand the main causes of the decline in profit.

Based on the financial report data presented in Table 1.1, an in-depth analysis of the company's financial performance is needed to assess its operational effectiveness and efficiency. This assessment will focus on three main aspects, namely the company's ability to obtain liquidity, profitability, and solvency.

LITERATURE REVIEW

Signaling Theory

Signaling theory is related to stock price fluctuations in the market, including stocks, bonds, and other financial instruments that can influence investor decisions (Fahmi, 2020). According to Suganda (2018), this theory explains how company management conveys information to investors, both in the form of good and bad news. This occurs because of the imbalance of information between management and external investors, where investors often get information in limited amounts and with delays compared to internal parties of the company.

Financial Performance

Financial performance is the main indicator to assess the company's achievement in managing financial resources. According to Fahmi (2020), financial performance is an analysis process used to evaluate the effectiveness of an organization in carrying out its operations based on applicable financial principles. This evaluation includes the management of the company's assets, liabilities, and income.

Financial Statement Analysis

According to the Financial Accounting Standards Statement (PSAK) No. 1 of 2019, financial statements are structured reports that present an entity's financial position and performance. Kasmir (2019) highlighted the significance of financial statements in delivering essential information to stakeholders about a company's financial condition, operational outcomes, and cash flow.

Financial Ratio Analysis

Kasmir (2019) stated that one of the main methods in assessing management effectiveness is financial statement analysis. This evaluation aims to determine whether the company has succeeded in improving its financial performance in a certain period.

Liquidity Ratio

Fred Weston, as cited in Kasmir (2019), explains that the liquidity ratio assesses a company's capability to fulfill its short-term liabilities. The current

ratio specifically evaluates how well current assets can be utilized to settle these short-term obligations. The calculation for the current ratio can be determined using the following formula:

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

The quick ratio, as described by Kasmir (2018), evaluates a company's capability to settle its obligations without relying on inventory. The quick ratio can be calculated using the following formula;

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

On the other hand, the cash ratio determines the amount of cash or cash equivalents available to cover short-term liabilities (Kasmir, 2019). The formula for calculating the cash ratio is as follows;

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

Profitability Ratio

According to Kasmir (2019), the profitability ratio evaluates a company's capability to generate earnings. The net profit margin represents the proportion of net profit relative to total sales. The net profit margin can be determined using the following formula;

$$\text{Net Profit Margin} = \frac{\text{Net Profit}}{\text{Revenue}} \times 100\%$$

Return on equity assesses how effectively a company utilizes its equity capital to generate profits (Kasmir, 2018). The calculation for return on equity is as follows;

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

Return on investment indicates the profitability derived from the use of company assets (Kasmir, 2019). The formula for computing return on investment is as follows;

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

Solvency Ratio

Kasmir (2019) states that the solvency ratio determines the extent to which a company's assets are funded by debt. The debt to assets ratio measures the proportion of total liabilities relative to total assets. The formula for calculating the debt to assets ratio is as follows;

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

Meanwhile, the debt to equity ratio compares total debt with equity to evaluate the company's reliance on external financing. The formula for computing the debt to equity ratio is as follows;

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

METHODOLOGY

This study employs a quantitative approach, focusing on PT. Gudang Garam Tbk. as the object of research. The research population consists of the company's financial statements, specifically the Balance Sheet and Profit and Loss Statement, covering the period from 2019 to 2023. The sample analyzed includes the financial statements of PT. Gudang Garam Tbk. over a five-year span, from 2019 to 2023. The data used in this study are quantitative and sourced from official company records available on the website (<https://gudanggaramtbk.com/investor/>). Data collection is carried out through documentation and literature review methods. The analysis utilizes descriptive statistical techniques by calculating financial ratios, such as liquidity, profitability, and solvency ratios, to draw conclusions based on the obtained results.

RESULTS AND DISCUSSION

1. Data analysis

The financial report analysis of PT. Gudang Garam Tbk. was carried out using data analysis techniques, which include the evaluation of the following financial ratios:

a. Liquidity Ratio

The calculation of the liquidity ratio using the Current Ratio of PT. Gudang Garam Tbk. for the period 2019-2023 is shown in the following table:

Table 2. Current Ratio Calculation for 2019-2023

Year	Current Assets	Current Liabilities	Current Ratio
2019	52,081,133	25,258,727	206.19%
2020	49,537,929	17,009,992	291.22%
2021	59,312,578	28,369,283	209.07%
2022	55,445,127	29,125,010	190.36%
2023	54,115,182	29,536,433	183.21%
Average			216.01%

Source: Processed Data (2025)

According to Kasmir (2018), the industry standard for Current Ratio is 200% or 2 times the current liabilities. The results of the analysis show that PT. Gudang Garam Tbk. has an average Current Ratio of 216.01%, which reflects the company's ability to pay off short-term liabilities more than twice, so that the financial condition can be said to be good.

Quick Ratio calculation of PT. Gudang Garam Tbk. for 2019-2023 is shown in the following table:

Table 3. Quick Ratio Calculation for 2019-2023

Year	Current Assets	Total Inventory	Current Liabilities	Quick Ratio
2019	52,081,133	42,847,314	25,258,727	36.55%
2020	49,537,929	39,894,523	17,009,992	56.69%
2021	59,312,578	47,456,225	28,369,283	41.79%
2022	55,445,127	47,639,885	29,125,010	26.79%
2023	54,115,182	46,485,966	29,536,433	25.82%
Average				37.50%

Source: Processed Data (2025)

According to Kasmir (2018), the ideal Quick Ratio is 150%. However, the average Quick Ratio of PT. Gudang Garam Tbk. only reached 37.50%, which indicates that the company's liquidity is not good in meeting obligations without relying on inventory sales.

Calculation Cash Ratio of PT. Gudang Garam Tbk. during the period 2019-2023 is shown in the following table:

Table 4. Cash Ratio Calculation for 2019-2023

Year	Cash	Current Liabilities	Cash Ratio
2019	3,571,886	25,258,727	14.41%
2020	4,774,272	17,009,992	28.07%
2021	4,169,740	28,369,283	14.69%
2022	4,407,033	29,125,010	15.13%
2023	4,256,264	29,536,433	14.41%
Average			17.32%

Source: Processed Data (2025)

Kasmir (2019) stated that the industry standard for Cash Ratio is 50%. With an average of only 17.32%, PT. Gudang Garam Tbk, which shows less than good results. This condition shows that the company does not have enough cash to cover its short-term obligations, so it still needs additional funds or time for repayment.

b. Profitability Ratio

The calculation of Net Profit Margin (NPM) of PT. Gudang Garam Tbk. from 2019 to 2023 is shown in the following table:

Table 5. Net Profit Margin Calculation for 2019-2023

Year	Net Profit	Income	Net Profit Margin
2019	10,880,704	110,523,819	9.84%
2020	7,647,729	114,477,311	6.60%
2021	5,768,435	124,881,266	4.61%
2022	2,896,890	124,682,692	2.32%
2023	5,324,516	118,952,997	4.47%
Average			5.56%

Source: Processed Data (2025)

According to Kasmir (2019), the industry standard for NPM is 20%. The results of the analysis show that PT. Gudang Garam Tbk. has an average NPM of 5.56%, which indicates that the company's profitability is less good than the industry standard.

Return on Equity (ROE) calculation of PT. Gudang Garam Tbk. for 2019-2023 is shown in the following table:

Table 6. Return on Equity Calculation for 2019-2023

Year	Net Profit	Total Equity	Return On Equity
2019	10,880,704	50,930,758	21.36%
2020	7,647,729	58,522,468	13.06%
2021	5,768,435	59,288,274	9.72%
2022	2,896,890	57,855,966	5.01%
2023	5,324,516	60,862,843	8.74%
Average			11.57%

Source: Processed Data (2025)

Kasmir (2018) stated that the industry standard for ROE is 40%. PT. Gudang Garam Tbk. recorded an average ROE of 11.57%, which indicates a less than ideal condition, where the company has not been optimal in utilizing its own capital to make a profit.

Return on Investment (ROI) calculation of PT. Gudang Garam Tbk. for the period 2019-2023 is presented in the following table.

Table 7. Return on Investment Calculation 2019-2023

Year	Net Profit	Total Assets	Return On Investment
2019	10,880,704	78,647,274	13.83%
2020	7,647,729	78,191,409	9.78%
2021	5,768,435	89,964,369	6.41%
2022	2,896,890	88,562,617	3.27%
2023	5,324,516	92,450,823	5.75%
Average			11.57%

Source: Processed Data (2025)

According to Kasmir (2019), the industry standard Debt to Assets Ratio is 35%. The calculation results show that the average of PT. Gudang Garam Tbk. is 25.84%, which indicates good financial conditions.

Debt to Equity Ratio Calculation of PT. Gudang Garam Tbk. 2019-2023:

Table 8. Debt to Equity Rate Calculation for 2019-2023

Year	Total Debt	Total Equity	Debt to Equity Ratio
2019	27,716,516	50,930,758	54.41%
2020	19,668,941	58,522,468	33.60%
2021	30,676,095	59,288,274	51.74%
2022	30,706,651	57,855,966	53.07%
2023	31,587,980	60,862,843	51.90%
Average			48.94%

Source: Processed Data (2025)

Meanwhile, the industry standard Debt to Equity Ratio is 35% (Kasmir, 2018). The company average reached 48.94%, indicating a higher dependence on debt, except in 2020 which was below the standard. This shows that the company has good financial conditions.

Calculation of Times Interest Earned Ratio of PT. Gudang Garam Tbk. 2019-2023:

Table 9. Times Interest Earned Ratio Calculation for 2019-2023

Year	Operating Profit	Interest Expense	Times Interest Earned Ratio
2019	10,045,855	(585,354)	17.16
2020	15,073,090	(382,722)	39.38
2021	7,361,765	(74,919)	98.26
2022	3,908,926	(262,405)	14.89
2023	7,439,598	(578,782)	12.85
Average			36.50

Source: Processed Data (2025)

Times Interest Earned Ratio with a minimum standard of 10 times (Kasmir, 2019) shows an average of 36.50 times, indicating that the company is able to cover interest expenses well and has low financial risk.

CONCLUSIONS AND RECOMMENDATIONS

a. Financial Performance of PT. Gudang Garam Tbk. 2019-2023 reviewed from the Liquidity Ratio:

Fred Weston in Kasmir (2019) stated that the liquidity ratio reflects the company's ability to meet its short-term obligations. This means that this ratio indicates whether the company can pay off its maturing debts. Based on the calculation of the current ratio, PT. Gudang Garam Tbk. has good liquidity with a percentage of 216.01%, exceeding the industry standard of 200%. However, the quick ratio and cash ratio show poor conditions because they only reach 37.50% and 17.32% respectively, below the industry standards of 150% and 50%. This indicates that the company has not been fully able to pay off its debts. These results are in line with the research of Yudhi Dwi Putranto and Pompong Budi Setiadi (2023), which concluded that the liquidity ratio of PT. Gudang Garam Tbk. is still not good.

b. Financial Performance of PT. Gudang Garam Tbk. 2019-2023 reviewed from the Profitability Ratio:

According to Kasmir (2019), the profitability ratio is used to measure the extent to which a company is able to make a profit in a period. During 2019-2023, the profitability of PT. Gudang Garam Tbk. as measured by Net Profit Margin, Return on Equity, and Return on Investment showed results below industry standards. This indicates that the company's asset management has not been optimal in increasing profits, so that asset growth is slow. This finding is in line with the research of Achmad Alfin al Fikri (2021), which states that the low ratio of Net Profit Margin, Return on Investment, and Return on Equity indicates a poor condition, where the company is in generating maximum profit from the capital it has.

c. Financial Performance of PT. Gudang Garam Tbk. 2019-2023 reviewed from the Solvency Ratio:

Kasmir (2019) explains that the solvency ratio measures the extent to which a company's assets are financed by debt. PT. Gudang Garam Tbk. has good solvency performance based on the Debt to Assets Ratio, Debt to Equity Ratio, and Times Interest Earned Ratio, although it fluctuated during 2019-2023. Compared to

industry standards, the company is in a healthy condition because its indicators are above average. This shows that PT. Gudang Garam Tbk. has a good ability to pay off its long-term debt. The results of this study are in line with the study of Desi Kartika Simarmata and Nina Andriani Nasution (2024), which found that the Debt to Asset Ratio and Debt to Equity Ratio indicate good financial conditions because they are above industry standards.

FURTHER STUDY

This research still has limitations so further research is needed related to the topic of Analysis of Liquidity, Profitability and Solvency Ratio on Financial Performance in order to perfect this research and increase insight for readers.

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