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Financial ratio analysis of financial distress in Indonesia stock exchange-listed customer goods corporations

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Article Info	ABSTRACT
Keywords: Financial Ratio Analysis, Consumer Goods, Indonesia Stock Exchange, Financial Health	The primary objective of this research is to assess the operational efficiency and financial well-IDXng of consumer goods companies listed on the Indonesia Stock Exchange (IDX) from 2019 to 2022 through the examination of financial ratios. Data for the research was acquired through a literature review that utilized four company samples derived from Indonesia Stock Exchange data. This research methodology obtains pertinent financial ratio data through a literature review. The outcomes demonstrated a favourable performance in general, as evidenced by ratio values including retained earnings to total assets, working capital to total assets, return on assets (ROA), and current ratio, which indicated favourable working capital management, asset optimisation, and ability to fulfil current obligations. The results presented in this study offer a positive outlook regarding the adaptability and stability of consumer products firms operating within the Indonesian capital market.
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INTRODUCTION

The dynamic and ever-changing global economy has a significant impact on various business sectors, including the consumer goods sector. Companies in this sector are often faced with complex and diverse financial challenges, which can impact their operational continuity and growth. In facing a competitive business environment[1], consumer goods companies listed on the Indonesia Stock Exchange (IDX) are required to ensure their financial health so they can adapt to market changes and remain key players in the industry.

The Covid-19 pandemic has made the economy of several companies choke. They have taken various steps to stabilize the company's economy[2]–[4]. Starting from closing production operations, adjusting marketing digitalization, even until finally having to go out of business.Based on survey results from the Central Statistics Agency (BPS), 66.09% of Indonesian business actors still reported a decline in income in the third quarter because some of these business actors were still affected by the Covid-19 corona virus outbreak, there was a decrease in income.[5]. There are 82.85% of business actors reporting income losses due to the corona outbreak.

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The need for financial ratio analysis is a commonly used approach in evaluating the financial performance of a company[6]–[8]. Financial ratios provide a comprehensive picture of a company's financial structure and can provide clues to potential financial difficulties that a company may face[9]–[13]. Therefore, this research aims to conduct an analysis of financial ratios against financial difficulties in consumer goods companies listed on the IDX.

Several factors that can influence the financial difficulties of consumer goods companies include fluctuations in raw material prices[14], changes in consumer preferences, intense market competition, and changes in government regulations. In this context, this research will focus on identifying and measuring relevant financial ratios, such as liquidity ratios, solvency ratios, profitability ratios, and activity ratios, to gain a deeper understanding of the company's financial condition.

This research aims to analyze the financial health of consumer goods companies on the IDX, but can also provide further insight into the factors that may influence their financial performance. It is hoped that the results of this research can become a basis for companies in making strategic decisions regarding their financial management, and can contribute to economic and financial literature in Indonesia.

METHODS

Financial management

Financial management is one of the company's operational functions related to financial processing which is basically carried out by individuals, companies and the government. Financial management has an important role in the development of a company. Financial management is an important field of science. By studying financial management, a person will have wider opportunities for work and career development.[15]–[18]. Financial Management or in other literature called expenditure, is all company activities related to how to obtain funds, use funds and manage assets according to overall company goals [19], [20]. In other words, financial management is management regarding how to acquire assets, fund assets and manage assets to achieve company goals.

Financial Ratio Analysis

Analysis of financial ratios produced by financial accounting is useful for classifying or predicting bankruptcy. To manage their businesses more effectively, increase their capacity to earn profits, and ultimately prevent bankruptcy, banks must maintain a high level of soundness (liquidation). This bankruptcy study was conducted to find out when bankruptcy first started (early signs of bankruptcy). Management benefits more from early evidence of progress because they can act immediately[21], [22]. Bankruptcy is usually defined as the failure of a company to carry out company operations to generate profits.

Bankruptcy as a failure that occurs in a company is defined in several terms, namely Economic Distressed, this indicates that the level of profit is less than the cost of capital or that the current value of the company's cash flow is less than its liabilities. It also means that the company is losing money or its revenues cannot pay its own expenses[23]–[25]. Failure occurs when a company's real cash flow is much lower than its anticipated cash flow. Financial Distressed has the connotation of financial difficulty, either in the sense of

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money as cash or as working capital. To avoid a financial crisis, some asset liability management is essential for the structure. A bankruptcy that differentiates between a cash flow basis and a stock basis may also be considered a financial failure

Research methods

The literature study method applied in this research begins with identifying related literature that specifically discusses financial ratio analysis and financial difficulties in consumer goods companies. The literature search includes sources such as academic journals[26]–[29], books and research reports that focus on companies listed on the Indonesia Stock Exchange . Literature selection was carried out carefully, considering the quality, relevance and research methodology used. The next stage involves analyzing general Indonesian economic and financial literature, to understand the macroeconomic context, regulatory changes, and other factors that may influence the company's financial health. An in-depth understanding of the characteristics and operational mechanisms of IDX was also obtained through a literature review. This research looks for gaps in the literature that can be filled, providing focus on certain aspects that may not have been widely discussed. With this approach, research will summarize and synthesize previous findings[30], ensuring that the analysis of financial ratios and financial difficulties in consumer goods companies on the IDX.

RESULTS AND DISCUSSION

In this research, the research object is consumer goods companies listed on the Indonesia Stock Exchange (IDX) from 2019 to 2022, consisting of several companies as research samples, namely PT Gudang Garam Tbk (Emiten Code: GGRM), PT Indofood CBP Sukses Makmur Tbk (Issuer Code: ICBP), PT Indofood Sukses Makmur Tbk (Issuer Code: INDF), PT Kalbe Farma Tbk (Issuer Code: KLBF, PT Unilever Indonesia Tbk (Issuer Code: UNVR).

Financial Ratio Data Analysis

The data analysis used in this research is the financial ratios of each bankruptcy prediction method. The aim is to find out a comprehensive picture of financial ratios. Financial ratio values are calculated based on data contained in the financial reports of the companies used as samples in this research. The following are the results of calculating financial ratios for each bankruptcy method from 2019 to 2022 obtained from the literature study conducted in the research.

Based on the literature study, it is known that Kalbe Farma Tbk. has the highest average working capital/total assets ratio, at 0.45, according to the literature review. Indofood Sukses Makmur Tbk., with an average ratio value of 0.07, is the company with the lowest value. All things considered, consumer products companies have an average working capital/total assets ratio of 0.26, which is favorable. The stronger the company's ability to obtain working capital from all of its assets, the higher the value of the working capital/total assets ratio. The positive value that consumer goods companies have achieved indicates that all businesses are operating efficiently.

Based on the literature study, it is known that Kalbe Farma Tbk. had the greatest average retained earnings/total assets ratio, at 0.75, according to the literature review.

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With an average ratio value of 0.23, Indofood Sukses Makmur Tbk. is the firm with the lowest value. The ratio of retained earnings to total assets held by consumer products corporations is generally favorable, averaging 0.45. This demonstrates that the business can effectively extract retained earnings from its owned assets. The greater the ratio of retained earnings to total assets, the more advantageous it is for the company to be able to extract retained earnings from all of its assets. Therefore, there is less chance of running into financial problems. The positive value that consumer goods companies have achieved demonstrates that all businesses have maximized earnings by optimizing the use of their assets.

Based on the literature study, it is known that Unilever Indonesia Tbk. has the highest average ROA value, 0.37, according to the literature review. Indofood Sukses Makmur Tbk., with an average ratio value of 0.06, is the company with the lowest value. Consumer products companies have an average ROA value of 0.15, which is favorable overall. The better a corporation is at managing its assets to generate the most profits, the higher its ROA value. The positive value that consumer goods firms achieve demonstrates that management is capable of making the best use of corporate resources.

Based on the literature study, it is known that Kalbe Farma Tbk. is reported to have the highest average current ratio value, 4.42, based on the literature analysis. Unilever Indonesia Tbk., with an average ratio value of 0.66, is the company with the lowest value. Consumer goods companies have an average current ratio value of 2.16, which is favorable overall. The greater the company's ability to meet its present obligations, the higher the current ratio is. The consumer goods companies' positive number indicates that all of the companies have more current assets than current liabilities.

CONCLUSION

The findings of this study concern the operational efficacy and financial health of consumer goods companies listed on the Indonesia Stock Exchange (IDX) from 2019 to 2022. An examination of financial ratios for a representative sample of firms including Gudang Garam, Indofood CBP, Indofood, Kalbe Farma, and Unilever demonstrates that the industry as a whole is performing favorably. Ratios such as working capital to total assets, retained earnings to total assets, return on assets (ROA), and current ratio exhibit a positive trend, which signifies working capital efficiency, retained earnings generation capability, asset optimization, and current liability fulfillment capability. The findings of this study offer cause for optimism concerning the resilience and flexibility of consumer goods firms in the face of fluctuations in the economic market.

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