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# Analysis Of Financial Performance Measurement Based On Net Profit Margin, Return On Assets And Return On Equity In Companies Listed On The Indonesia Stock Exchange

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ABSTRACT

Based on financial report data from PT. Ultrajaya Milk, Tbk. seen from the profitability ratio provides an overview of changes in financial position in each period, this shows that the company's profit fluctuates. For this reason, a more specific analysis is needed to get a clearer picture of the increase and decrease in company performance that occurs each year. So this research aims to assess the financial performance of PT.Ultrarajaya Milk,Tbk. During 2018-2022 based on Profitability Ratios consisting of Net Profit Margin, Return On Assets and Return On Equity. Based on the results of research and discussion, it can be concluded that PT.Ultrajaya Milk,Tbk. During 2018 to 2022, looking at the Profitability Ratio based on Net Profit Margin, Return On Assets and Return On Equity, it shows that financial performance results are considered less good, this is based on the results of calculations for 5 obtained an average net profit margin value of 15.98%, return on assets of 14.25% and return on equity of 19.52% years which are still far below the industry average standard.



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## INTRODUCTION

Financial performance measurement is a formal effort to evaluate a company's efficiency and effectiveness in generating certain profits and cash positions. According to (Jumingan, 2018) financial performance is a description of financial conditions in a certain period both regarding aspects of collecting funds and distributing funds which are usually measured by indicators of capital adequacy, liquidity and profitability. According to (Islahuzzman, 2012) financial performance is a comparison between real results (realization) and benchmarks that have been previously established. According to (Munawir, 2016), the aim of a company's financial performance is to measure the level of business stability, namely the company's ability to carry out its business stably, which is measured by considering the company's ability to pay its debts and pay interest charges on its debts on time. Company profits also have a function as an assessment of a company's ability to work effectively, whether good or bad. For this reason, efforts are needed to increase profit changes (Stephen Khutanto, 2023).

When discussing financial performance, it must be based on financial reports prepared in accordance with generally accepted financial accounting principles. According to (Hery, 2016) financial reports always report company activities in a certain period and the company is said to be successful if the company has achieved a certain predetermined performance. Financial reports are a source for obtaining information regarding the financial position and operating results that have been achieved by the company. This information is used as material for consideration in decision- making, both company management and external parties (Siti Junaida Hasibuan, 2023). According to (Sujawerni, 2017) Financial report analysis is an analysis that aims to look at the company's financial status, the company's past and present achievements as a basis for decision making by all parties. According to (Hani, 2015), one of the objectives of financial report analysis is to predict future financial conditions.

To determine the success of a company's financial management in the current year or previous year, financial performance can be seen as a benchmark for the company's financial success. Financial performance is usually measured using commonly used ratios. According to (Rudianto, 2013) financial ratios are a comparison between one group of accounts and another group of accounts into several groups of ratios. According to (Fauzi Muis Rambe, 2015) the ratios calculated are grouped into four, namely liquidity ratios, leverage ratios, activity ratios and profitability ratios. According to (Hazmanan Khair, 2016) The liquidity ratio is a ratio used to measure a company's ability to meet short-term financial obligations. According to (Harahap, 2013) leverage is a ratio that describes the relationship between a company's debt and capital. This ratio can see how far the company is financed by debt or external parties and the company's capabilities as described by capital. The activity ratio is a ratio to measure a company's ability to manage its assets effectively and efficiently (Ista yasni Rinnaya, 2016). According to (Fahmi, 2014), the profitability ratio measures the overall level of management effectiveness as indicated by the size of the profit obtained. According to (Samryn, 2015), the benefit of the profitability ratio is to find out how much every rupiah of sales produces gross profit. According to (Siswanto, 2024) important financial indicators, including Cash Ratio, Return on Investment (ROI), Return on Equity (ROE), and Net Profit Margin (NPM).

PT. Ultrajaya Milk, Tbk. is a company operating in the industrial sector, especially the food and beverage industry. Previous research was conducted by Martua Andreas Simanjuntak with the title Financial Ratio Analysis as a Measuring Tool for Financial Performance of PT. Ultrajaya Milk Industry, Tbk. For this reason, a more specific analysis is needed to get a clearer picture of the increases and decreases in company performance that occur each year. Based on the financial report data that has been presented, the company's profits have fluctuated, followed by the company's assets, sales and capital also experiencing fluctuations. This information can later be used as a consideration for users of financial reports in making decisions and also as evaluation material for the company. Therefore, researchers are interested in conducting research with the aim of the research is to assess the financial performance of PT. Ultrajaya Milk, Tbk. During 2018 to 2022 based on Net Profit Margin, return on assets and return on equity.

## METHODS

The data analysis method used in this research uses a qualitative descriptive research method with the aim of obtaining an overview of the company's condition. The data source used is sec-ondary data. Process and meaning (subject perspective) is emphasized in qualitative research. The theoretical basis is used as a guide so that the research focus is appropriate with facts on the ground (Lapiti Gokmatua Sagala, 2024).The population in this research is the financial state-ments of PT. Susu Ultrajaya, Tbk. Meanwhile, the sample in this research is the financial report of PT. Susu Ultrajaya, Tbk. 2018-2022 period. We gather essential financial indicators, including Cash Ratio, Return on Investment (ROI), Return on Equity (ROE), and Net Profit Margin (NPM), from the annual financial statements acquired from the Indonesia Stock Exchange and the companies' websites (Siswanto, 2024).

## RESULTS AND DISCUSSION

Profitability Ratio Analysis in this research uses Net Profit Margin, Return On Assets and Return On Equity. To take advantage of the Financial Ratio, it requires a standard value for comparison. One approach is to compare the company's financial ratio with its industry standard. The industry standard ratio proposed by (Kasmir, 2021) is:

**Table 1 :** Industry Ratio Standards

| Profitability Ratio | Industry Ratio Standards |
|---|---|
| Net Profit Margin | 20% |
| Return on Assets | 30% |
| Return on Equity | 40% |

### Net Profit Margin

Net Profit Margin is a company's ability to gain profit from sales. The following is the Net Profit Margin calculation for PT. Ultrajaya Milk, Tbk. 2018-2022:

**Table 2 :** Net Profit Margin

| Year | Profit After Interest and Taxes (Rp) | Sales (Rp) | Net Profit Margin |
|---|---|---|---|
| 1 | 2 | 3 | 4 = 2:3*100% |
| 2018 | 701.607 | 5.472.882 | 12,81% |
| 2019 | 1.035.865 | 6.223.057 | 16,64% |
| 2020 | 1.109.666 | 5.967.362 | 18,59% |
| 2021 | 1.276.793 | 6.616.642 | 19,29% |
| 2022 | 965.486 | 7.656.252 | 12,61% |
| Average | | | 15,98% |

From the results of these calculations, for 5 years the Net Profit Margin is said to be in poor condition, because the average percentage of Net Profit Margin obtained is still far below the industry average standard. It can also be seen that within a period of five years the Net Profit Margin tends to experience fluctuation. Even though it experienced an increase in 2019, 2020 and 2021, it experienced a decline again in 2022.

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The reason Net Profit Margin is considered poor based on industry average standards for 5 years (2018-2022) is because the company is not maximally able to obtain profits from sales made by the company. This happens because of the company's high operational costs and the company's low ability to minimize operational costs, which results in the company's profits decreasing. A safe Net Profit Margin is if it reaches 20% based on industry average standards. Meanwhile, the Net Profit Margin obtained by the company for 5 years is still far below the industry average standard, this is what causes the financial performance of PT. Ultrarajaya Milk, Tbk. Based on Net Profit Margin for 5 years, it is considered not good.
Thus, looking at these 5 years, the company's ability to earn profits from sales is still below expectations or relatively poor. This condition needs to be of concern to the management of the company concerned.

**Return On Assets**

Measuring a company's financial performance with Return On Assets is the ability of capital invested in all assets owned to generate profits. Return On Assets values are as follows:

**Table 3 :** Return On Assets

| Year | Profit After Interest and Taxes (Rp) | Total Assets (Rp) | Return on Assets |
|---|---|---|---|
| 1 | 2 | 3 | 4 = 2:3*100% |
| 2018 | 701.607 | 5.555.871 | 12,62% |
| 2019 | 1.035.865 | 6.608.422 | 15,67% |
| 2020 | 1.109.666 | 8.754.116 | 12,67% |
| 2021 | 1.276.793 | 7.406.856 | 17,23% |
| 2022 | 965.486 | 7.376.375 | 13,08% |
| Average | | | 14,25% |

From the results of these calculations for 5 years (2018-2022), Return On Assets can be said to be in poor condition, because the average percentage of Return On Assets obtained is still far below the industry average standard. It can also be seen that within a period of five years (2018-2022) Return On Assets experienced percentage fluctuations. Except that in 2019 and 2021 there was an increase, but it decreased again in 2020 and 2022.

The reason Return On Assets is considered poor based on industry average standards for 5 years (2018-2022) is because the company has not been able to maximize total assets to produce optimal net profit. A safe return on assets is if it reaches 30% based on industry average standards. Meanwhile, the Return on Assets obtained by the company for 5 years is still far below the industry average standard, this is what causes the financial performance of PT. Ultrarajaya Milk, Tbk. Based on Return On Assets for 5 years, it is considered not good. Thus, looking at the 5 years, the company has not been able to create higher profits by utilizing the total assets it owns. This condition needs to be of concern to the management of the company concerned.

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**Return on Equity**

Return on Equity measures the return on profit for one year based on the capital invested. The following is the calculation of Return on Equity for PT. Ultrajaya Milk, Tbk. 2018-2022:

**Table 4 :** Return on Equity

| Year<br>1 | Profit After Interest and Taxes (Rp)<br>2 | Total Equity (Rp)<br>3 | Return on Equity<br>4 = 2:3*100% |
|---|---|---|---|
| 2018 | 701.607 | 4.774.956 | 14,69% |
| 2019 | 1.035.865 | 5.655.139 | 18,31% |
| 2020 | 1.109.666 | 4.781.737 | 23,20% |
| 2021 | 1.276.793 | 5.138.126 | 24,84% |
| 2022 | 965.486 | 5.822.679 | 16,58% |
| Average | | | 19,52% |

From the results of these calculations for 5 years (2018-2022), Return on Equity is said to be in poor condition, because the average percentage of Return on Equity obtained is still far below the industry average standard. It can also be seen that within a period of five years (2018-2022) Return on Equity tends to experience percentage fluctuations. Except for 2019, 2020 and 2021 there was an increase, but it decreased again in 2022.

The reason Return on Equity is considered poor based on industry average standards for 5 years (2018-2022) is because the company has not been able to maximize its capital to produce optimal net profit. A safe Return on Equity is if it reaches 40% based on industry average standards. Meanwhile, the Return on Equity obtained by the company for 5 years is still far below the industry average standard, this is what causes the financial performance of PT. Ultrarajaya Milk, Tbk. Based on Return on Equity for 5 years, it is considered not good. Thus, looking at the 5 years, the company has not been able to create higher profits by utilizing the capital it has. This condition needs to be of concern to the management of the company concerned.

## CONCLUSION

Analysis of Financial Performance Measurement Based on Net Profit Margin, Return on Assets and Return on Equity at PT. Ultrajaya Milk, Tbk. So it can be concluded that the financial performance of PT. Ultrajaya Milk, Tbk. During 2018-2022, Net Profit Margin is considered to be poor, this is based on the results of Net Profit Margin calculations for 5 years which are still far below the industry average Net Profit Margin standard, namely 20%. Looking at these 5 years, the company's ability to earn profits from sales is still below expectations or relatively poor based on industry average standards. Financial performance of PT. Ultrajaya Milk, Tbk. During 2018-2022 based on Return on Assets it is considered not good, this is based on the results of Return on Equity calculations for 5 years which are still far below the industry average standard for Return on Equity, namely 30%. Looking at these 5 years, the company has not been able to create higher profits by utilizing the assets it owns.

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Financial performance of PT. Ultrajaya Milk, Tbk. During 2018-2022, Return on Equity is considered not good, this is based on the results of Return on Equity calculations for 5 years which are still far below the industry average standard for Return on Equity, namely 40%. Looking at these 5 years, the company has not been able to create higher profits by utilizing the capital it has.

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