

Analysis of Financial Performance Based on Financial Ratio and Economic Value Added (Case Study: PT. Unilever Indonesia Tbk)

Evi Wardah Saniyah Maulidya¹, Agus Sukoco², Joko Suyono³, Damarsari Ratnasahara Elisabeth⁴

ewiwardah6@gmail.com¹, agus.sukoco@narotama.ac.id², joko.suyono@narotama.ac.id³

Departement of Management Student, Faculty of Economics and Business, Narotama University
JI Arif Rahman Hakim No 51 Surabaya, Indonesia 60117^{1,2,3}

Sekolah tinggi Ilmu Ekonomi Mahardhika, Department of Management, Surabaya, Indonesia⁴

ABSTRACT

The purpose of the study to analyze financial ratio and economic value added (EVA) used to knowing the company's financial performance in PT Unilever Indonesia Tbk . The analytical method used are financial ratios (Liquidity ratio, Solvability ratio, Profitability ratio, and Activity ratio) and economic value added (EVA) methods. The results showed that the results of the company's financial performance were measured by financial ratio analysis for highly liquid profitability ratio values, liquid solvency ratio values, liquid activity ratio values, but for illiquid liquidity ratio values because it was below the standard ratio value. Overall the results of financial ratio analysis can be said that the financial performance of liquid companies. While the results of EVA, obtained a positive result (EVA > 0) from 2014 to 2018. It meant that company management had increasing its performance in 2014-2018 such that it successfully created economic value added for company and shareholders.

Keywords : Financial, performance, ratio, EVA

1. INTRODUCTION

In the era of globalization that continues to increase rapidly causing increasingly tight company competition, with uncertain economic conditions many companies experience bankruptcy. To support this problem, it is necessary for the company to record financial statements. Managers are required to be able to implement financial management well so that companies can develop and maintain company activities in the global competition that occurs. Financial statements have an important role for the company to become a source of information and important media used by company managers in the decision-making process. Financial statements can also describe financial performance, whether in good condition or not. The company's financial performance can be seen from the financial statements presented by the company. According (Indra Hariadi, 2011) To assess company performance a number of benchmarks are needed. Ratio is a benchmark that is often used to compare one component with another component in one financial report.

This ratio analysis can help companies to determine the level of corporate financial performance. According (Faisal, Samben and Pattisahusiwa, 2018) Ratio analysis consists of several types, including liquidity ratios, solvability ratios, profitability ratios and activity ratios. So that in order to analyze financial statements to find out the company's performance by using the calculation of these ratios will be obtained an overview of the company's development and can be used to make decisions. The company has done a lot of assessing financial performance using ratio analysis. But many researchers argue that ratio analysis is not enough to assess the company's financial performance, so by using other methods of assessing performance, one of the popular methods is the method of Economic Value Added (EVA). The EVA method can assess more objectively in interpreting the company's financial performance.

Based on the description above, it can be said that the financial statements of a company have an important role to become a source of information to measure the company's performance both for business owners and company shareholders. Therefore, authors are interested in conducting thesis research with the title "Analysis Of Financial Performance Based On Financial Ratio And Economic Value Added (Case Study: PT. Unilever Indonesia Tbk)".

From the background described above, the authors formulate the problem, namely:

1. How is the financial performance of PT. Unilever Indonesia, Tbk by using the method of financial ratios, namely liquidity ratios, solvability ratios, profitability ratios and activity ratios?
2. How is the financial performance of PT. Unilever Indonesia Tbk using the method of Economic Value Added (EVA)?

2. LITERATURES

Financial Statements

According (V. Wiratna Sujarweni, 2017) financial statements are part of the financial recording process. The financial statements consist of a balance sheet, income statement. In general, financial statements are a source of corporate financial information in a period that is used to describe the company's performance. A financial report is a report that presents the financial condition of a company in the present or a certain period. Financial statements are made per period, for example three months or six months. Meanwhile, for more extensive and detailed reports carried out once a year for the interests of the company (Rahmad Dadue, 2017)

Analysis of Financial Statements

Financial statement analysis is a process that is considered to evaluate the financial position and results of the company's operations in the present and the past that aims to determine predictions about the condition and financial performance of the company in the future (Mudawamah, 2015). Financial statement analysis is a useful instrument that has many advantages, namely providing information investors who will impact on the decision to invest their funds in a company, the government and authorities who have been informed can determine whether the company meets accounting principles and accounting standards applicable. So that government agencies can analyze the amount of tax to be charged (Sugi, 2018).

Financial Ratio Analysis

Financial ratio analysis is used by comparing a certain number in an account with numbers from other accounts. Financial management often uses ratio analysis, credit analysis, and stock analysis. Ratio analysis has the benefit of comparing a number relatively so that it can avoid misinterpretation of the numbers in the financial statements (Rahmad Dadue, 2017).

According to (Sofyan Syafri Harahap, 2015) advantages of ratio analysis are as follows:

1. Ratios are statistical numbers that are easy to read and interpret
2. Become a simpler substitute of very complex and detailed financial statements
3. Can know the position of the company among other industries
4. Very useful for materials in filling out decision-making models and prediction models (Z-Score)
5. Standardize the size of the company
6. It is easier for companies to periodically see the company's development
7. It's easier to see company trends and make predictions in the future.

Types of Financial Ratios

Explanation of the types of ratios according to (Harahap, 2004) are as follows:

1. Liquidity ratio (Liquidity Ratio)
The ratio used to measure a company's ability to fulfill short-term debt, liquidity is the company's ability to pay obligations that must be fulfilled. This ratio can be calculated with three measuring instruments, mentioned as follows:
 - a. Current Ratio
 - b. Quick Ratio
 - c. Cash Ratio
2. Leverage Ratio
This ratio is to measure how far the company is financed by debt or outside parties. A good company has a larger capital composition than debt. This ratio is also called the solvency ratio. There are five ratios in this ratio, namely:
 - a. Total Debt to Total Asset Ratio
 - b. Total Debt to Total Equity Ratio
 - c. Time Interest Earned Ratio

- d. Fixed Charge Converage Ratio
- e. Debt Service Converage Ratio
- 3. Activity Ratio (Activity Ratio)
This ratio is to describe the activities of the company in carrying out its operations both in the activities of sales, purchases, and other activities. Activity ratios are also useful for measuring the effectiveness of companies in using existing funding sources. The activity ratio consists of four ratios, namely:
 - a. Inventory Turn Over
 - b. Receivable Turnover
 - c. Fixed Turnover
 - d. Total Assets Turnover
- 4. Profitability ratio
This ratio is used to measure a company's ability to make a profit. Profitability ratios can describe the company's ability to generate profits through sales activities, cash, capital, and so on. The profitability ratio can be measured by several ratios, namely:
 - a. Profit Margin
 - b. Return On Assets
 - c. Return on Equity
 - d. Return On Investment
 - e. Earning Per Share

Financial performance

Definition of company financial performance is a description of the financial condition in a given period, both concerning the aspect of fund collection and the distribution of funds which are usually measured by indicators of capital adequacy, liquidity and profitability (Mudawamah, 2015). To find out the size of a company's health can be seen as follows (Fathul Hilal Perdana Kusuma, 2018)

- a. Very healthy
Namely companies whose value of liquidity ratio is above 150%, solvency ratio above 200%, activity ratio 10 times, and profitability ratio above 12%.
- b. Healthy
Namely companies whose value from the liquidity ratio is between 100% -150%, solvency ratio 150% - 200%, activity ratio 8-10 times, and profitability ratio 8% - 12%.
- c. Unwell
Namely companies whose value of liquidity ratio is 75% -100%, solvency ratio 100% -150%, activity ratio 4-6 times, and profitability ratio 5% - 8%.
- d. Not healthy
Namely companies whose value of the liquidity ratio is less than 75%, the solvency ratio is less than 100%, the activity ratio is 2-4 times, and the profitability ratio is less than 5%.

According (Sawir, 2011)The evaluation of EVA can be said as follows:

- a. If EVA is positive ($EVA > 0$), then there has been a company value-added process where the level of operating profit after the tax obtained exceeds the cost of the company's capital. Company performance can be said to be good.
- b. If $EVA = 0$, then it shows the break-even position of the company where the level of operating profit after the tax obtained is equal to the cost of capital borne by the company.
- c. If EVA is negative ($EVA < 0$), then there is no added value to the company because the total cost of the company's capital is greater than the profit after the tax obtained. The performance of the company is not good.

Economic Value Added (EVA)

According to (Tampi and Mukuan, 2014) EVA is the difference between operating income after tax and its capital costs. EVA is an estimate of the economic profit of a business during a given year. In calculating EVA there are three variables, namely NOPAT (Net Operating Profit After Tax) or profit after

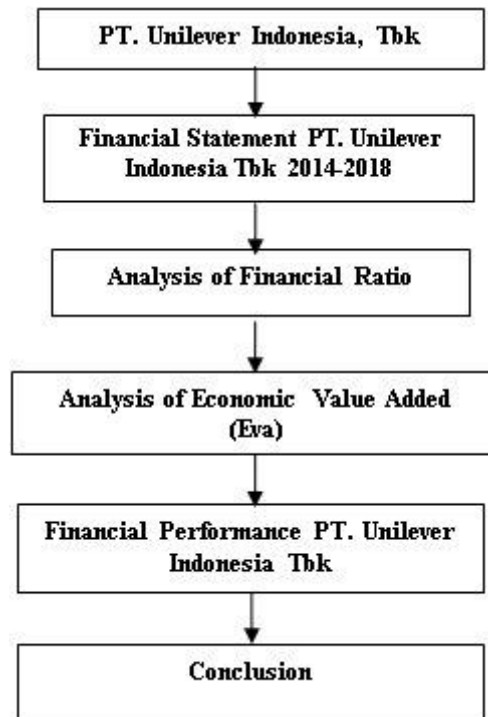
tax, Coc (Cost of Capital) capital costs and EVA or economic value added. The EVA concept is a concept used to assess financial performance developed by Stem Stewart & Co, a financial management consultant in the United States. EVA is a method that measures company profits stating that the welfare of a company can be created if the company is able to meet all operating costs and capital costs (Roissatul Nurwahyuni, 2017). There are steps that must be taken in calculating EVA. According to (Indra Hariadi, 2011), a simple calculation of EVA is as follows:

- a. Net sales - operating costs = operating profit
- b. Operating profit - tax = Net Operating Profit After Tax (NOPAT) or net income after tax
- c. NOPAT - capital costs (capital invested x capital costs) = EVA

There are steps in calculating EVA, namely:

- a. Calculating the cost of debt
- b. Calculate the cost of equity
- c. Calculate the capital structure of the balance sheet
- d. Calculate weighted average capital costs (WACC)
- e. Calculating EVA

Concept



3. METHODS

Types of research

This type of research used in descriptive qualitative. Descriptive research is research by collecting, analyzing and interpreting conditions in a certain period that occur in an object of research (Afandi and Martoatmodjo, 2013)

Population

Population is a generalization area consisting of objects or subjects that have certain quantities and characteristics determined by researchers to be studied and conclusions drawn (Sugiyono, 2010). The population contained in this study is the financial statements of PT Unilever Indonesia Tbk.

Sample

The sample is part of the amount that is owned by the population. If there is a large population, researchers will not learn all that exists in the population, for example there is a power, time, and funding constraints, the researcher can take a portion of the population called the sample. Samples must be representative or representative (Sugiyono, 2010). The sample in this study is the financial statements of PT Unilever Indonesia Tbk which were issued over the past five years, namely 2014 to 2018.

Data Type

The type of data used in this study is quantitative data. Quantitative data is data in the form of numbers such as financial statements consisting of balance sheets and profit and loss (Harahap, 2004).

Data Source

The data used in this research is secondary data. Secondary data, namely data obtained in the form of documents or reports originating from the company to be examined, namely the financial statements of PT. Unilever Indonesia Tbk in 2014 up to 2018.

Data Collection

According to (Sugiyono, 2010) data retrieval techniques are the most strategic step in research, because the main purpose of research is to obtain data. The data collection techniques used in this study were documentation studies and literature studies.

Data Analysis Techniques

The data analysis techniques of this study are as follows:

1. Collect financial statements of PT Unilever Indonesia Tbk for the 2014-2018 period from the website www.idx.co.id.
2. Recapitulate the financial statements of PT Unilever Indonesia Tbk into Excel, namely the balance sheet and income statement.
3. Analyzing financial statements using financial ratios, namely liquidity ratios, solvency ratios, profitability ratios and activity ratios.
4. Make a recapitulation table on the results of the calculation of the financial ratios of PT Unilever Indonesia Tbk for the 2014-2018 period.
5. Calculating and analyzing Economic Value Added (EVA).
6. Creating a recapitulation table for the calculation of Economic Value Added (EVA) of PT. Unilever Indonesia Tbk.
7. Conduct analysis and interpretation of PT Unilever Indonesia Tbk's financial performance on the results of calculation of financial ratios for the 2014-2018 period.
8. Give conclusions and suggestions.

4. RESULTS AND DISCUSSION

Calculation of Financial Ratios

Calculation of financial ratios of PT Unilever Indonesia Tbk uses financial statements in the form of balance sheets and income statements for the 2014-2018 period. The calculation of financial ratios includes liquidity ratios, solvency ratios, profitability ratios, and activity ratios that aim to assess the company's financial performance. Recapitulation of financial ratios of PT Unilever Indonesia Tbk can be seen in Table 3.1

Table 1 Recapitulation of Ratio Analysis of PT Unilever Indonesia Tbk in 2014-2018

| Ratio | Explanation | 2014 | 2015 | 2016 | 2017 | 2018 | Interpretation |
|-------------|----------------------|---------|---------|---------|---------|---------|----------------------------|
| Liquidity | Current Ratio | 71.49% | 65.40% | 60.56% | 63.37% | 74.77% | < 1, Illiquid |
| | Quick Ratio | 45.25% | 42.71% | 39.25% | 44.27% | 50.89% | |
| Solvability | Debt to Equity Ratio | 200.87% | 225.85% | 255.97% | 265.46% | 157.62% | >1, Illiquid <1, Liquid |
| | Debt to Total Asset | 66.76% | 69.31% | 71.91% | 72.64% | 61.18% | |

| | | | | | | | |
|---------------|----------------------|----------------------|-----------|-----------|-----------|-----------|------------------|
| Profitability | Gross Profit Margin | 50.46% | 51.12% | 51.08% | 51.50% | 50.46% | > 15%, Liquid |
| | Net Profit Margin | 17.17% | 16.04% | 15.96% | 17.00% | 21.79% | > 15%, Liquid |
| | Return On Investment | 41.50% | 37.20% | 38.16% | 37.05% | 46.66% | >15%, Liquid |
| | Return On Equity | 124.85% | 121.22% | 135.85% | 135.40% | 120.21% | > 20%, Liquid |
| | Activity | Total Asset Turnover | 2.42 time | 2.32 time | 2.39 time | 2.18 time | 2.14 time |
| | Inventory Turnover | 0.86 time | 0.86 time | 0.94 time | 0.99 time | 1.16 time | < 1, Illiquid |

Source: Secondary data processed 2019

Based on the calculation of ratio analysis shows the overall corporate financial performance as measured by ratio analysis which includes liquidity ratios, solvability ratios, profitability ratios, and activity ratios showing the results of the current ratio from 2014-2018 which has an average value of 68% current ratio means performance finance at this ratio is illiquid. the quick ratio of PT Unilever Indonesia Tbk has increased to 50.89%, this ratio can be said to be illiquid because its value is < 1. Debt to equity ratio from 2014-2018 which has an average value of 218% means that the financial performance in this ratio is illiquid because of its value > 1. Debt to total asset ratio from 2014-2018 which has an average value of 68% which means that the financial performance at this ratio is liquid because of its value < 1. Gross Profit Margin of PT Unilever Indonesia Tbk from 2014-2018 which has an average value average 51% means that the financial performance at this ratio is liquid because the value is > 15%. Net Profit Margin PT Unilever Indonesia Tbk from 2014-2018 which has an average value of 18% means that the financial performance at this ratio is liquid because the value is > 15%. PT Unilever Indonesia Tbk's Return On Investment from 2014-2018 which has an average value of 40% means that the financial performance at this ratio is liquid because the value is > 15%. Return On Investment PT Unilever Indonesia Tbk from 2014-2018 which has an average value of 127% means that the financial performance at this ratio is liquid because the value is > 20%. PT Unilever Indonesia Tbk Total Asset Turnover from 2014-2018 which has an average value of 231% means that the financial performance at this ratio is liquid because of its value > 1. PT Unilever Indonesia Tbk Inventory Turnover from 2014-2018 which has an average value of 94 % means that the financial performance in this ratio is not liquid because the value is < 1.

Calculation Economic Value Added

Table 2 Calculation of Economic Value Added (EVA) of PT Unilever Indonesia Tbk in 2014-2018

| Explanation | 2014 | 2015 | 2016 | 2017 | 2018 |
|------------------------|-------------|-------------|-------------|-------------|-------------|
| EBIT | 17.206.921 | 18.648.969 | 20.459.096 | 21.219.734 | 21.092.273 |
| Tax Burden | (1.204.484) | (1.305.428) | (1.432.137) | (1.485.381) | (1.476.459) |
| NOPAT | 12.905.191 | 13.986.727 | 15.344.322 | 15.914.801 | 15.819.205 |
| Weighted Capital Costs | 412.402 | 280.120 | 293.381 | 318.705 | 419.409 |
| EVA | 12.492.788 | 13.706.607 | 15.050.941 | 15.596.095 | 15.399.796 |

Source: Secondary data processed 2019

In Table 2 shows the positive EVA results for five consecutive years, this is caused by NOPAT which is higher than the cost of capital. Based on this, it can be said that this company can create economic added value to the company and shareholders. This can also be interpreted that company managers are able to

meet the expected rate of return by investors and prospective creditors because they have been able to create positive EVA values for five consecutive years.

Analysis Financial Performance of Financial Ratios and EVA

Table 3 Recapitulation of Calculation of Financial Ratios and EVA of PT Unilever Indonesia Tbk

| Ratio | Explanation | 2014 | 2015 | 2016 | 2017 | 2018 | Interpretation |
|---------------|----------------------|------------|------------|------------|------------|------------|----------------|
| Liquidity | Current Ratio | 71.49% | 65.40% | 60.56% | 63.37% | 74.77% | < 1, Illiquid |
| | Quick Ratio | 45.25% | 42.71% | 39.25% | 44.27% | 50.89% | |
| Solvability | Debt to Equity Ratio | 200.87% | 225.85% | 255.97% | 265.46% | 157.62% | > 1, Illiquid |
| | Debt to Total Asset | 66.76% | 69.31% | 71.91% | 72.64% | 61.18% | < 1, Liquid |
| Profitability | Gross Profit Margin | 50.46% | 51.12% | 51.08% | 51.50% | 50.46% | > 15%, Liquid |
| | Net Profit Margin | 17.17% | 16.04% | 15.96% | 17.00% | 21.79% | > 15%, Liquid |
| | Return On Investment | 41.50% | 37.20% | 38.16% | 37.05% | 46.66% | > 15%, Liquid |
| | Return On Equity | 124.85% | 121.22% | 135.85% | 135.40% | 120.21% | >20%, Liquid |
| Activity | Total Asset Turnover | 2.42 time | 2.32 time | 2.39 time | 2.18 time | 2.14 time | > 1, Liquid |
| | Inventory Turnover | 0.86 time | 0.86 time | 0.94 time | 0.99 time | 1.16 time | < 1, Illiquid |
| EVA | | 12.492.788 | 13.706.607 | 15.050.941 | 15.596.095 | 15.399.796 | Good/Positive |

Source: Secondary data processed 2019

Table 3 can be seen from the results of the overall study illustrating that the use of ratio analysis and methods of Economic Value Added (EVA) can provide mutually supportive results to overcome existing limitations. The limitation in question is that ratio analysis does not take into account the cost of capital while the EVA method assumes that there is no free capital. All capital used for company operations is calculated as costs. For the calculation of ratio analysis with the above results there are several fluctuating ratios, thus it can be said that the financial performance of PT Unilever Indonesia Tbk is quite good. While the results of the EVA method with the results above can be said that the company's performance is very good because the company can create economic added value with positive results (EVA> 0).

5. CONCLUSION

The conclusions from the research results are as follows:

1. When viewed from its liquidity ratio over the past 5 years on its financial performance at the current ratio it is said to be less efficient or liquidity because of the ability to pay its short-term debt that is due. In the quick ratio PT Unilever Indonesia Tbk can be said to be inefficient or illiquid because its value is less than 100%.
2. When viewed from its solvency ratio over the past 5 years on its financial performance on the debt to equity ratio, it can be said that companies are financed more by debt than by their own capital, this is because the value of the ratio is above the standard value of financial ratios. This ratio is said to be liquid because it meets the standard ratio.
3. If viewed from its profitability ratio for the last 5 years on its financial performance this ratio can be said to be very liquid, this is because the calculation results are above the average value of the standard value of financial ratios which is > 15%.

4. When viewed from the ratio of its activities over the past 5 years to its financial performance on the total asset turnover ratio, it can be said that it has been effective because the resulting value is above the average financial ratio standard value, which is > 0.5 times (50%). While the inventory turnover ratio can be said to be ineffective because the lower the value of this ratio, the better the condition of its financial performance.
5. If viewed from the EVA method for the past 5 years, the financial performance can be said to be good because the company can create a positive value (EVA > 0) if the EVA value is positive then the company can generate economic added value for 5 consecutive periods. This means that financial management can meet the level of return expected by investors of shareholders.

6. REFERENCES

- Afandi, D. and Martoatmodjo, S. (2013) 'Analisis Kinerja Keuangan PT. Mayora Indah, Tbk Di Bursa Efek Indonesia', *Ilmu & Riset Manajemen*, 2(5).
- Faisal, A., Samben, R. and Pattisahusiwa, S. (2018) 'Analisis kinerja keuangan', *Kinerja*, 14(1), p. 6. doi: 10.29264/jkin.v14i1.2444.
- Harahap (2004) 'Analisis Laporan Keuangan Dalam Mengukur Kinerja Perusahaan', *Jurnal Valuta*, 2(2), pp. 190–207.
- Mudawamah, S. (2015) 'KEUANGAN PERUSAHAAN (Studi pada Bank Usaha Milik Negara yang Terdaftar di Bursa Efek Indonesia Tahun 2013-2015)', 54(1).
- Rahmad Dadue, I. S. S. dan V. N. U. (2017a) 'Analisis Kinerja Keuangan Industri Semen Yang Terdaftar Di Bursa Efek Indonesia', *EMBA*, 5, p. 2.
- Rahmad Dadue, I. S. S. dan V. N. U. (2017b) 'Analisis Kinerja Keuangan Industri Semen Yang Terdaftar Di Bursa Efek Indonesia', *EMBA*, 5, p. 1748.
- Sofyan Syafri Harahap (2015) *Analisis Kritis atas Laporan Keuangan*. Jakarta: RajaGrafindo Persada.
- Sugi (2018) *No Title*, 27 Agustus. Available at: <https://cpssoft.com/blog/akuntansi/mengetahui-analisis-laporan-keuangan-dan-jenisnya/> (Accessed: 24 April 2019).
- Sugiyono (2010) *Statistik Untuk Penelitian*. Bandung: Alfabeta.
- Tampi, D. L. and Mukuan, D. D. S. (no date) 'ANALISIS ECONOMIC VALUE ADDED (EVA) PADA PT BANK NEGARA INDONESIA Tbk Jilly Karamoy', pp. 1–10.
- Terdaftar, Y. and Bei, D. I. (2011) 'PENILAIAN KINERJA KEUANGAN PERUSAHAAN BERDASARKAN ANALISIS RASIO KEUANGAN DAN ECONOMIC VALUE ADDED (EVA)'.
- Untuk, E. V. A. et al. (2017) 'ANALISIS RASIO KEUANGAN DAN METODE ECONOMIC VALUE ADDED (Studi Kasus pada PT . Astra Otoparts , Tbk dan PT . Gajah Tunggal , Tbk yang', 47(1), pp. 113–121.
- V. Wiratna Sujarweni (2017) *Analisis Laporan Keuangan*. 24 April 2019.