ANALYSIS OF DEVELOPMENT OF RETURN ON ASSETS (ROA) AND RETURN ON EQUITY (ROE) TO MEASURE FINANCIAL PERFORMANCE IN. SENTOSA RAYA OGAN KOMERING ULU

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Abstract

This study aims to determine how the development of Return On Assets (ROA) and Return On Equity (ROE) to assess financial performance at PT. Sentosa Raya Ogan Komering Ulu. The results of this study indicate that financial performance at PT. Sentosa Raya has been quite good because it has reached racial standards. Good corporate management can be reflected in the financial performance of a company. Development of Return On Assets (ROA) at PT. Sentosa Raya Ogan Komering Ulu from 2013 to 2017 produces an average of 30.87% and has met the standards set above the ratio of 1.5%, the ratio achieved is categorized in the healthy group.
The higher the return on the assets produced, the higher the amount of net income generated from each fund embedded in the total assets. While the development of Return on Equity (ROE) in PT .entosa Raya Ogan Komering Ulu during the period of 2013 to 2017 produced an average of 43.50% and met the standards of the industry average of 40%, the ratio achieved showed the condition of the company. pretty good. The higher the results, the better because the dividends that are distributed or reinvested as retained earnings are also getting bigger.

Keywords: Return on Assets (ROA), Return on Equity (ROE), Financial Performance

BACKGROUND

The success or failure of a company is characterized by management's ability to read or see all possibilities or opportunities in the future, both short and long term. Therefore the task of managers is to plan for the future, all possibilities and opportunities in the future and how to deal with the present. A company does not only function to produce quality products by setting prices to attract consumers, but the company must consider the company's internal conditions. In the current era of globalization, competition in the business world is very tight. Business people must try to improve company management so that they can compete with companies engaged in the same field. Whereas in the face of competition, companies must have sufficient funds to do new things so that consumers or buyers can be interested in buying products produced by the company.

This financial ratio analysis is one way to process and interpret accounting information that is used to explain certain relationships between numbers one with another number from a financial report. One function of financial statements is to take measurements including measurement of achievement, business results, profits, and financial position. One that is very important is to measure profits. Profit is one measurement of operating activity and is calculated based on the basis of accurate accounting. The two main processes in measuring earnings are recognition of income and associated expenses. Income recognition is the starting point for measuring earnings. Therefore, the income must meet two conditions, namely income has been or can be realized and income has been generated. This profit measurement is not only important to find out the company's achievements, but also important as information for profit dividers, determining investment policies, paying taxes, zakat, bonuses and profit sharing.

One way to assess the efficiency of financial performance of a business in financial management is to use profitability ratio analysis. Profitability analysis is needed to assess the size of the business productivity of a company. According to Munawir (2004: 33) profitability ratios show the company's ability to generate profits during a certain period. This ratio provides an overview of the effectiveness of the company's management. Profitability is often used in a company by comparing earnings and capital used in operations. Capitalists can use the profitability of a company as a tool to measure the capital invested by the company. One ratio that is generally used as a measure of corporate financial performance is Return On Assets (ROA) and Return On Equity (ROE).

According to Mardiyanto (2009: 196) Return On Assets (ROA) is a ratio used to measure a company's ability to generate profits because the ratio represents a return on company activity. According to Hery (2014: 193) the higher the yield of returns on assets means the higher the amount of net income generated per rupiah of funds embedded in total assets. Conversely, the lower the return on assets means the lower the amount of net income generated from each rupiah of funds embedded in the total assets. In addition to using ROA to measure financial performance use Return On Equity (ROE). According to Kasmir (2012: 204) Return On Equity (ROE) or return on equity is a ratio to measure net income after tax with own capital.

This ratio shows efficiency use of own capital. The higher the ratio, the better, the meaning the company's position is getting stronger and vice versa. PT. Sentosa Raya is one of the companies managed by several professionals who have cultivated the business climate in Indonesia. Based on experience in the field of engineering, general trading in the field of construction services (building material). Construction services are activities to build facilities and infrastructure. PT. Sentosa Raya is concentrated on the suppliers of goods (suppliers) and good services that are carried out sub-con and that are done independently. The sub-sectors such as decorating & interior work, multi / multi-residential building construction services, implementing services for warehouse & industrial building construction, commercial building implementation services, educational building implementation services, and building construction services. The reason for choosing Return On Assets (ROA) and Return On Equity (ROE) as a measure of financial performance because these ratios represent returns on company activities. According to Mawardi (2005) Return On Assets (ROA) focuses the company's ability to gain earnings in the overall operation of the company,

LITERATURE REVIEW

Definition of Return On Assets (ROA) According to Kasmir (2012: 202) Return On Assets (ROA) is a ratio that shows the results (return) of the amount of assets used in the company. In addition, ROA provides a measure of management effectiveness in managing its investment. And according to Hery (2014: 193) Return On Assets (ROA) is a ratio that shows how much assets contribute to creating net income. In other words, this ratio is used to measure how much net income will be generated from each rupiah fund embedded in total assets. The greater the ROA, the greater the level of profit achieved by the company and the better the position of the company in terms of the use of assets. It can be concluded that Return On Assets (ROA) is a ratio used by companies to measure a company's ability to obtain net income from managing assets it already has.

The higher the ratio, the better the productivity of assets in obtaining net profits. By knowing ROA we can assess whether the company has been efficient in using its assets in operating activities to generate profits. Net income is a measure of the overall overall success of the company. ROA can help companies that have carried out good accounting practices to measure the overall efficiency of capital use for every matter that affects the financial condition of the company so that the company's position can be known to the industry. Definition of Return On Equity (ROE)

According to Hery (2014: 194) Return On Equity (ROE) is the return on equity is a ratio that shows how much the contribution of equity in creating net income. This ratio is calculated by dividing net income to equity. Whereas, according to Fahmi (2012: 98) ROE is a ratio used to examine the extent to which a company uses resources that examine the extent to which a company uses the resources it has to be able to provide a return on equity . According to Dendawijaya (2001: 120) ROE is a ratio used to measure management's ability to manage available capital to get net income. The higher the return, the better the dividend that is distributed or reinvested as retained earnings will also be greater. And according to Kasmir (2012: 204) ROE is a ratio to measure net income after tax with own capital.

ROE is a common tool used by investors and company leaders to measure how much profit is obtained from their own owned by the company. For investors, ROE analysis becomes important because is an attractive factor for investors to invest. Company Financial Performance According to Munawir (2010: 30) the company's financial performance is one of the basic assessments of the company's financial condition based on an analysis of the company's financial ratios. The stakeholders need the results of the company's financial performance measurement to see the company's condition and the level of success of the company in carrying out its operations. (2003: 144) in assessing financial performance using financial analysis, it is necessary to know the financial ratio standards.

According to Munawir (2010: 67) in addition to comparing financial ratios with standard ratios, financial performance can also be assessed by comparing the year financial ratios assessed with financial ratios in previous years. By comparing financial ratios in several years the assessment can be seen how the progress or deterioration in financial performance is in accordance with the use of each of these ratios. According to Munawir (2010: 31) measurement of the company's financial performance has several objectives including: 1. To determine the level of liquidity, namely the ability of the company to fulfill its financial obligations that must be fulfilled when billed. 2. To find out the level of solvency, namely the ability of the company to fulfill its financial obligations if the company is liquidated. 3. To determine the level of profitability and profitability, namely the ability of companies to generate profits for a certain period compared to the use of assets or equity productively.
4. To determine the level of business activity, namely the company's ability to run and

maintain its business to remain stable, measured by the company's ability to pay the principal debt and interest expense on time, and pay dividends regularly to shareholders without experiencing difficulties or financial crisis.

RESEARCH METHODS

Types and Data Sources

The type of data used in this study is Qualitative Data and Kuanitative Data. Qualitative Data obtained from PT. Sentosa Raya Ogan komering Uludalam form of information that is not in the form of numbers but in oral and written forms. This qualitative data such as the history of its establishment, company vision and mission, organizational structure, and division of tasks and responsibilities of each part in PT. Sentosa Raya Ogan komering Ulu. This Quantitative Data is in the form of numbers or absolute numbers that can be collected and read relatively more easily. In the form of the financial statements of PT. Sentosa Raya Ogan komering Ulu for 5 years, which are from 2013 to 2017.

Data source

According to Sunyoto (2013: 21) in a study there are two sources used, namely:

1. Primary Data is original data collected by researchers to answer their research problems specifically. In general, this primary data has not been previously available, so a researcher must collect this data on his own according to needs such as in-depth interviews with the parties concerned.
2. Secondary Data is data sourced from records that exist in the company and from other sources, namely by conducting library studies by studying books that are related to the object of research or can be done using the Central Bureau of Statistics (BPS). For example a brief history of the company, organizational structure, company financial statements, literature related to research.

Method of collecting data

To obtain research data, there are several data collection methods used in this study, namely as follows:

1. Field Work Research

is a study using direct observation of the company to obtain the necessary data and interviews with the competent authorities regarding everything needed to complete this task. The data obtained by the writer is: Interview directly with the party responsible for the financial statements, and Observation, namely the technique of collecting data by conducting observations directly or carefully in the implementation of company operations in line with the above title in order to obtain objective and systematic data.

2. Library Studies (Library Research).

Library Research is to study the records obtained as long as the author conducts lecture activities and with a guidebook related to research problems.

Data analysis method

The method used in this research is descriptive quantitative analysis, namely the method carried out by collecting, classifying, analyzing, and interpreting data so as to provide complete information for problem solving in research. Analysis techniques used to describe or describe accurate and actual data obtained from financial statements company to be concluded. Data from the company's financial statements were analyzed using racoprofitability namely Return On Assets (ROA) and Return On Equity (ROE).

RESEARCH RESULTS AND DISCUSSION

Table 4.1 Balance Sheet and Profit and Loss Comparison of PT. SENTOSA RAYA

KET	2013	2014	2015	2016	2017
Total Assets	295.735.300	573.625.426	1.819.065.948	2.595.177.426	3.224.751.552
Total Debt	60.941.580	103.879.150	940.195.460	1.353.670.653	427.077.726
Total Equity	234.793.720	469.746.276	878.870.488	1.241.506.773	2.797.673.826
Net Profit / Loss	84.793.720	234.952.556	409.124.212	362.636.285	1.556.167.053

Source: Financial Report of PT. Sentosa Raya Ogan Komering Ulu

Analysis of the financial statements of a company aims to assess the accuracy of management policies in managing company finances. By analyzing financial data from past years, it can be seen the weaknesses of the company and the results that have been considered quite good. The results of the historical analysis are used as material to prepare financial policy measures in the years to come. Analysis of ratios is useful for internal and external parties' interests of the company. Where the interests of the internal company (financial management), with the calculation of this ratio will be obtained information about weaknesses faced by the company, so that it can make important decisions for the company for the future. Whereas for external parties this ratio analysis is important because they want to know the financial situation of the company. The author will analyze the development of Return On Assets (ROA) and Return On Equity (ROE) per year where the results are as follows:

Profitability Ratio Analysis

Profitability ratio is a ratio that describes the company's ability to generate profits for a certain period. Profitability ratio aims to measure the effectiveness of management in running company operations. Good performance will be demonstrated through the success of management in generating profits for the company. This ratio can be done against a predetermined target, or it can becompared to the standard industry average ratio. This ratio can be divided into two types, namely, the ratio of the rate of return on investment and the ratio of operating performance. The author will discuss the ratio of the rate of return on investment, namely Return On Assets (Returns on Assets) and Return On Equity (Returns on Equity).

Return On Assets (ROA) of PT.

Sentosa Raya Return on Assets (ROA) is a ratio used to measure the ability of company management to obtain net income from the management of assets owned. The higher Return on Assets (ROA), the higher the net income generated from each rupiah fund embedded in total assets.

By knowing ROA we can assess whether the company has been efficient in using its assets in operations to generate profits. The calculation of Return On Assets (ROA) at PT. Sentosa Raya Ogan Komering Ulu in 2013-2017 which can be calculated using the formula:

$$\mathrm{ROA} = \frac{\text{Net Profit}}{TotalAset} x\ 100\%$$

$$-ReturnOnAssets(ROA)\ \text{in 2013} = \frac{84.793.720}{295.735.300} x\ 100\% = 28{,}67$$

From the results of the calculation above the amount of ROA in 2013 reached 28.67%, from the total assets operated in the amount of Rp.295,735,300. The company was able to generate a net profit of Rp.84,793,720. That is, every Rp. 1 in total assets contributed to creating Rp.0,286 (rounded up Rp.0,29) net income.

$$-ReturnOnAssets(ROA)\text{ in }2014 = \frac{234.952.556}{573.625.426} x\ 100\% = 40{,}96\%$$

From the results of the calculation above the amount of ROA in 2014 reached 40.96%, from the total assets operated in the amount of Rp.573,625,426 the company was able to generate a net profit of Rp.234,952,556. That is, every IDR 1 in total assets contributes to creating IDR 1.0409 (rounded up IDR 1.01) net income. These results indicate that the rate of return on assets has increased by 12.29% from the previous year. Thus there has been an increase in management performance in generating profits for the company.

$$-ReturnOnAssets(ROA)\text{ in }2015 = \frac{409.124.212}{1.819.065.948} x\ 100\% = 22{,}49\%$$

From the results of the calculation above the amount of ROA in 2015 which was recorded at 22.49%, from the total assets operated in the amount of Rp. 1,819,065,948 the company was able to generate net income of Rp. 409,124,212. That is, every Rp. 1 in total assets contributed to creating Rp.0,224 (rounded up Rp.0,22) net income. These results indicate that the rate of return on assets decreased by 18.47% from the previous year. This shows management's inability to obtain ROA.

$$-ReturnOnAssets(ROA)\text{in }2016 = \frac{362.636.285}{2.595.177.426} x\ 100\% = 13{,}97\%$$

From the results of the calculation above the amount of ROA in 2016 which was reached by 13.97%, from the total assets operated in the amount of Rp.2,595,177,426 the company was able to generate net income of Rp.362,636,285. That is, every Rp. 1 in total assets contributed to the creation of Rp.0,139 (rounded up Rp.0,14) net income.

These results indicate that the rate of return on assets has decreased by 8.52% from the previous year. In this way, there has been a decline in management performance in producing labor for the company. This shows the inability of management to obtain ROA.

$$-ReturnOnAssets(ROA)\text{ in }2017 = \frac{1.556.167.053}{3.224.751.552} x\ 100\% = 48{,}26\%$$

From the results of the calculation above the amount of ROA in 2017 reached 48.26%, from the total assets operated amounting to Rp. 3,224,751,552. The company was able to generate net income of Rp. 1,556,167,053. That is, every Rp. 1 in total assets contributed to creating Rp.0,482 (rounded off Rp.0,48) net income. These results indicate that the rate of return on assets has increased by 34.29% from the previous year. Thus there has been an increase in management performance in generating profits for the company. Based on the results of the above calculations, it can be seen that there are changes in Return On Assets (ROA) at PT.

Sentosa Raya Ogan Komering Ulu from 2013 to 2017. To be more aware of the increase or decrease that occurs in Return on Assets (ROA) can be seen in the graph and table below:

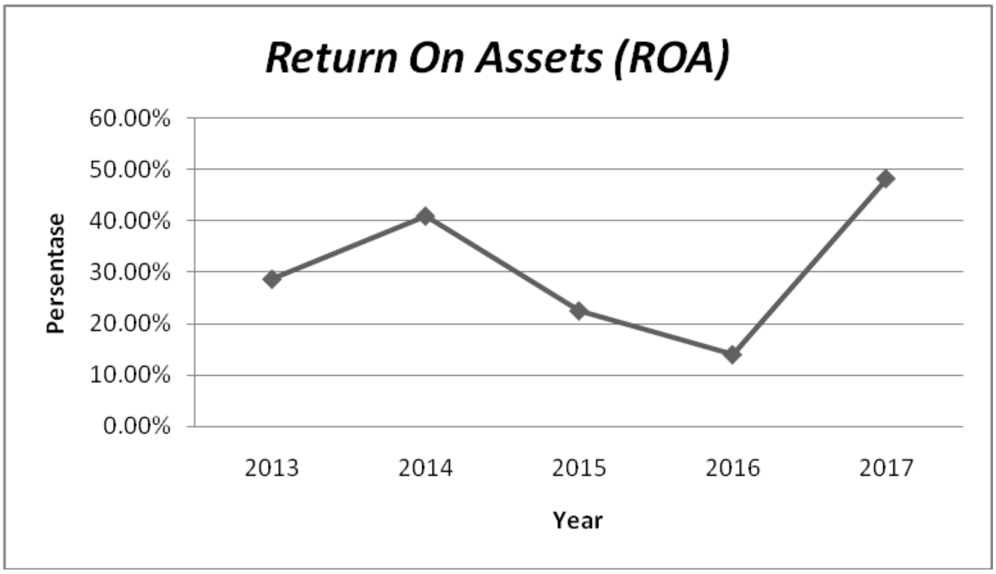

Figure 4.1 Graph of Development of Return On Assets (ROA)

Table 4.2
Development of Return On Assets (ROA)
PT. Sentosa Raya Ogan Komering Ulu
2013-2017

No.	**Year**	**ROA**	
		Real (%)	**Naik/Turun**
1.	2013	28,67%	-
2.	2014	40,96%	12,29% (↑)
3.	2015	22,49%	18,47% (↓)
4.	2016	13,97%	8,52% (↓)
5.	2017	48,26%	34,29% (↑)
Mean		**30,87%**	**-**

Source: Financial Report of PT. Sentosa Raya Ogan Komering Ulu

Based on the table above, the results of the calculation of Return on Assets (ROA) for five years, from 2013 to 2017 PT. Sentosa Raya Ogan Komering Ulu experiences fluctuations (increase and decrease) every year. From the total assets used by the company on average, it can produce a net profit of 30.87%, the highest value achieved in 2017 that is equal to 48.26% and the lowest value achieved in 2016 which is 13.97%.

However, the Return on Assets (ROA) of 2013 to 2017 is greater than the industry standard set above at 1.5%, so the ratio is achieved by PT. Sentosa Raya Ogan Komering Ulu is categorized in the HEALTH group. The decrease in the value of ROA shows that sales activities are not optimal and the operating expenses and other expenses are too large at PT.

PT. Sentosa Raya Ogan Komering Ulu. Return On Equity (ROE) of PT. Sentosa Raya Return On Equity (ROE) is a ratio used to measure the ability of a company's management to manage available capital to obtain net income. The higher the return, the better because dividends are distributed or reinvested as retained earnings will also be greater. ROE is a common tool used by investors and company leaders to measure how much profit is obtained from their own owned by the company. As for the calculation of Return On Equity (ROE) at PT. Sentosa Ogan Komering Ulupada Kingdom in 2013-2017 which can be calculated using the formula:

$$\mathrm{ROA} = \frac{\text{Net Profit}}{TotalAset} x\ 100\%$$

$$-ReturnOnAssets(ROA)\text{in } 2013 = \frac{84.793.720}{234.793.720} x\ 100\% = 36{,}11\%$$

From the results of the calculation above, the amount of ROE in 2013 was 36.11%, of the total capital operated by Rp.234,793,720 companies, it was able to generate a net profit of Rp.84,793,720. That is, every Rp.1 equity contributed to creating Rp.0,361 (rounded up Rp.0,36) net income.

$$ReturnOnAssets(ROA)\text{in } 2014 = \frac{234.952.556}{469.746.276} x\ 100\% = 50{,}02\%$$

From the results of the calculation above the amount of ROE in 2014 reached 50.02%, of the total equity operated in the amount of Rp.469,746,276 the company was able to generate a net profit of Rp.234,952,556. That is, every Rp.1 equity contributed to creating Rp.0,500 (rounded up Rp.0,50) net income. These results indicate that the rate of return on assets has increased by 13.91% from the previous year. Thus there has been an increase in management performance in producing equipment for the company.

$$ReturnOnAssets(ROA)\text{in } 2015 = \frac{409.124.212}{878.870.488} x\ 100\% = 46{,}55\%$$

From the results of the calculation above the amount of ROE in 2015 reached 46.55%, from the total equity operated amounting to Rp.878,870,488. The company was able to generate net income of Rp.409,124,212. That is, every Rp.1 equity contributed to creating Rp.0,465 (rounded up Rp.0,47) net income. These results indicate that the rate of return on assets has decreased by 3.47% from the previous year. This shows the inability of management to obtain ROE to generate profits for the company.

$$ReturnOnAssets(ROA)\text{in } 2017 = \frac{1.556.167.053}{2.797.673.826} x\ 100\% = 55.62\%$$

From the results of the calculation above the amount of ROE in 2017 reached 55.62%, from the total equity operated amounting to Rp.2,797,673,826 the company was able to generate a net profit of Rp.1,556,167,053. That is, every Rp. 1 equity contributed to the creation of Rp.

0556 (rounded up to Rp. 5.56) net income. These results indicate that the return on equity has increased by 29.41% from the previous year. Thus there has been an increase in management performance in generating profits for the company. Based on the results of the above calculations, it can be seen that there is a change in Return On Equity (ROE) at PT. Sentosa Raya Ogan Komering Ulu from 2013 to 2017. To find out more about the increase and decline in the Return On Equity (ROE) from 2013 to 2017 can be seen in the graph and table below:

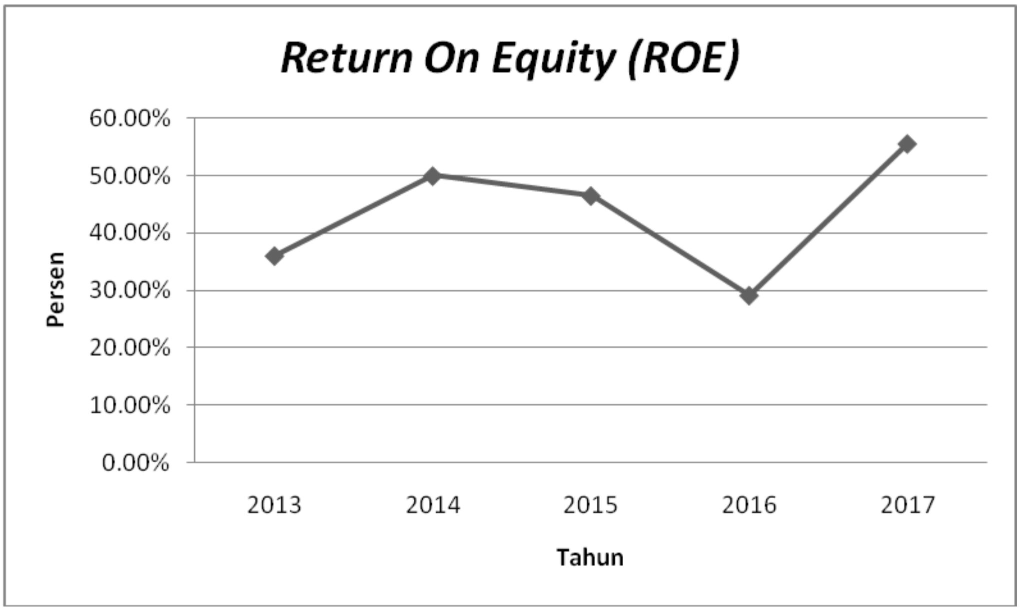

Figure 4.2 Graph of Development of Return on Equity (ROE)

Table 4.3
Development of Return On Assets (ROE)
PT. Sentosa Raya Ogan Komering Ulu
2013-2017

No.	Year	ROE	
		Real (%)	Naik/Turun
1.	2013	36,11%	-
2.	2014	50,02%	13,91% (↑)
3.	2015	46,55%	3,47% (↓)
4.	2016	29,21%	17,34% (↓)
5.	2017	55,62%	29,41% (↑)
Rata-rata		**43,50%**	-

Source: Financial Report of PT. Sentosa Raya Ogan Komering Ulu

Based on the results of the calculation of the Return on Equity (ROE) for five years, from 2013 to 2017PT. Sentosa Raya Ogan Komering Ulum has fluctuations (decreases and increases) every year. From the total frequency used by the company on average, it can generate net profit of 43.50%, the highest value achieved in 2017 is 55.62% and the lowest value achieved in 2016 is 29.21%. However, the Return on Equity (ROE) during 2013 to 2017 is greater than the industry average standard which is set at 40% then the ratio achieved by PT. Sentosa Raya Ogan Komering Ulumen shows the condition of the company good enough.

CONCLUSIONS AND RECOMMENDATIONS

Conclusion

1. Return On Assets (ROA) ratio that occurs at PT. Sentosa Raya Ogan komering Ulu in 2013 to 2017 experienced fluctuations (increase and decrease) every year. ROA in 2013 was 28.67%, 2014 was 40.96%, 2015 was 22.49%, 2016 was 13.97% and 2017 was 48.26%. The ratio achieved by PT. Sentosa Raya Ogan komering Ulu is categorized in the HEALTHY group. The higher the return on the assets produced, the higher the amount of net income generated from each fund embedded in the total assets.
2. Return on Equity (ROE) ratio at PT. Sentosa Raya Ogan komering Ulu in 2013 amounted to 36.11%, in 2014 amounted to 50.02%, in 2015 amounted to 46.55%, in 2016 amounted to 29.21%, in 2017 amounted to 55.62%, the ratio achieved by PT . Sentosa Raya Ogan komering Ulu shows the condition of the company is GOOD ENOUGH. The higher return, the better because dividends that are distributed or reinvested as retained earnings are getting bigger.

Suggestion

1. The company is expected to be able to control sales activities that are not optimal, such as accounts receivable. Companies can carry out billing actions continuously, determine tighter credit policies or add new employees who are tasked specifically with controlling accounts receivable such as Account Receivable Staff (Admin Receivables).
2. The company should be able to review the existence of the fixed assets it has, whether it is too large in value or indeed has not been maximally utilized for increasing the company's income. And companies should be able to carry out efficiency on operational expenses and other expenses that are too large.
3. This study only uses ROA and ROE to assess the company's performance. Henceforth it is expected to develop this research by assessing other financial ratios that can be used to assess the company's financial performance.

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