

Profitability ratio analysis as a basis for financial performance assessment

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Abstract

This research aims to analyze the financial performance of PT Garuda Indonesia (Persero) Tbk in terms of profitability ratios. The type of data used is quantitative data obtained from the annual report of PT Garuda Indonesia (Persero) Tbk. Data analysis method uses descriptive quantitative analysis which is measured using profitability ratios which are represented by return on total assets and return on equity. The results of this research show that the return on assets and return on equity of PT Garuda Indonesia (Persero) Tbk during the 2017-2020 period were below the industry average and obtained negative values. This shows that the financial performance of PT Garuda Indonesia (Persero) Tbk has poor performance because it is caused by increasing expenses that are not offset by the income obtained by PT Garuda Indonesia (Persero) Tbk.

Keywords: Financial Performance, ROA, ROE

INTRODUCTION

In general, every company has a goal of making a profit or profit from the results of its production in the form of goods or services that have an influence on the sustainability of the company. The profits generated by the company are used to develop and maintain the continuity of the company and can be used as a measure of management success. Financial difficulties are a situation where a company experiences difficulty meeting its obligations, a situation where the company's income cannot cover total costs and experiences losses. For creditors, this situation is an early symptom of debtor failure (Hery, 2016).

Financial performance is one way to assess company performance. Financial performance can present the financial condition of a company as measured by certain instruments through financial reports presented by company management. Usually investors have to analyze a company's financial statements to get company financial information and what is appropriate when making a decision, so that investors can achieve maximum shares with minimal risk. Financial ratio analysis is a number obtained by comparing one financial statement item with other items that are relevant and materially related. (Harahap, 2018).

PT. Garuda Indonesia, Tbk is a state-owned Indonesian airline with the concept of a full service airline. PT. Garuda Indonesia, Tbk is the first and largest airline in Indonesia, with a "serve" oriented approach, PT. Garuda Indonesia aims to be the leading service provider for tourists in this country while also providing goods delivery services by air. PT. Garuda Indonesia, Tbk in 2017 and 2018 experienced losses due to special costs from tax amnesty payments and operating expenses that were greater than operating income. It was recorded that PT Garuda Indonesia, Tbk experienced a profit for the current year in 2019 reaching USD 6,457,765, an increase of 102.82% compared to 2018 which experienced a loss of 228,889,524. This increase came from passenger growth of 5.60% or USD 182.69 million and cargo and document growth of 23.12% or USD 6 1.39 million.

This increase is in line with the increase in passenger and cargo yields which increased by 20.28% and 47.72% respectively. This shows that the strategy of increasing prices on domestic routes causes a decrease in traffic but can increase revenue. Negative growth in operating expenses also contributed to the increase in profit for the year. Along with the strategy to adjust production capacity, this resulted in

a decrease in operating expenses by 4.02%. And in 2020 PT. Garuda Indonesia, Tbk experienced a loss of USD 2,476,633,349 which was the highest loss compared to the previous 3 years. This indicates that there is a decline in company performance which, if left unchecked, will have a negative impact on the company. PT. Garuda Indonesia, Tbk experienced a decline in revenue, profits and market share in both international and domestic markets.

Based on the background of the problem above, this research aims to analyze the financial performance of PT Garuda Indonesia, Tbk in terms of profitability ratio analysis at PT. Garuda Indonesia, Tbk. The type of data used is quantitative data obtained from the company's annual report. It is hoped that the research can serve as reference material for future research in the same field and provide information for management that can be used as a basis for making decisions so that they can make policies when evaluating PT's financial performance. Garuda Indonesia, Tbk. and can help to provide considerations for investors in making decisions when investing in PT. Garuda Indonesia, Tbk.

This research is a further update to Priatna, H (2016)'s research on measuring company performance using profitability ratios. Apart from that, the main difference between this research and the research of Priatna, H (2016) is that Priana's research only examined profitability ratio analysis in 2011 - 2015 in Basic Industry and Chemical Manufacturing companies in the Cigarette sub-sector which were listed on the Indonesian stock exchange. Meanwhile, this research looks at profitability ratio analysis in 2017 - 2020 and focuses research on PT Garuda Indonesia, Tbk.

LITERATUR REVIEW

Profitability ratio is a ratio to assess a company's ability to make a profit or gain in a certain period. This ratio also provides a measure of the level of effectiveness of a company's management. The better the profitability ratio, the higher the company's profit (Kasmir, 2016).

Return on Assets or Rate of Return on Assets is a profitability ratio that shows the percentage of profit (net profit) obtained by a company in relation to overall resources or the average number of assets. ROA is expressed in percentage (%). ROA or Return on Assets can help management and investors to see how well a company is able to convert its investment in assets into profit or profits (Mahulae, 2020). If the industry average for return on assets is 30%, it means the company's profit margin is good (Kasmir, 2018).

This ratio is a profitability ratio to assess the company's ability to generate profits from the company's shareholder investments expressed as a percentage. ROE is calculated from the company's income against the capital invested by the company owners (Noordiatmoko, 2020). Return on equity is a ratio to measure net profit after tax with own capital. This ratio shows the efficiency of using own capital. The higher this ratio, the better, meaning the share owner's position will be stronger and vice versa. If the industry average for return on equity is 40%, it means the company's financial condition is quite good (Kasmir, 2018).

Financial performance is the result or achievement that has been achieved by company management in carrying out its function of managing company assets effectively during a certain period (Amelia & Hernawati, 2016). The performance assessment of each company is different due to the scope of the business being run. There are 5 stages in analyzing a company's financial performance in general, namely first, reviewing the financial reports. Second, carrying out calculations, the application of the calculation method here is adjusted to the conditions of the problem being carried out so that the results of the calculation will provide a conclusion in accordance with the desired analysis. Third, make a comparison of the calculation results that have been obtained. Fourth, interpret the various problems found. And fifth, look for and provide solutions to problems found. In the final stage, after the various problems encountered are found, solutions are sought to provide input so that the obstacles can be overcome (According to Ayu & Suarjaya, 2017).

RESEARCH METHODS

This research uses quantitative data, namely the data used is obtained from the financial reports of PT. Garuda Indonesia, Tbk which has been audited by an independent auditor. Data processing in this

research is calculating return on assets and return on equity. The data analysis method used in this research is quantitative descriptive analysis using profitability ratios.

a. Return on total assets (Return on Assets-ROA)

The Return on Assets ratio can be calculated using the following formula (Dangnga & Haeruddin, 2018):

$$\text{Return on Assets} = \frac{\text{Net Profit}}{\text{Total Asset}} \times 100\% \quad (1)$$

b. Return on Equity (Return on Equity-ROE)

The Return On Equity ratio can be calculated using the following formula (Brigham & Houtson, 2013):

$$\text{Return on Equity} = \frac{\text{Net Profit}}{\text{Total Equity}} \times 100\% \quad (2)$$

RESULTS AND DISCUSSION

Results

Profitability Ratio PT. Garuda Indonesia (Persero) Tbk 2017 – 2020

a. Return on Total Assets (ROA)

Tabel 1. Return on Assets (ROA)
PT. Garuda Indonesia (Persero) Tbk Year 2017-2020 (USD)

Year	Net Profit	Total Assets	Industry Average	Return On Assets
2017	(213,389,678)	3,763,292,093	30%	(5.67%)
2018	(175,028,261)	4,167,616,300	30%	(4.20%)
2019	(44,567,515)	4,455,675,774	30%	(1.00%)
2020	(2,476,633,349)	10,789,980,407	30%	(22.95%)

Source: Financial Report PT. Garuda Indonesia (Persero) Tbk (Data processed)

b. Return on Equity (ROE)

Tabel 2. Return on Equity (ROE)
PT. Garuda Indonesia (Persero) Tbk Year 2017-2020 (USD)

Year	Net Profit	Total Equity	Industry Average	Return On Equity
2017	(213,389,678)	937,469,200	40%	(22.76%)
2018	(175,028,261)	730,141,803	40%	(23.97%)
2019	(44,567,515)	582,578,269	40%	(7.65%)
2020	(2,476,633,349)	(1,943,024,247)	40%	(127.46%)

Source: Financial Report PT. Garuda Indonesia (Persero) Tbk (Data processed)

Discussion

Financial Performance Analysis of PT. Garuda Indonesia (Persero) Tbk 2017-2020 Viewed from Profitability Ratios

Based on the data in table 1 above, the financial performance of PT. Garuda Indonesia, Tbk in terms of return on assets is below the industry average standard and has a negative value. This is due to the net profit of PT. Garuda Indonesia, Tbk always experiences losses. In 2017 the net loss experienced by PT. Garuda Indonesia, Tbk amounted to USD 213,389,678, in 2018 and 2019 PT's net loss. Garuda Indonesia, Tbk experienced an increase even though it was still at a loss, namely in 2018 amounting to USD 175,028,261 and 2019 amounting to USD 44,567,515, the smallest loss in 2019 was caused by an increase in PT's business income. Garuda Indonesia, Tbk, namely USD 4,572,638,083. Meanwhile, net loss in 2020 PT. Garuda Indonesia, Tbk experienced a very significant increase, namely USD 2,476,633,349, this was due to a decrease in revenue. PT. Garuda Indonesia, Tbk which was significant became USD 1,492,331,099 while the operating expenses of PT. Garuda Indonesia, Tbk amounting to USD 3,303,826,643.

Based on the data in table 2 above, the financial performance of PT. Garuda Indonesia, Tbk in 2017-2020, in terms of Return on Equity, was always below the industry average and received a negative value. In 2017-2020 PT. Garuda Indonesia, Tbk suffered losses. Some of the causes of losses were the company's debt being too high and aircraft rental prices being very expensive. As we know, the party who gets the debt will be charged interest on the loan by the creditor. Loan interest is a nominal account contained in the company's profit and loss statement. This has a big impact on the company's profit/loss. The larger the loan, the greater the loan interest covered. The greater the interest borne will cause the company's profits to decrease and may even incur losses.

From the data in tables 1 and 2, the financial performance analysis of PT. Garuda Indonesia, Tbk in 2017-2020 seen from the profitability ratio shows that the performance of PT. Garuda Indonesia, Tbk is not good, where the calculation results show that its performance is below the industry average and even gets a negative value. Income that is not optimal can reduce the level of profit. High operational costs will cause profits to fall, likewise if the value of operational costs is low, profits will increase. So to obtain high profits, PT Garuda Indonesia, Tbk needs to pay attention to the costs incurred and control them effectively, apart from that PT Garuda Indonesia, Tbk can also achieve profits in accordance with what it wants to achieve. So, if the company's expenses are high, this will affect PT Garuda Indonesia Tbk's net profit and will also affect profitability.

Company losses can occur because PT. Garuda Indonesia, Tbk is unable to manage its assets and equity to increase company profits. As explained in the independent auditor's report to shareholders, PT. Garuda Indonesia, Tbk experienced a loss of USD 2.48 billion for the year ended 31 December 2020. The financial condition of PT. Garuda Indonesia, Tbk worsened mainly due to the COVID-19 pandemic which was followed by travel restrictions, causing a significant reduction in air travel and impacting PT operations. Garuda Indonesia, Tbk. Negative impact on PT operations. Garuda Indonesia, Tbk directly influences PT's capabilities. Garuda Indonesia, Tbk in fulfilling its financial obligations to its lenders and significant vendors, such as fuel providers, airport operators and aircraft lessors. Inability of PT. Garuda Indonesia, Tbk to fulfill obligations to fuel providers and airport operators may result in fuel supplies and airport services being stopped by vendors. Inability of PT. Garuda Indonesia, Tbk to fulfill its obligations to the lessor resulted in the prohibition of the use (grounding) of PT leased aircraft. Garuda Indonesia, Tbk. This financial condition also caused PT. Garuda Indonesia, Tbk is unable to fulfill the requirements of its various loan agreements as of December 31, 2020, and may result in requests for immediate repayment of these various loans. All of these conditions indicate the existence of material uncertainty that can raise significant doubts about PT's capabilities. Garuda Indonesia, Tbk to maintain its business continuity.

CONCLUSION

It can be seen from the discussion above, during the 2017-2020 period PT. Garuda Indonesia, Tbk shows that the return on assets and return on equity of PT Garuda Indonesia, Tbk during the 2017-2020 period was below the industry average and obtained a negative value. This shows that the financial performance of PT Garuda Indonesia, Tbk has poor performance due to by increasing expenses which were not balanced by the income obtained by PT Garuda Indonesia, Tbk. In this way it shows that the financial performance of PT. Garuda Indonesia, Tbk can be said to be not doing well.

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