OIKONOMIA: JOURNAL OF ECONOMICS AND MANAGEMENT SCIENCE, VOL. 2, NO. 1, FEBRUARI 2024
DOI: 10.59165
ISSN (online): 2986-1489
https://ojs.jurnalbk.com/index.php/OIKONOMIA

SOLVABILITY RATIO ANALYSIS TO ASSESS THE FINANCIAL PERFORMANCE OF PT KARYA TANTRI ABADI

Bagus Priyangga[1]*, Ibnu Farid[2] , Jena Sarita[3], Siti Fatimah[4]
[1]Management Study Program, Faculty of Economics, Terbuka University, Indonesia
[2]Digital Business Study Program, Insan Cendekia Mandiri Institute of Technology, Indonesia
[3]Digital Business Study Program, Insan Cendekia Mandiri Institute of Technology, Indonesia
[4]Digital Business Study Program, Insan Cendekia Mandiri Institute of Technology, Indonesia
*Correspondence authors; baguspriyangga1@gmail.com[1], ibnu@iticm.ac.id[2], jenasarita@iticm.ac.id[3], sitifatimah@iticm.ac.id[4]

Abstract

The aim of this research is to use the solvency ratio to test the financial performance of PT Karya Tantri Abadi. Descriptive research using a qualitative approach is the type of research used in this research. Based on research results, the financial performance of PT Karya Tantri Abadi during the period 2020 to 2022 illustrates extraordinary achievements in terms of profitability, efficient use of assets and debt management. The research results show that PT Karya Tantri Abadi has a fairly good level of solvency with relatively low DAR and DER values compared to industry standards. The company shows a tendency to increase the use of debt in its operations in 2021, but has taken steps to reduce its debt or increase its equity in 2022. In conclusion, PT Karya Tantri Abadi has good solvency and is able to meet its long-term obligations. However, companies need to continue to monitor and manage their debt carefully to maintain optimal levels of solvency.

Keywords: Financial Performance, Financial Ratios, Solvency.

Introduction

In the era of globalization and rapid technological development, the telecommunications and information technology industry is experiencing significant growth. This drives demand for the products and services of PT Karya Tantri Abadi, a company engaged in selling mobile devices and computers. In this condition, it is important for PT Karya Tantri Abadi to have good financial performance so that it can compete and achieve its goals.

One important aspect in assessing a company's financial performance is analyzing the solvency ratio. The solvency ratio shows the company's ability to fulfill its long-term obligations. This analysis is important for investors, creditors and other interested parties to determine the level of risk and financial health of the company.

In tight competition and an ever-changing business environment, it is important for companies like PT Karya Tantri Abadi to maintain a balance between solvency (ability to pay obligations). Therefore, solvency ratio analysis is very relevant in evaluating the financial performance of this company. Solvency ratios will provide an understanding of a company's ability to meet its long-term financial obligations, including debts it may have incurred to expand operations and infrastructure. By analyzing PT Karya Tantri Abadi's solvency ratio, the company can assess the company's financial performance.

Solvency is one of the main indications to consider when evaluating a company because it makes it possible to measure how well it is performing in terms of generating money. Apart from measuring a company's capacity to generate profits, solvency is also used to assess how well a company uses its resources. The ability of company management to generate profits through operational operations within a certain period of time is measured by profitability. When choosing external funding sources, solvency is a criterion that must be taken into account. In a broad sense it can be said that a company uses solvency to generate profits based on sales, total assets and working capital. The problem formulation in this research is how the financial performance of PT Karya Tantri Abadi is based on the solvency ratio.

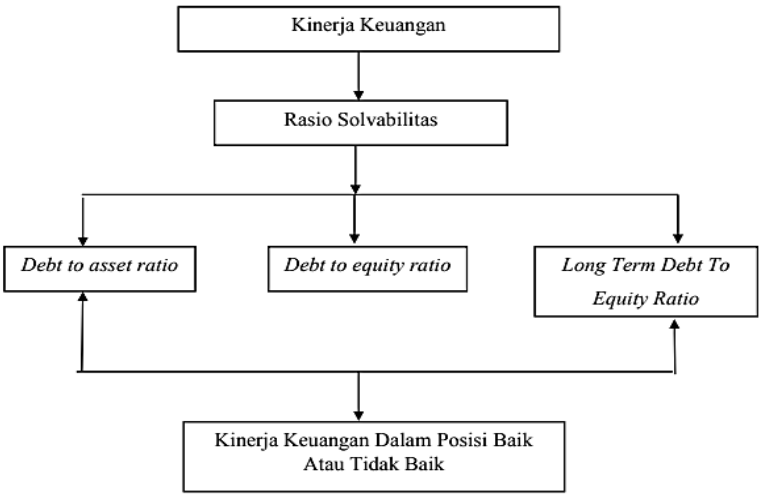
The aim of this research is to determine the financial performance of PT Karya Tantri Abadi using the solvency ratio. As a decision to invest in order to expand the company's manufacturing strength. Provide direction in decision making and company activities in general, as well as company divisions in particular.

Theoretical studies and hypotheses

According to Martin Schmuk (2013: 28-29) solvency ratio is its ability to pay long-term debt and long-term fixed costs. In this study using the independent variable DER. Debt to equity ratio is the ratio used to assess debt with equity. This ratio is measured by comparing all debt, including current debt with all equity. This ratio is useful to find out the amount of funds provided by the borrower (creditor) with the owner of the company. In other words, this ratio serves to know every rupiah of its own capital which is used as collateral for debt. According to Clive Marsh (2012: 35) Ratio analysis is a way to get a better understanding of financial performance. The ratio allows a comparison between one company and another company. this ratio allows us to track efficiency and profitability. The ratio can be used to uncover trends in profitability, efficiency, gearing, liquidity and return on investment. According to Eugene F. Brigham and Michael C. Ehrhardt (2008: 134) profitability ratios are the result of a number of policies and decisions. the ratio examined so far provides useful clues about the effectiveness of the company's operations, but profitability ratios continue to show the combined effects of liquidity, asset management, and debt on operating results. In this study using the independent variable ROA. According to Koewn (2008: 88) an indicator that can be used as a measurement of company profitability is ROA (Return On Asset) which is a return on assets used to generate a company's net income. Hypotheses in the context of solvency ratio analysis to assess financial performance through qualitative research focus on understanding contextual factors that influence solvency ratios and their interpretation. In contrast to quantitative research which relies on numerical data and statistical methods, qualitative research explores the underlying reasons, opinions and motivations.

Research Methods

a. Research framework



This research utilizes quantitative descriptive analysis methods to evaluate numerical data, especially in the balance sheet and profit and loss report of PT Karya Tantri Abadi for the period 2020 to 2022, which reflects the business conditions and events that occurred. This approach was chosen to analyze profitability and solvency ratios through a number of different ratios.

According to Sugiono (2016), the quantitative descriptive analysis method is the analytical approach used in this research. Data analysis using statistics is known as quantitative descriptive analysis. Both descriptive statistics and statistics inferential/inductive can be used. The results of the analysis are then presented and discussed. This data can be presented in the form of tables, frequency distribution tables, line graphs, bar graphs, pie charts and pictograms. The most important component of a research is the data analysis methodology. The validity of the study remains questionable without data analysis. Because reliable study results can only be obtained through data analysis. The type of research conducted should be considered when selecting data analysis methods for research. Research results are significantly influenced by data analysis techniques. This research utilizes quantitative descriptive analysis methods to evaluate numerical data, especially in the balance sheet and profit and loss report of PT Karya Tantri Abadi for the period 2020 to 2022, which reflects the business conditions and events that occurred. This approach was chosen to analyze profitability and solvency ratios through a number of different ratios.

Data analysis and discussion

Solvability ratio analysis is a crucial aspect of assessing a company's financial performance. The solvability ratio, also known as the solvency ratio, measures a company's ability to meet its long-term obligations and is an indicator of financial health. The theoretical studies and hypotheses surrounding solvability ratio analysis often focus on understanding the implications of these ratios and their predictive power regarding a company's financial stability and performance.

The company's total assets experience significant growth every year. In 2020, total assets were worth IDR 27,952,628,000. In 2021, total assets increased to IDR 33,615,304,000, or an increase of 20.28% compared to 2020. In 2022, total assets again increased to IDR 43,438,236,000, or an increase of 29.27% compared to 2021. Total company debt also increases every year. In 2020, the total debt was IDR 5,078,544,000. In 2021, total debt increased to IDR 7,924,415,000, or an increase of 56.13% compared to 2020. In 2022, total debt increased again to IDR 9,059,666,000, or an increase of 14.29% compared to 2021. Total company equity also experiences significant growth every year. In 2020, total equity was IDR 22,874,084,000. In 2021, total equity increased to IDR 25,690,889,000, or an increase of 12.32% compared to 2020. In 2022, total equity increased again to IDR 34,378,570,000, or an increase of 33.84% compared to 2021. In conclusion PT Karya Tantri Abadi experienced significant growth in total assets, total debt and total equity during the 2020-2022 period. Growth in total assets indicates that the company is expanding or investing. An increase in total debt indicates that the company is using debt funding to finance its expansion or investment. The growth of total equity shows that the company is able to generate profits and increase its capital.

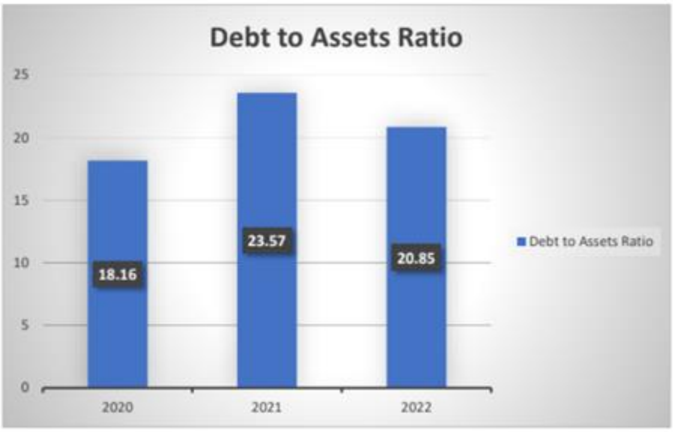
a. Debt to Assets Ratio
b.

Table 1 : Total Debt to Assets Ratio from 2020 to 2022

Tahun		Total Utang	Total Aset	Selisih	DAR (%)
2020	Rp	5.078.544.000	27.952.628.000	0,1816	18,16
2021	Rp	7.924.415.000	33.615.304.000	0,2357	23,57
2022	Rp	9.059.666.000	43.438.236.000	0,2085	20,85

Source : data processed in 2024

Figure 1



In 2020, PT Karya Tantri Abadi's Debt to Assets Ratio was 18.16%. This means that the company uses debt amounting to 18.16% of its total assets to fund its operations. This level can be considered a relatively low level, indicating that most of the company's assets are funded through equity or own capital, which can be considered a positive sign from a solvency point of view. In 2021, there will be an increase in the Debt to Assets Ratio to 23.57%. This shows that the company is increasing the use of debt in its operations, either for expansion or other projects. This increase may have good reasons, such as significant growth or development opportunities that require additional funding sources. In 2022, the Debt to Assets Ratio will decrease to 20.85%. This indicates that the company has reduced some of its debt or increased the value of its assets significantly. This decline could be the result of more careful debt management or improvements in the company's capital structure. Changes in the Debt to Assets Ratio reflect how PT Karya Tantri Abadi uses debt as a source of funding. Lower levels of this ratio tend to indicate lower solvency risk, but may also limit a company's growth potential. Conversely, higher rates may provide more funding sources for growth, but also increase debt-related risks. In this context, changes in these ratios must be evaluated in relation to the company's strategy and its long-term financial objectives. The industry standard DAR is 35%. The company's DAR has been below the industry standard for the last 3 years. This shows that the company has a low level of leverage, meaning that the company does not rely too much on debt to finance its operations.

b. Debt To Equity Ratio (DER)

Table 2 : Debt to Equit Ratio (DER) from 2020 to 2022

Tahun		Total Utang	Total Ekuitas	Selisih	DER (%)
2020	Rp	5.078.544.000	22.874.084.000	0,2220	22,20
2021	Rp	7.924.415.000	25.690.889.000	0,3084	30,84
2022	Rp	9.059.666.000	34.378.570.000	0,2635	26,35

Source : data processed in 2024

Figure 2

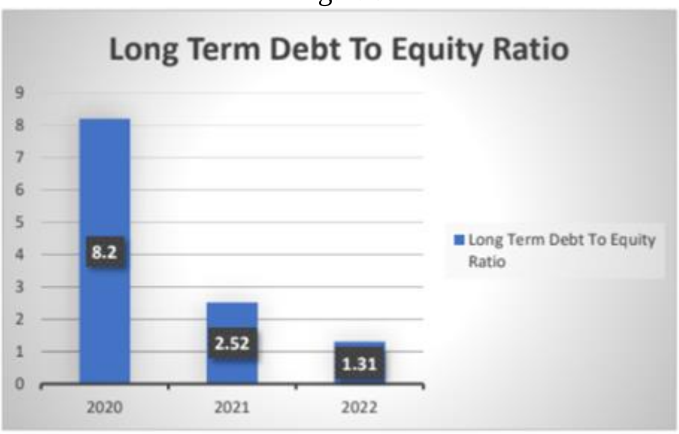
In 2020, PT Karya Tantri Abadi's Debt to Equity Ratio was 22.20%. This means that the company uses debt of 22.20% of its total equity to fund its operations. This level indicates that a small portion of the capital used by the company comes from debt, while the majority of capital comes from shareholder equity. This could be considered a relatively low level and indicates a lower solvency risk. In 2021, there will be an increase in the Debt to Equity Ratio to 30.84%. This shows that the company is increasing the use of debt in its operations compared to its own capital. This increase may have good reasons, such as growth opportunities or investments that require additional funding sources. In 2022, the Debt to Equity Ratio will decrease to 26.35%. This indicates that the company has reduced some of its debt or increased the value of its equity. This decline could be the result of more careful debt management or improvements in the company's capital structure. DER industry standards generally range between 95%. The company's DER has been well below industry standards for the past 3 years. This shows that the company has a very low level of leverage, meaning that the company barely relies on debt to finance its operations.

c. Long Term Debt To Equity Ratio

Tahun		Total Utang Jangka Panjang	Total Ekuitas	Selisih	DER (%)
2020	Rp	1.876.948.000	22.874.084.000	0,0820	8,20
2021	Rp	648.596.000	25.690.889.000	0,0252	2,52
2022	Rp	450.608.000	34.378.570.000	0,0131	1,31

Source : data processed in 2024

Figure 3



Long Term Debt to Equity Ratio (Long Term Debt to Equity Ratio) is a measure that describes how much long-term debt is used by companies to finance their assets and operations compared to the equity owned by owners or shareholders. A decrease in this ratio could indicate an improvement in the financial structure of PT Karya Tantri Abadi. In 2020, this ratio was 8.20%, which means the company had long-term debt that was 8% of its total equity that year. This shows that PT Karya Tantri Abadi is quite dependent on long-term debt to finance its operations. In 2021, this ratio fell to 2.52%, which indicates that PT Karya Tantri Abadi has succeeded in reducing the proportion of long-term debt in the company's financial structure. This is a positive sign as it reduces the risks associated with long-term debt. In 2022, this ratio decreases to 1.31%, indicating that the company continues to improve its financial structure by further reducing the proportion of long-term debt. Another decline of 1% shows that although the decline was not as big as the previous year, PT Karya Tantri Abadi is still trying to maintain this ratio at a low level. Overall, the decline in the Long Term Debt to Equity Ratio from 2020 to 2022 is a positive sign. This suggests that PT Karya Tantri Abadi has reduced the level of long-term debt in their financing and may have focused on using more sustainable funding sources or generating sufficient profits to support growth without relying too much on long-term debt. This decline indicates an improvement in the company's financial stability.

Conclusions and Suggestions

Conclusion

The company has a fairly good level of solvency. This is indicated by the relatively low Debt to Assets Ratio (DAR) and Debt to Equity Ratio (DER) values compared to industry standards. Companies show a tendency to increase the use of debt in their operations. This can be seen from the increase in DAR and DER in 2021. The company has taken steps to reduce its debt or increase its equity in 2022. This is shown by the decrease in DAR and DER in 2022. Despite fluctuations in these ratios, most companies have maintained relatively low levels of debt compared to their assets and equity. This is a positive sign from a solvency perspective.

Suggestion

Companies should have long-term financial plans that clearly cover growth strategy, capital allocation, and risk management. This will help The company maintains a balance between growth and financial desires. Business diversification can help reduce the risks associated with dependence on one sector or product. Companies can consider diversify its business portfolio to reduce risk. Market and Industry Monitoring continuously monitors changes in the market and industry it is important to identify opportunities and potential threats. This may help The company maintains its competitiveness and adapts to changes in the business environment.

Reference

Amiruddin. (2018). Analisis Rasio Keuangan Untuk Menilai Kesehatan Keuangan Koperasi Krida. Jurnal Bisnis Universitas Sriwijaya.

Fahmi Irham. (2018). Analisis Kinerja Keuangan. Bandung: Alfabeta.

Harmono. (2018). Manajemen Keuangan. Bandung: Alfabeta

Hery, SE.,M.Si.,CRP.,RSA. (2018). Analisis Kinerja Manajemen. Jakarta: PT Grasindo.

Kasmir. (2016). Analisis Laporan Keuangan. Jakarta: Rajawali Pers.

Dwi Harti. (2019). Modul Akuntansi 1A untuk SMK dan MAK. Jakarta: Erlangga.

Munarsah. (2019). Analisis Tingkat Kesehatan Unit Simpan Pinjam (USP) Pada Primkopti Semarang Barat Tahun 2013-2018. Jurnal Bisnis Universitas Mercu Buana.

Munawir S. (2017). Analisa Laporan Keuangan. Yogyakarta: UPP-AMP YKPN. Hlm. 56.

Sugiono. (2016). Metode Penelitian Kuantitatif, Kualitaitf dan R&D. Bandung: Alfabeta

Wiratna. (2019). Analisis Laporan Keuangan. Yogyakarta: Pustaka Baru Press.

Umi, Barokah. (2020). Analisis Laporan Keuangan Untuk Menilai Kinerja Perusahaan Daerah Air Minum Tirta Binangun Kabupaten Kulon Progo. Jurnal Bisnis Universitas Mercu Buana Vol. 3 No. 4.

Warsidi, Bambang. (2018). Evaluasi Kegunaan Rasio Keuangan dalam Memprediksi Perubahan Laba di Masa yang Akan Datang: Suatu Studi Empiris pada Perusahaan yang Terdaftar di BEJ. Jurnal Analisis Akuntansi Manajemen Akuntansi dan Ekonomi Vol. 2 No. 1.