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MEASURING THE FINANCIAL PERFOTMANCE OF PT GUDNG GARAM Tbk BASED ON LIQUIDITY AND PROFITABILITY RATIOS FOR THE PERIOD 2020-2024

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Abstract

This study aims to analyze the financial performance of PT Gudang Garam Tbk during the period of 2020-2024 using the liquidity and profitability ratio approach for the period of 2020 to 2024. The research method used is descriptive quantitative with secondary data obtained from the Company's financial reports for five years. The liquidity ratio analysis includes the current ratio and quick ratio, while the profitability analysis uses return on assets (ROA) and net profit margin (NPM). The results show that PT Gudang Garam Tbk's financial performance during this period experienced fluctuations in liquidity, with its ability to meet short-term obligations remaining fairly stable despite pressure on current asset management. However, the company's profitability experienced a significant decline, marked by a decrease in asset utilization efficiency, return on equity, and net profit margin.

Keywords: Liquidity, Profitability, Financial Performance

Introduction

PT Gudang Garam Tbk is one of the largest and leading kretek cigarette manufacturers in Indonesia, established in 1958 in Kediri, East Java. The company is widely known for its high-quality kretek cigarettes, which are produced with the support of technology and a professional workforce. In line with market developments and increasingly fierce competition in the cigarette industry, the Company faces challenges in maintaining optimal financial performance. Maintaining liquidity and profitability is important in order to measure the Company's ability to meet its short-term obligations and its effectiveness in generating profits.

Amid regulatory pressures and local and global competition, the Company is also required to optimize liquidity in order to meet its short-term financial obligations without experiencing liquidity difficulties that could negatively impact its operations. In addition, good profitability is an indicator of the Company's success in maintaining its business continuity and providing added value to shareholders and other stakeholders.

Therefore, the approach of analyzing liquidity and profitability ratios is a relevant and adequate tool for comprehensively and systematically evaluating the financial performance of PT Gudang Garam Tbk.

Theoretical Framework

A company's financial performance is often analyzed using financial ratios such as liquidity ratios and profitability ratios. Liquidity ratios measure a company's ability to meet its short-term obligations, while profitability ratios indicate a company's ability to generate profits from its operations.

Liquidity Ratio

“Liquidity is an indicator of a company's ability to pay all short-term liabilities when they fall due using available current assets.” (Syamsuddin, 2013:41).

Profitability Ratio

According to (Hery, 2015:226) "profitability ratio is a ratio used to measure company's ability to generate profits from its normal business activities."

Method

This study uses a quantitative method with a descriptive approach. The data used is secondary data in the form of PT Gudang Garam Tbk's financial reports obtained through documentation from the official website of PT Gudang Garam Tbk and other reliable sources.

Population and Sample

The population in this study is PT Gudang Garam Tbk's financial reports for the 2020-2024 period. The sample for this study was taken based on the availability of complete and relevant financial report data.

Data collection technique

This was done through documentation, namely collecting financial reports that had been published for the 2020-2024 period. The instrument used was a measuring tool in the form of official financial reports from PT Gudang Garam Tbk.

Data analysis method

The data analysis method used is financial ratio calculation, specifically liquidity and profitability ratios, to assess the Company's financial performance. These ratios are calculated and analyzed descriptively to describe the financial condition of PT Gudang Garam Tbk in a systematic and measurable manner.

Liquidity Ratio includes:

Current Ratio reveals an entity's capacity to pay its short-term liabilities using current assets, measured by the formula:

$$Current\ Ratio = \frac{Current\ Assets}{Current\ Liabilities} x\ 100\%$$

Quick Ratio to reveal current assets after deducting inventory to cover short-term liabilities, which is measured using the formula:

$$Quick\ Ratio = \frac{Current\ Assets - Inventory}{Current\ Liabilites}\ x\ 100\%$$

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Cash Ratio, which reveals an entity's capacity to pay current liabilities with cash, is calculated using the following formula:

$$Cash\ Ratio = \frac{Cash}{Current\ Liabilities}\ x\ 100\%$$

Profitability Ratio includes:

Return On Assets (ROA) to assess an entity's ability to earn profits from its assets, measured using the formula:

$$Return\ On\ Assets = \frac{Net\ Profit}{Total\ Assets}\ x\ 100\%$$

Return On Equity (ROE) is used to calculate the profit earned by an entity on its equity, calculated using the following formula:

$$Return\ On\ Equity = \frac{Net\ Proit}{Equity}\ x\ 100\%$$

Net Profit Margin (NPM) is used to express an entity's capacity to earn net profit from total sales, measured by the formula:

$$Net\ Profit\ Margin = \frac{Net\ Profit}{Seles}\ x\ 100\%$$

Results

The results of the research processed from annual data are the financial information of PT Gudang Garam Tbk for the period 2020–2024, analyzed using financial ratios such as liquidity ratios and profitability ratios in Excel, as follows:

Liquidity Ratio

Tabel 1. ***Current Asset Ratio***

CURRENT ASSET RATIO					
No	**Year**	**Current Assets**	**Current Liabilites**	**Current Asset**	**Financial Performanc**
1	2020	49.537.929	17.009.992	291,23%	2,91 KALI
2	2021	59.312.578	28.369.283	209,07%	2,9 KALI
3	2022	55.445.127	29.125.010	190,37%	1,90 KALI
4	2023	54.115.182	29.536.433	183,22%	1,83 KALI
5	2024	47.590.906	20.824.215	228,54%	2,28 KALI

Based on the results of Table 1, it can be seen that PT Gudang Garam Tbk's Current Assets Ratio during the 2020-2024 period fluctuated from year to year. In 2020, the Current Assets Ratio was 2.91 times, indicating that every Rp 1 of current liabilities was secured by Rp 2.91 of current assets. This value reflects the company's excellent ability to meet its short-term liabilities. However, in 2021–2023, the Current Assets Ratio declined consecutively to 2.09 times, 1.90 times, and 1.83 times. This decline indicates that the company is facing pressure on working capital, possibly due to an increase in current liabilities or a decrease in cash and accounts receivable. Despite the decline over three consecutive years, PT Gudang Garam Tbk's Current Assets Ratio is still above 1.0, which means that the company remains in a liquid condition. However, the decline in the ratio from 2020 to 2023 indicates the need to improve efficiency in managing current assets, such as accelerating accounts

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receivable collection, optimizing inventory management, and curbing the increase in current liabilities.

Tabel 2. ***Quick Ratio***

QUICK RATIO						
NO	**Year**	**Current Assets**	**Inventory**	**Current Liabilities**	**Quick Asset Ratio**	**Financial Performanc**
1	2020	49.537.929	39.894.523	17.009.992	56,69%	0,57 Kali
2	2021	59.312.578	47.456.225	28.369.283	41,79%	0,42 Kali
3	2022	55.445.127	47.639.885	29.125.010	26,80%	0,27 Kali
4	2023	54.115.182	46.485.966	29.536.433	25,83%	0,26 Kali
5	2024	47.590.906	40.425.938	20.824.215	228,54%	2,29 Kali

Based on the data in Table 2, PT Gudang Garam Tbk's Quick Ratio (QC) in the 2020–2024 period experienced significant fluctuations. In 2020, the Quick Ratio was recorded at 0.57 times (56.69%), which means that every Rp1 of current liabilities is covered by Rp0.57 of liquid assets that can be easily converted into cash. This ratio indicates that the company is quite capable of covering its short-term liabilities, although it is still below the ideal figure of 1.0 times. This was because most of the current assets were still in the form of inventories that could not be immediately converted into cash. In 2021–2023, the Quick Ratio declined consecutively to 0.42 times (41.79%), 0.27 times (26.80%), and 0.26 times (25.83%). This decline indicates that the company's liquidity declined sharply during this period. This condition is likely due to an increase in current liabilities while quick assets such as cash and accounts receivable did not increase significantly. This decline could also be caused by an increase in the value of high inventory, thereby reducing the portion of current assets that are truly liquid. However, in 2024, the quick ratio increased sharply to 2.29 times (228.54%). This increase indicates a significant improvement in the company's liquidity management.

Tabel 3. ***Cash Ratio***

CASH RATIO				
NO	**Year**	**Cash and cash equivalents**	**Current Liabilities**	**Cash Ratio**
1	2020	4.774.272	17.009.992	28,07%
2	2021	3.771.404	28.369.283	13,29%
3	2022	3.709.026	29.125.010	12,73%
4	2023	3.610.447	29.536.433	12,22%
5	2024	3.330.356	20.824.215	15,99%

Based on the data in Table 3, it can be seen that PT Gudang Garam Tbk's Cash Ratio (CR) during the 2020–2024 period fluctuated at a relatively low level. In 2020, the Cash Ratio was recorded at 0.28 times (28.07%), which means that for every Rp1 of current liabilities, only Rp0.28 of cash and cash equivalents are available. This value is relatively low, but it still shows that the company has sufficient cash to cover most of its short-term liabilities. In 2021–2023, the cash ratio declined consecutively to 0.13 times (13.29%), 0.12 times (12.73%), and 0.12 times (12.22%). This decline indicates that the company is increasingly relying on non-cash current assets (such as accounts receivable and inventory) to meet its short-term liabilities. The low cash ratio during this period may also indicate that the company is using most of its cash funds for operational activities, raw material purchases, or long-term investments, resulting in tighter short-term liquidity. However, in 2024, the Cash Ratio increased to 0.15 times (15.99%). This increase indicates a slight improvement in the company's cash capacity, although it is still below the ideal standard (0.5–1.0 times). This may be due to an increase in cash and cash equivalents or a decrease in total current liabilities in that year.

Rasio Profitabilitas

Tabel 1. ***Return On Assets*** **(ROA)**

Year	Net Profit	Total Assets	ROA	100%	Financial Performance
2020	7,647,729	78,191,409	0.097807791	9.78%	0.10 kali
2021	5,605,321	89,964,369	0.062306011	6.23%	0.06 kali
2022	2,779,742	88,562,617	0.031387306	3.14%	0.03 kali
2023	5,324,516	92,450,823	0.057592954	5.76%	0.06 kali
2024	980,804	84,939,276	0.01154712	1.15%	0.01 kali

During the period from 2020 to 2024, PT Gudang Garam Tbk's financial performance, as measured by profitability ratios, showed a significant decline. Based on the Return On Assets (ROA) in Table 1, the company recorded an ROA of 9.78% in 2020, which indicates a fairly good ability to generate profits from its assets. However, ROA declined dramatically in subsequent years to only around 1.15% in 2024. This indicates a decline in efficiency in utilizing the company's assets to generate profits.

Tabel 2. ***Return On Equity*** **(ROE)**

Year	Net Profit	Equity	ROE	100%	Financial Performance
2020	7,647,729	78,191,409	0.097807791	9.78%	0.10 kali
2021	5,605,321	59,288,208	0.094543606	9.45%	0.09 kali
2022	2,779,742	57,855,966	0.048045901	4.80%	0.05 kali
2023	5,324,516	60,862,843	0.087483853	8.75%	0.09 kali
2024	980,804	61,916,591	0.01584073	1.58%	0.02 kali

Table 2 shows that Return On Equity (ROE) also shows a downward trend. Starting at 9.78% in 2020, ROE declined to only around 1.58% in 2024. The decline in ROE reflects the company's declining ability to generate profits on the equity invested by shareholders, which could signal a decline in the rate of return on investment for investors.

Tabel 3. ***Net Profit Margin*** **(NPM)**

Year	Net Profit	Sales	NPM	100%	Financial Performance
2020	7,647,729	83,375,059	0.09172682	9.17%	0.09 kali
2021	5,605,321	124,881,266	0.044885203	4.49%	0.04 kali
2022	2,779,742	124,682,269	0.022294605	2.23%	0.02 kali
2023	5,324,516	118,952,997	0.044761512	4.48%	0.04 kali
2024	980,804	98,655,483	0.009941708	0.99%	0.01 kali

Furthermore, the Net Profit Margin (NPM) in Table 3 shows a decline from 9.17% in 2020 to only 0.99% in 2024. This decline in net profit margin indicates that the company is generating much smaller profits from its revenues, which could be due to increased operating costs or a decline in revenues.

Discussion

In terms of liquidity, the Current Ratio fluctuated with a downward trend from 2.91 times in 2020 to 1.83 times in 2023, then rose again to 2.28 times in 2024. This indicates that the company is still able to meet its short-term obligations, despite pressure on working capital, especially between 2021 and 2023, due to an increase in current liabilities and a decrease in easily convertible current assets. The Quick Ratio also declined significantly from 0.57 times to 0.26 times in 2023, only to recover sharply in 2024 (2.29 times), indicating that the liquidity of easily convertible current assets had declined significantly, partly due to high illiquid inventories. The Cash Ratio remained low and fluctuated below the ideal standard of 0.5 times, reflecting the company's dependence on accounts receivable and inventory to meet its short-term obligations.

In terms of profitability, all key indicators—ROA, ROE, and NPM—declined from 2020 to 2024. ROA fell from 9.78% to 1.15%, indicating a drastic decline in asset efficiency. ROE fell from 9.78% to 1.58%, showing a decline in returns on equity for shareholders. NPM also declined sharply from 9.17% to 0.99%, indicating shrinking profit margins due to cost pressures and declining revenues. There was a slight recovery in 2023 for all three ratios, but the overall downward trend in profitability remained evident.

Overall, PT Gudang Garam Tbk has demonstrated its ability to maintain liquidity despite strict management of current assets in recent years, while the company's profitability has declined significantly, indicating the need for strategic measures in cost management, operational efficiency, and increased effectiveness in the use of assets and capital. This condition is important for management to take note of in order to improve financial performance so as to maintain business continuity and long-term competitiveness.

Although PT Gudang Garam Tbk's liquidity remained relatively stable during 2020-2024, a significant decline in profitability ratios indicates serious challenges in generating profits and managing capital efficiently. Therefore, the company is advised to focus on more efficient financial management, cost control, and revenue strengthening strategies in order to improve overall financial performance in the future.

Conclusion

The conclusion should succinctly summarize the key findings of the study, highlighting its contributions to both the academic field and practical applications. Authors may also outline the study's limitations and provide recommendations for future research. PT Gudang Garam Tbk's performance during the 2020-2024 period shows contradictory results between liquidity and profitability. In terms of liquidity, the company was able to maintain its ability to meet short-term obligations, despite fluctuations in the Current Ratio, which declined from 2.91 times in 2020 to 1.83 times in 2023, before recovering to 2.28 times in 2024. However, the sharp decline in the Quick Ratio from 0.57 times to 0.26 times in 2023, with a significant recovery in 2024 (2.29 times), indicates that the company experienced liquidity pressure on easily convertible assets, partly due to high inventory levels. The persistently low Cash Ratio indicates a reliance on accounts receivable and inventory to meet short-term obligations. Conversely, in terms of profitability, the company faces serious challenges as all key indicators—ROA, ROE, and NPM—show a significant downward trend from 2020 to 2024. ROA plummeted from 9.78% to 1.15%, signaling a drastic decline in asset efficiency. Similarly, NPM has fallen from 9.17% to just 0.99%, reflecting a decline in profit margins due to cost pressures and/or a decline in revenue. Although liquidity is relatively stable, this substantial decline in profitability indicates the need for management to take strategic steps in cost control, operational efficiency, and revenue strengthening to ensure .

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