1st International Conference on Management, Business and Economy (ICoMBEc 2025)
Vo. 1 No. 1 2025
e-ISSN : XXXX-XXX

ASSESSING FINANCIAL PERFORMANCE THROUGH LIQUIDITY, SOLVENCY, ACTIVITY, AND PROFITABILITY RATIOS: EVIDENCE FROM PT LCK GLOBAL KEDATON TBK (2017–2024)

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Abstract

In this study, an evaluation of financial performance is conducted for the Indonesia-based company PT LCK Global Kedaton Tbk from 2017 to 2024 through financial ratio analysis. The financial ratio analysis is conducted to identify four important aspects: Liquidity Ratios, Solvency Ratios, Activity Ratios, and Profitability Ratios. The objectives of this research are to determine how well a company is capable of efficiently handling its financial resources and generating profits.

The study employs a quantitative descriptive technique and makes use of secondary data obtained through financial statements of the company. The techniques for trend analysis are used to examine changes in performance and make interpretations in line with financial management theories according to Kasmir (2019), Brigham & Houston (2018), and Gitman (2015).

The findings suggest that liquidity ratios, calculated through Current Ratio (CR), are in a constantly strong position that indicates the capability to fulfill current liabilities. Solvency position, measured through Debt to Equity Ratio (DER), has improved as there has been a decrease in dependence on debt. Activity ratio, calculated through Total Asset Turnover (TATO), keeps changing every year that reveals variability in efficiency. The ratio of profitability, calculated through Gross Profit Margin (CD-D), suggests that there is variability in maintaining cost and profitability.

Overall, it can be ascertained that the financial structure of PT LCK Global Kedaton Tbk is positive in relation to its liquidity and solvency management; however, it still needs to improve in operational and profit management. Cost efficiency and financial discipline are imperative in this regard.

Keywords: Financial Performance, Liquidity, Solvency, Activity, Profitability, Ratio

Introduction

Financial performance is one of the critical factors that can essentially measure and determine how well a business can manage its financial resources to achieve efficiency and stability. As Brigham and Houston (2018) have emphasized, financial performance can essentially measure how a business makes its financial resources to produce revenues. The financial performance of a business can essentially imply that a business is stable even in a volatile market.

As a company that operates in Indonesia's industrial and services sectors through its entity, PT LCK Global Kedaton Tbk, this organization faces a changing and challenging business environment that demands a flexible financial strategy.

Financial analysis can provide important information regarding its effectiveness in management and financial condition. The stability and profitability of a firm are determined through its capability to manage a suitable capital structure and its generated profits.

Previous studies have underscored that financial ratio analysis is a distinct instrument to validate financial performance. Kasmir (2019) argues that ratio analysis is a key instrument to identify business conditions and estimate managerial performance. In a similar perspective, Gitman (2015) and Ross et al. (2019) supported that financial ratio analysis is a backbone for better understanding of operational and risk performance. The study examined financial performance in relation to financial ratio analysis for PT LCK Global Kedaton Tbk over a period of 2017-2024. The financial ratio categories employed in this study were based on four key categories: Liquidity Ratios, Solvency Ratios, Activity Ratios, and Profitability Ratios.

Theoretical Framework

Financial ratio analysis is a key part of managing a company's finances. It helps understand how different parts of a company's financial statements are connected. Kasmir (2019) says that ratios help managers, investors, and analysts see how well a business is running, how stable it is, and how much profit it makes.

The liquidity ratio shows if a company can pay its short-term debts with its current assets. A high liquidity ratio means the company can easily pay its bills when they're due. Brigham & Ehrhardt (2017) say it's important to keep the right level of liquidity to avoid trouble with money and to not have too much unused cash.

The solvency ratio, also called the leverage ratio, looks at how much debt a company uses to buy its assets. Gitman (2015) points out that using debt can make profits bigger, but too much debt brings more risk and makes it harder to run the business freely.

The activity ratio checks how well a company uses its assets. Ross et al. (2019) explain that a high total asset turnover means management is doing a good job turning money into sales. If turnover goes down, it might mean the assets aren't being used well or that there's less demand for the company's products.

The profitability ratio shows how much profit a company makes compared to its sales and assets. Subramanyam and Wild (2014) suggest that steady profits show the company is strong and likely to succeed in the long run.

Together, these ratios give a full picture of how healthy a company's finances are. Keeping a good balance between liquidity, solvency, activity, and profitability helps the company do well and makes investors feel confident.

Method

This study uses a quantitative descriptive method and looks at data from PT LCK Global Kedaton Tbk's financial reports between 2017 and 2024. The main goal is to examine four key financial ratios:

1. Current Ratio (CR) = Current Assets divided by Current Liabilities multiplied by 100%

Vo. 1 No. 1 2025
e-ISSN : XXXX-XXX

2. Debt to Equity Ratio (DER) = Total Debt divided by Total Equity multiplied by 100%
3. Total Asset Turnover (TATO) = Net Sales divided by Total Assets multiplied by 100%
4. Gross Profit Margin (GPM) = Gross Profit divided by Net Sales multiplied by 100%

The data is analyzed using trend analysis, which helps to spot changes and patterns over time.

The study also uses ideas from Brigham & Houston (2018), Gitman (2015), and Kasmir (2019) to better understand how the company is performing financially.

Results

1. Liquidity Ratio

Table 1.1
Current Rasio Indicator PT LCK Global Kedaton TBK
Tahun 2017-2014
(in Million Rupiah)

Tahun	Aktivitas Lancar	Hutang Lancar	CR
2017	Rp56.023,36	Rp9.731,28	575,70%
2018	Rp123.903,06	Rp14.661,82	845,07%
2019	Rp126.517,36	Rp13.911,02	909,48%
2020	Rp129.473,20	Rp12.156,90	1065,02%
2021	Rp135.624,68	Rp11.555,19	1173,71%
2022	Rp270.868,20	Rp940,59	2879,75%
2023	Rp134.178,50	Rp5.283,22	2539,71%
2024	Rp104.175,86	Rp7.242,08	1438,48%

Source : Processed Data

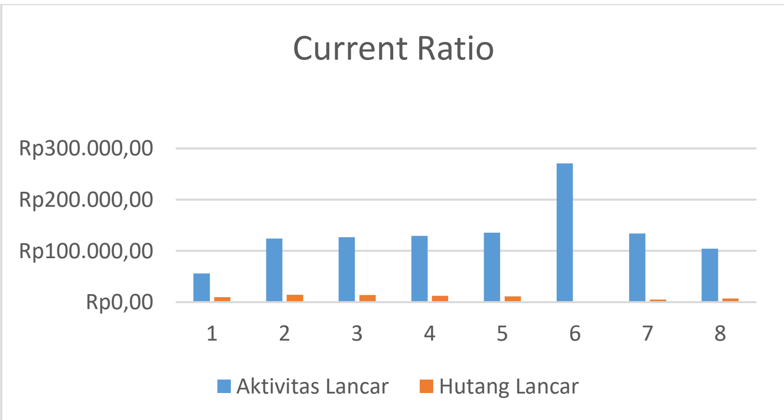

Image 2.1
Current Ratio Calculation Results for the 2017-2018 Period

The Current Ratio (CR) of PT LCK Global Kedaton Tbk shows a strong ability to cover short-term debts between 2017 and 2024. The ratio went up a lot from 575.70 percent in 2017 to 2879.75 percent in 2022, then came down a bit to 1438.48 percent in 2024. Kasmir (2019) says that a CR over 200 percent means the company has good liquidity, so this company is doing much better than that. This shows the company has strong short-term money safety and good management of its working capital.

But Brigham and Houston (2018) also say that a very high CR can mean the company isn't using its money or inventory well.

The small drop in 2024 might mean the company is starting to use its current assets more efficiently for operations and investments. Overall, PT LCK Global Kedaton Tbk has a great liquidity position and enough flexibility to support future business growth.

2. Activity Ratio

Tabel 1.2
Debt Assets Turn Over Ratio Indicator PT LCK Global Kedaton TBK
Tahun 2017-2024
(in Million Rupiah)

Tahun	Penjualan	Total Aktivitas	Total Asset Turn Over
2017	Rp23.465,60	Rp95.627,56	2,45%
2018	Rp9.231,25	Rp143.302,21	6,44%
2019	Rp7.858,77	Rp143.904,16	5,46%
2020	Rp4.321,66	Rp146.610,62	2,95%
2021	Rp6.538,09	Rp147.143,54	4,44%
2022	Rp3.541,61	Rp145.557,22	2,43%
2023	Rp3.169,80	Rp141.372,54	2,24%
2024	Rp4.719,65	Rp143.432,99	3,29%

Source : Processed Data

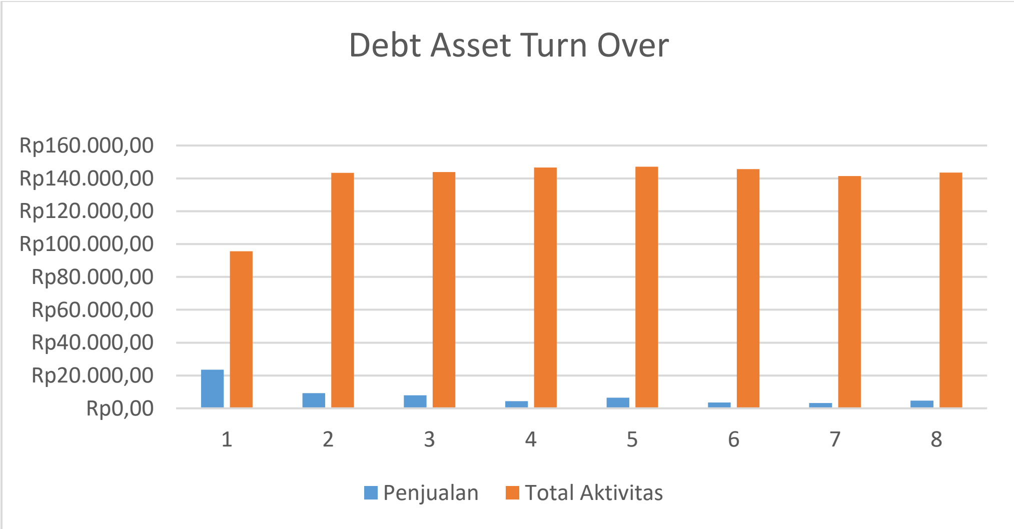

Image 2.2
Debit Asset Turnover Ratio Calculation Results 2017-2024

The Total Asset Turnover (TATO) ratio measures how efficiently a company utilizes its assets to generate sales. For PT LCK Global Kedaton Tbk, the ratio fluctuated Throughout 2017 to 2024, the TATO value reached its highest level in 2018 at 6.44 percent, then dropped to 2.24 percent in 2023 before slightly rising to 3.29 percent in 2024. Kasmir (2019) explains that when TATO keeps changing, it shows that the company's ability to turn assets into sales isn't consistent from year to year. The drop after 2019 suggests that the company's assets weren't being used as effectively, which could be because of lower sales or assets not being used enough.

Brigham and Houston (2018) say it's important to keep TATO stable and high so that assets help the company make more sales.

The small increase in 2024 shows that PT LCK Global Kedaton Tbk started to use its assets better, but there is still room for improvement. To make things better, the company should work on marketing, improve how it makes products, and use its assets more efficiently. These steps can help improve how well the business operates and its financial results.

3. Solvable Ratio

Table 1.3
Debt To Equity Rasio IndicatorPT LCK Global Kedaton TBK
Tahun 2017-2024
(In million Rupiah)

Tahun	Total Hutang	Ekuitas	DER
2017	Rp10.005,72	Rp80.000,00	12,51%
2018	Rp14.879,30	Rp119.005,64	12,50%
2019	Rp14.188,52	Rp119.005,64	11,92%
2020	Rp12.579,09	Rp119.005,64	10,57%
2021	Rp11.970,34	Rp119.005,64	10,06%
2022	Rp9.891,12	Rp119.005,64	8,31%
2023	Rp5.283,22	Rp119.005,64	4,44%
2024	Rp7.254,63	Rp119.005,64	6,10%

Source : Processed Data

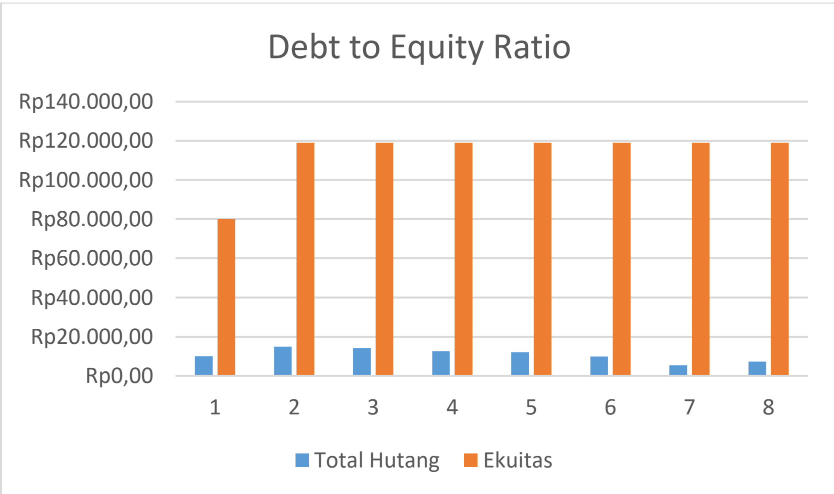

Image 2.3
Debt to Equity Ratio Calculation Results 2017-2024

The Debt to Equity Ratio (DER) of PT LCK Global Kedaton Tbk showed a consistent downward trend from 2017 to 2024, starting at 12.51 percent and reaching its lowest point of 4.44 percent in 2023 before slightly increasing to 6.10 percent in 2024. According to Kasmir (2019), a low DER value indicates that the company relies more on its own capital than on borrowed funds, which minimizes financial risk. This trend reflects that PT LCK Global Kedaton Tbk successfully strengthened its capital structure and reduced dependence on external financing, improving its ability to handle long-term obligations.

Brigham and Houston (2018) explain that maintaining an optimal DER balance is important because excessive debt can increase financial pressure, while too little debt may limit opportunities for business expansion. The consistently low DER values during this period show that the company adopted a conservative financing strategy. However, to support future growth, PT LCK Global Kedaton Tbk could consider using moderate leverage to fund profitable investments while still keeping financial stability under control.

4. Profitability Ratio

Tabel 1.4
Gross Profit Margin Indicator PT LCK Global Kedaton TBK
Tahun 2017-2024
(In Million Rupiah)

Tahun	Laba Kotor	Penjualan	GPM
2017	Rp1.616,69	Rp55.356,31	2,92%
2018	Rp13.964,43	Rp62.423,22	22,37%
2019	Rp9.993,09	Rp32.957,81	30.32%
2020	Rp5.368,89	Rp17.896,81	30,00%
2021	Rp9.441,80	Rp36.832,31	25,63%
2022	Rp5.577,13	Rp29.316,49	19,02%
2023	Rp3.379,48	Rp14.685,86	23,01%
2024	Rp312,35	Rp1.611,72	19,38%

Source : Processed Data

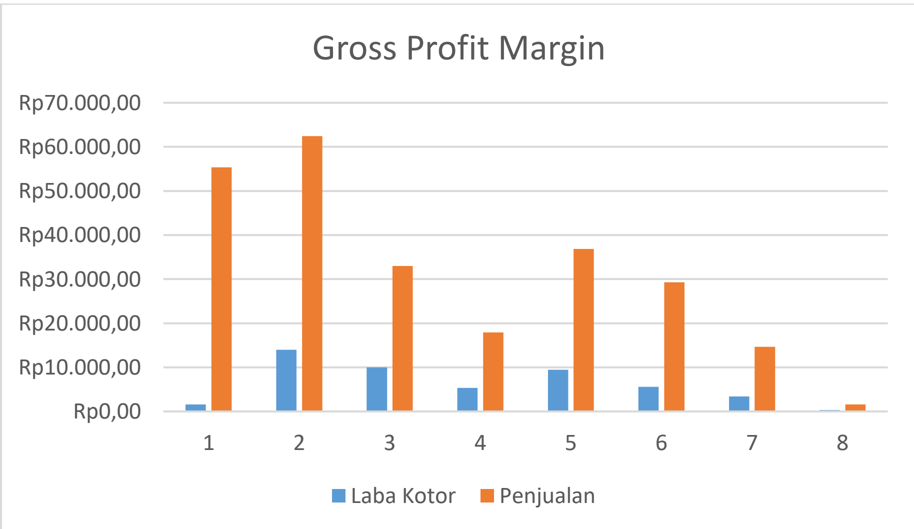

Image 2.4
Gross Profit Margin Ratio Calculation Results for the 2017-2024 Period

The Gross Profit Margin (GPM) of PT LCK Global Kedaton Tbk changed over the years from 2017 to 2024. It was highest in 2019 at 30.32 percent and lowest in 2017 at just 2.92 percent. Kasmir (2019) explains that a high GPM means the company is doing a good job of managing its costs and running its operations efficiently. But if the GPM goes down, it could be because costs are going up or sales prices are dropping. Between 2018 and 2019, the GPM improved, showing the company was managing its costs well and making more profit. However, after 2021, the GPM started to fall again, which suggests the company may be facing higher costs or slower sales growth.

Brigham and Ehrhardt (2017) say that profitability ratios like GPM are important for showing how well a company's management is doing and how strong it is compared to others. The changes in PT LCK Global Kedaton Tbk’s GPM show that the company hasn’t yet reached a steady level of profitability. To improve, the company should work harder on controlling costs, selling more products, and setting better prices. Keeping profitability stable will help build trust with investors and make sure the company stays financially strong in the long run.

Discussion

PT LCK Global Kedaton Tbk's financial ratios from 2017 to 2024 show the company has a solid financial position, especially when it comes to liquidity and solvency. The Current Ratio (CR) shows the company can easily cover its short-term debts, even more than what is considered healthy. This suggests the company is good at managing its working capital and keeping a strong hold on cash and receivables. However, the high liquidity levels in some years may also mean the company is holding too much cash or other current assets that aren’t being used in ways that create more profit. To make the best use of its resources, the company should find a better balance between having enough liquidity and using assets efficiently to generate more income.

The company’s solvency, as shown by the Debt to Equity Ratio (DER), also shows it is financially stable. The DER has been going down over time, which means the company is using less debt and more equity to fund its operations. This strategy makes the company less risky and more attractive to investors in the long run. But, while this approach makes the company more stable, it might also limit its ability to grow or invest in new opportunities. Using some debt in a controlled way could help the company grow without harming its financial health.

On the other hand, the Activity Ratio (TATO) and Profitability Ratio (GPM) show varying results, which means the company’s operations and cost control aren’t always consistent. The drop in TATO after 2019 suggests the company may not be using its assets as effectively as it could to make more money. The changes in GPM show that profit margins are not steady, possibly because of things like market changes, higher costs, or inefficient cost management. These issues point to the need for better operational strategies, such as making better use of assets, improving marketing efforts, and controlling production and administrative costs more carefully. In conclusion, PT LCK Global Kedaton Tbk has a strong financial base but needs to work on improving operational efficiency and making profits more stable. To grow sustainably, the company should manage its liquidity in a way that supports profitability, and find the right balance between being careful with money and taking calculated risks. By keeping good liquidity, using debt wisely, and making better use of its assets, the company can strengthen its position in the market and ensure it remains financially healthy in the long term.

Vo. 1 No. 1 2025
e-ISSN : XXXX-XXX

Conclusion

PT LCK Global Kedaton Tbk's financial performance from 2017 to 2024 shows that the company has good liquidity and stronger solvency, meaning it can manage its short-term and long-term debts well. However, its activity and profitability ratios have gone up and down, which suggests that how well it uses its assets and makes profits could be improved.

For the company to grow in a steady way, it should work on making better use of its assets, cutting costs more effectively, and keeping a balanced mix of debt and equity.

Keeping an eye on key financial ratios like liquidity, solvency, activity, and profitability will help the company stay strong and competitive in the market.

Acknowledgments

The author truly thanks Universitas Pamulang, especially the Faculty of Economics and Business, for their academic help, guidance, and resources that made this research possible. The helpful suggestions and support from teachers and mentors gave important ideas that improved both the analysis and the overall quality of the paper.

The author also wants to show deep thanks to family and close friends for their ongoing support, understanding, and encouragement during the research.

Their patience and positive words helped keep the author motivated and determined to finish the study successfully.

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