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MEASURING THE FINANCIAL PERFORMANCE OF IFISHDECO COMPANY BASED ON SOLVENCY RATIO

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Abstract

This study aims to measure and analyze the financial performance of PT IFISHDECO Tbk using solvency ratios as the main indicator of the company's ability to meet its long-term obligations. The research method applied is quantitative analysis using secondary data taken from the company's annual financial reports for 2020 and up to 2024. The solvency ratios analyzed include Debt to Asset Ratio (DAR), Debt to Equity Ratio (DER), Equity Ratio (ER), Long-term Debt to Equity Ratio (LDER), Times Interest Earned (TIE), Cash Coverage Ratio (CCR), and Debt Service Coverage Ratio (DSCR). The results of the analysis show that PT IFISHDECO has a significant dependence on debt financing, which poses financial risks that need to be managed carefully. The company's DER ratio has increased from the previous year, indicating high leverage in business expansion. The conclusion of this study emphasizes the importance of regularly managing solvency ratios to maintain financial stability and support the company's business continuity. These findings provide strategic considerations for management and stakeholders in making appropriate financial decisions to face future economic challenges.

Keywords
Financial Ratios, Financial Performance, Solvency, Cost Efficiency, Annual Financial Reports.

Introduction

Financial performance is one of the most crucial aspects in assessing the health and sustainability of a company. In an increasingly complex and competitive business world, companies are required to manage their financial resources effectively in order to survive and grow. One of the main indicators used to measure financial performance is the solvency ratio. The solvency ratio is a measure that shows a company's ability to meet its long-term obligations, particularly in terms of debt repayment using its assets. This ratio is very important because it reflects the level of financial risk faced by the company as well as its long-term financial stability. A company with a high solvency ratio often shows a high dependence on debt, which can lead to increased interest expenses and financial obligations. Conversely, a low solvency ratio indicates that the company is more likely to use its own capital for financing, which is a safer approach but can limit business expansion opportunities. PT IFISHDECO Tbk, a company engaged in the fisheries and marine sector, is the subject of this study. This sector has unique characteristics that affect the company's financing structure and financial risk. This study aims to analyze the company's solvency ratios to assess its financial position and the risks it faces. Through the analysis of ratios such as Debt to Asset Ratio (DAR), Debt to Equity Ratio (DER), and Equity Ratio (ER), Long-term Debt to Equity Ratio (LDER), Times Interest Earned (TIE), Cash Coverage Ratio (CCR), and Debt Service Coverage Ratio (DSCR). it is hoped that this study can provide a clear picture of the company's financial stability and its implications for

Theoretical Framework

Solvency ratios are an important tool in analyzing a company's financial performance. The use of these ratios has been widely discussed in previous literature and research. According to Harahap (2009), solvency ratios indicate the extent to which a company's assets are financed by debt. The smaller this ratio is, the better the company's financial condition. Kasmir (2015) emphasizes that ratios such as the Debt to Equity Ratio (DER) and Debt to Asset Ratio (DAR) are very important for assessing a company's financial risk and leverage. Wahyuni (2017) shows that companies with healthy solvency ratios tend to be more stable and able to withstand financial pressures. The theoretical framework in this study is based on the concept of solvency as an indicator of the balance between debt and equity used by companies to finance their assets. The DER ratio measures the proportion of debt to equity, while the DAR measures the proportion of debt to total assets. The Equity Ratio (ER) shows the portion of equity to total assets, which is an indicator of a company's financial independence. Leverage theory also explains that optimal use of debt can increase a company's value, but excessive use of debt increases the risk of bankruptcy. This study attempts to fill a gap in the literature by focusing on the solvency ratios of PT IFISHDECO Tbk in the context of the development of the fisheries and marine sector in Indonesia. Most previous studies are general in nature or examine companies in different sectors, making this study relevant in providing a specific overview that can be used for risk management and financial strategy at PT IFISHDECO Tbk. The hypothesis proposed in this study is: "There is a significant relationship between solvency ratios (DER, DAR, ER, LDER, TIE. CCR, DSCR) and the financial performance of PT IFISHDECO Tbk, whereby healthier solvency ratios will increase the stability and sustainability of the company." This hypothesis will be tested to see how these solvency ratios affect the overall financial condition of PT IFISHDECO Tbk.

Method

A. Research Design

This study uses a quantitative design that focuses on financial ratio analysis to measure the financial performance of PT IFISHDECO Tbk. This analysis aims to assess the company's ability to meet its long-term obligations through relevant solvency ratios.

B. Population and Sample

The population in this study is all published financial reports of PT IFISHDECO Tbk. The sample used includes annual financial reports for 2020 and financial reports for the first half of 2024. These years were selected to provide a clear perspective on the company's solvency ratio in two different periods.

C. Data Collection Techniques

Data was collected through two main methods:

1. Documentation

Collecting financial reports officially published by PT IFISHDECO Tbk and information from the Indonesia Stock Exchange (IDX). This data includes balance sheets, income statements, and cash flow statements.

2. Company's Official Website

Accessing annual reports available on the company's official website to obtain accurate and up-to-date data

D. Research Instrument

1. Debt to Equity Ratio

The debt to equity ratio (DER) formula is Total Debt / Total Equity. This formula compares a company's total liabilities (short-term and long-term debt) with total shareholder equity (capital) to measure the company's financial leverage.

$$\text{Debt to Equity Ratio (DER)} : \frac{Total\ Debt}{Total\ Equity}$$

2. ***Debt to Asset Ratio***

Debt to Asset Ratio (DAR) is a financial ratio used to measure how much of a company's assets are financed by debt. A higher ratio indicates that the company is more dependent on debt, which can increase financial risk, while a lower ratio indicates a more secure and stable financial position.

$$\text{Debt to Asset Ratio (DAR)}: \frac{Total\ Debt}{Total\ Asset}$$

3. Equity Multiplier (EM)

Equity Multiplier (EM) is a financial ratio that shows how much of a company's assets are financed through debt compared to equity. This ratio is one component of the DuPont analysis that measures a company's financial leverage.

$$\text{Equity Multiplier (EM):} \frac{Total\ Aset}{Total\ Equity}$$

4. Long-term Debt to Equity Ratio (LDER)

Long-term debt to equity ratio measures the proportion of a company's long-term debt compared to its equity, which can be used to assess the company's financial structure.

$$\text{Long-term debt to equity:} \frac{Long\ Term\ Debt}{Total\ Equity}$$

5. Times Interest Earned

The Times Interest Earned (TIE) ratio is a formula for measuring a company's ability to pay its interest expenses, calculated by dividing earnings before interest and taxes (EBIT) by interest expenses.

$$\text{Times Interest Earned:} \frac{EBIT}{Interest\ Expenses}$$

6. Cash Coverage Ratio

There are two main types of cash coverage ratios: the Interest Coverage Ratio, which measures a company's ability to pay interest on its debt, and the Cash Ratio, which measures a company's ability to pay its current liabilities with its cash assets.

$$\text{cash coverage ratios:} \frac{EBIT + Depreciations}{Interest\ Expenses}$$

7. Debt Service Coverage Ratio

The debt service coverage ratio (DSCR) formula is DSCR = Net Operating Income / Total Debt Service. This ratio measures a company's or property's ability to pay all its debt obligations, where net operating income includes income minus operating expenses, and debt service is the total annual principal and interest payments on

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loans. The higher the DSCR, the healthier the financial condition and the lower the risk of default.

$$\text{Debt Service Coverage Ratio: } \frac{EBITDA}{Principal\ debt + Interest\ expense\ long\ term\ debt}$$

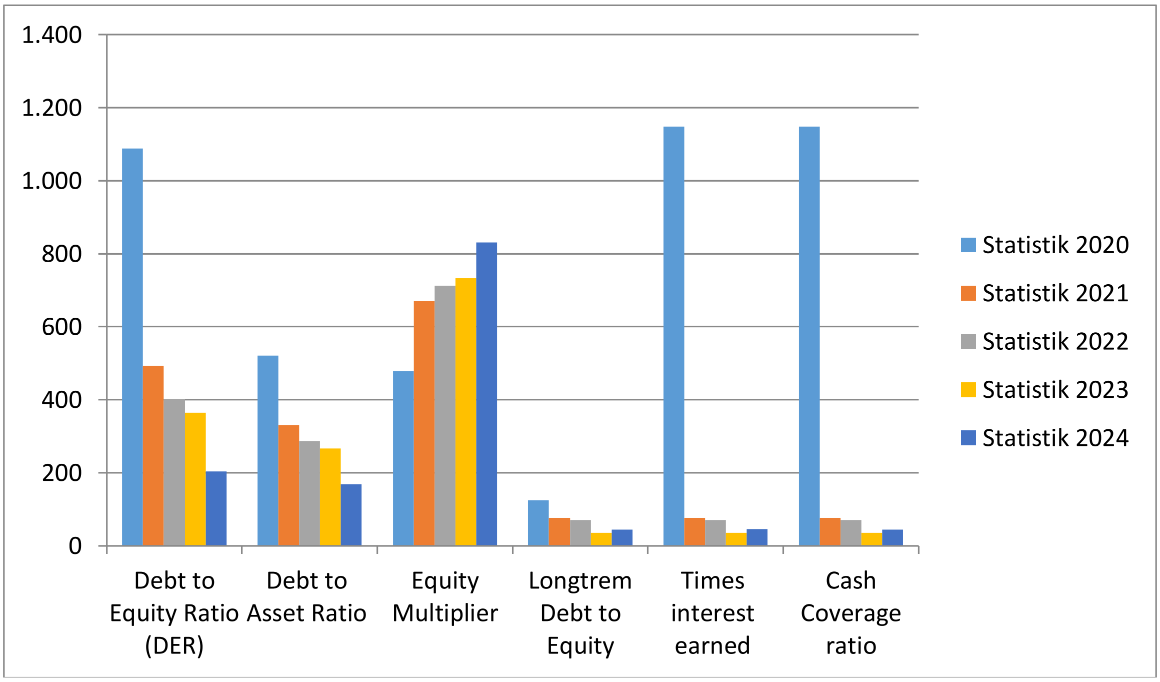
Result

The analysis results show significant information regarding the financial performance of PT IFISHDECO Tbk in terms of solvency.

Variable	Statistik 2020	Statistik 2021	Statistik 2022	Statistik 2023	Statistik 2024
Debt to Equity Ratio (DER)	**1.089**	**0.493**	**0.403**	**0.365**	**0.203**
Debt to Asset Ratio	**0.521**	**0.330**	**0.287**	**0.267**	**0.169**
Equity Multiplier	**0.479**	**0.670**	**0.713**	**0.733**	**0.831**
Longtrem Debt to Equity	**0.125**	**0.076**	**0.071**	**0.035**	**0.044**
Times interest earned	**1.149**	**0.076**	**0.071**	**0.035**	**0.044**
Cash Coverage ratio	**1.149**	**0.076**	**0.071**	**0.035**	**0.044**
Debt Service Coverage	**1.148**	**0.76**	**0.071**	**0.35**	**0.044**

greater dependence on debt, which can increase financial risk. The results section should present the research findings clearly and systematically. Data may be displayed in tables, graphs, or figures as appropriate to support the presentation of the result In presenting the results, tables and figures must be numbered consecutively according to their appearance in the text. The title of each table should be placed above the table and centered. Conversely, the title of each figure should be written below the figure and centered. All tables and figures must be referenced in the text to ensure consistency between the description and the data presented. This study uses a quantitative design that focuses on financial ratio analysis to measure the financial performance of PT IFISHDECO Tbk. This analysis is conducted to assess the company's ability to meet its long-term obligations through solvency ratios.

Solvency Ratio Data Results Diagram PT IFISHDECO Tbk (2020 - 2024)



The following is an analysis of PT IFISHDECO Tbk's solvency ratio data from 2020 to 2024:

1. **Debt to Equity Ratio (DER**
   - Trend: Declining from 1.089 (2020) to 0.203 (2024).
   - Analysis: This significant decline indicates that the company is reducing its dependence on debt, improving financial stability, and reducing the risk of bankruptcy.

2. **Debt to Asset Ratio (DAR)**
   - Trend: Declining from 0.521 (2020) to 0.169 (2024).
   - Analysis: This indicates that the proportion of debt to total assets is decreasing, which shows that the company is being financed more by equity. This reduces financial risk.

3. **Equity Ratio (ER)**
   - Trend: Increased from 0.479 (2020) to 0.831 (2024).
   - Analysis: This increase indicates that the company has successfully increased its equity, which is positive for its financial health and strengthens its positif

4. **Long-term Debt to Equity Ratio**
   - Trend: Declining from 0.125 (2020) to 0.044 (2024).
   - Analysis: Indicates that the company has reduced its long-term debt, which reduces financial burdens and increases flexibility.

5. **Times Interest Earned (TIE)**
   - Trend: Declined sharply from 1.149 (2020) to 0.044 (2024).
   - Analysis: Indicates difficulty in meeting debt interest obligations, which increases financial risk. This is a serious concern for management.

6. **Cash Coverage Ratio**
   - Trend: Declining from 1.149 (2020) to 0.044 (2024).
   - Analysis: Indicates a decline in the company's ability to pay interest expenses, suggesting potential liquidity problems.

7. **Debt Service Coverage Ratio (DSCR)**
   - Trend: Declining from 1.148 (2020) to 0.044 (2024).
   - Analysis: Indicates that the company may not have sufficient income to cover its debt obligations, which could pose a risk to business continuity.

Discussion

The solvency ratio analysis of PT IFISHDECO Tbk shows interesting dynamics in the company's financial structure from 2020 to 2024. The significant decline in the Debt to Equity Ratio (DER) and Debt to Asset Ratio (DAR) reflects the company's efforts to reduce its dependence on debt, which is a positive step in addressing financial risks. The increase in the Equity Ratio (ER) indicates that the company has succeeded in increasing its equity, which is very important for long-term financial stability. However, the drastic decline in Times Interest Earned (TIE), Cash Coverage Ratio, and Debt Service Coverage Ratio (DSCR) shows that the company is experiencing difficulties in meeting its debt obligations. This could be a warning sign that management needs to pay attention to. If left unaddressed, liquidity risks and the ability to pay debts could threaten the company's business continuity. Therefore, it is important for the management of PT IFISHDECO Tbk to focus on increasing operating profits and improving cash flow management. Strategies such as product diversification, cost efficiency, and increased marketing can help the company improve its financial performance and reduce the risks it faces.

Conclusion

This study successfully revealed the financial condition of PT IFISHDECO Tbk through solvency ratio analysis. The findings show that although the company has experienced improvements in its capital structure and reduced its dependence on debt, there are serious risks related to liquidity and the ability to pay debt obligations. Management must take strategic steps to increase profits and manage cash flow in order to maintain financial stability and business continuity in the future.

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