

The Company's Financial Performance as Measured Using Liquidity and Profitability Analysis in Retail Trading Companies Listed on The Indonesia Stock Exchange (IDX)

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ABSTRACT

Objective: This study aims to analyze the financial ratios of Liquidity and Profitability to measure financial performance in Retail Trading Companies listed with a sample of 24 Retail Trading sub-sector companies listed on the Indonesia Stock Exchange (IDX) with the Purposive Sampling method for the period 2020-2023. **Method:** With a sample of 24 Retail Trading sub-sector companies listed on the Indonesia Stock Exchange (IDX) with the Purposive Sampling method for the period 2020-2023. **Results:** Based on the results of the analysis obtained on financial statements through liquidity ratios known to use Current Ratio known to show an average of 2.399 times, Quick Ratio known to show an average of 1.594 times, and Cash Ratio known to show an average of 0.626 times. So it can be concluded that the company is considered good because the ratio value is above the industry standard of financial ratios and in a liquid state which means that the company is able to fulfill its financial obligations. Meanwhile, the profitability ratio using Return On Asset (ROA) is known to show an average of -38.18%, Return On Equity (ROE) is known to show an average of 19.87%, and Net Profit Margin (NPM) is known to show an average of -4.973%. So it can be concluded that the company is rated Below Average because the ratio value is below the industry standard of financial ratios and has not been able to maintain the level of profit and even the percentage of profit is still in a minus state and has not been able to maximize the company's performance in generating productive profits. **Novelty:** This study aims to analyze the financial ratios of Liquidity and Profitability to measure financial performance in Retail Trading Companies listed with a sample of 24 Retail Trading sub-sector companies listed on the Indonesia Stock Exchange (IDX) with the Purposive Sampling method for the period 2020-2023.

INTRODUCTION

The development of the business world is experiencing rapid growth, this causes competition between companies to be increasingly competitive. The rapid growth of the business world is caused by various factors, one example of influencing factors is the technological factor which from time to time continues to develop more sophisticated. Companies realize the emergence of various challenges that must be faced, both similar companies in the country and those from abroad.

The financial approach of financial statements is the most frequently used metric in assessing the financial performance of a company. In running a business, financial ratios are very important. A business owner must have a deep understanding of the financial ratios that will be used to assess the company's financial success in the future. Financial ratios are used as a benchmark in knowing the financial condition and success of a company, and can be used as a reference in making decisions[1]. Through Financial Ratio analysis, management can find out changes in the position and performance of the

company in several periods so that management knows the position of the company's financial increase or decrease.

Financial performance is an achievement achieved by the company in a certain period that reflects the health level of the company [2]. Financial performance can also be interpreted as a formal effort that has been carried out by a company that can measure the company's success in generating profits, so that it can see the prospects, growth, and potential for good development of the company by relying on existing resources. The measuring tool that can be used is by using several ratios, namely Liquidity Ratio, Leverage / solvency ratio, Activity Ratio, Profitability / Profitability Ratio and Valuation Ratio.

According to [3], states that the objectives of measuring the company's financial performance are as follows: 1) To determine the level of liquidity, namely the company's ability to obtain its financial obligations that must be met immediately or the company's ability to fulfill its finances when billed. 2) To determine the level of solvency, namely the company's ability to meet its financial obligations if the company is liquidated, both short-term and long-term financial obligations. 3) To determine the level of profitability or profitability, which shows the company's ability to generate profits during a certain period. 4) To determine the level of business stability, namely the company's ability to conduct its business stably, which is measured by considering the company's ability to pay interest expenses on its debts including repaying the principal on time and the ability to pay dividends regularly to shareholders without experiencing obstacles or financial crises.

Retail trade sub-sector or better known as retail. The retail sub-sector is a sub-sector engaged in products that sell household products; clothing; spare parts and accessories; Food, beverages & tobacco; Motor vehicle fuel; Information and communication equipment; Cultural and recreational goods; and other goods. This sub-sector is one of the sub-sectors that plays an important role in the Indonesian economy. However, due to the Covid-19 Pandemic that occurred in 2020, the sales growth of the retail sub-sector has fluctuated. Which makes almost all companies in this sub-sector experience a decrease in income and even bear losses.

Based on Bank Indonesia (BI) data in March 2020, the IPR figure decreased by - 13.5% from the previous month. IPR stands for Real Sales Index which presents the results of the Retail Sales Survey conducted by Bank Indonesia since 1999 until now. When the IPR figure increases, it can be said that the level of public consumption has also increased, and vice versa. This indicates a deterioration in the sales of Retail Trade companies, causing the company's financial performance to go in an unfavorable direction. However, in the second quarter of 2021, the IPR figure in Indonesia began to increase again and stabilized in the range of 200 to 239. So when the IPR number rises, sales in this retail sub-sector are assumed to increase, which also indicates an increase in public consumption. Due to the start of a fairly stable increase in sales, of course, the company's financial condition began to improve. The company's financial condition is one of the factors that can affect company performance.

In this study, the ratios used are only two categories, namely liquidity and profitability ratios. Based on the information above, the authors are interested in conducting research to test how the company's financial performance in that period through the financial statements of Retail Trading Companies listed on the Indonesia Stock Exchange in 2020-2023.

1. Definition of Financial Statements

Financial reports are simply a way to know the company's performance through its financial information in a period. Financial reports are a company's accounting process that is recorded which is then used as a tool to tell interested parties how the financial data and activities carried out by the company [4]. Financial reports are also information that can describe the company's financial condition and this information can be used as a description of the company's financial performance.

2. Liquidity Ratio

Liquidity ratio is a ratio used to measure the company's ability to pay all its short-term obligations that are due or when billed [5], [6].

Current Ratio

Current ratio is a ratio used to measure the company's ability to pay short-term obligations or debts that are due immediately at the time of collection. The industry standard has a value of 2 times or 200% [7]. The Current Ratio formula is:

$$\text{Current Ratio} = \frac{\text{Current assets}}{\text{Current payables}}$$

Quick Ratio

Is a ratio that shows the company's ability to meet and pay current debts using the company's current assets without taking into account inventory. The industry standard has a value of 1.5 times or 150% [7]. The Quick Ratio formula is :

$$\text{Quick Ratio} = \frac{\text{Current assets} - \text{inventory}}{\text{Current payables}}$$

Cash Ratio

Is a ratio used to measure how much cash and banks are available to pay debts. The industry standard has a value of 0.5 times or 50% [7]. The Cash Ratio formula is :

$$\text{Cash Ratio} = \frac{\text{Cash and cash equivalents}}{\text{Current payables}}$$

3. Profitability Ratio

Profitability ratio is a ratio used to measure the company's ability to generate profits at a certain level of sales, assets, and share capital. Large profits and increased profits are

factors that must be re-analyzed when evaluating profitability. Because, profit is not a measure that the company will have high profitability [8], [9], [10].

Return On Asset (ROA)

Is a ratio used to measure how much net profit is obtained from the management of all assets owned by the company. The industry standard has a value of 30% [8]. The ROA formula is :

$$\text{Return On Asset} = \frac{\text{Net Profit}}{\text{Total Assets}}$$

Return On Equity (ROE)

Is a ratio that shows how much equity contributes to creating net income. The industry standard has a value of 40% [8]. The ROE formula is :

$$\text{Return On Equity} = \frac{\text{Net Profit}}{\text{Total Equity}}$$

Net Profit Margin (NPM)

Is a ratio used in measuring how much net income the company gets for the sales activities that have been carried out. The industry standard has a value of 20% [8]. The NPM formula is :

$$\text{Net Profit Margin} = \frac{\text{Net Profit}}{\text{Net Sales}}$$

4. Financial Performance

Financial performance can also be interpreted as a formal effort that has been carried out by a company that can measure the company's success in generating profits, so that it can see the prospects, growth, and potential for good development of the company by relying on existing resources [2].

RESEARCH METHOD

Object and Location of Research

The object of this research is the Financial Statements of the Retail Trade sub-sector companies and the location of this research in the Retail Trade Sub-Sector Companies listed on the Indonesia Stock Exchange (IDX) in the period 2020-2023. Research data is taken from the official website of the Indonesia Stock Exchange, namely www.idx.co.id and the websites of each related company.

Type of research

The type of research studied is descriptive quantitative research. Descriptive quantitative is a type of research used to analyze data by describing or describing the data that has been collected as it is. Descriptive method with a quantitative approach is a method that aims to describe systematically and factually the facts and relationships

between the variables investigated by collecting data, processing, analyzing, and interpreting data in statistical hypothesis testing.

Data Type and Source

The author uses quantitative data is data in the form of numbers or numbers. This data is obtained from the financial statements of the Retail Trade sub-sector companies listed on the Indonesia Stock Exchange in 2020-2023. The data source used in this study is secondary data. Data Scondary is a source of research data obtained by researchers indirectly through a intermediary media (obtained and recorded by other parties) [11], because the data is obtained directly by looking at the annual report on the Retail Trade sub-sector companies listed on the Indonesia Stock Exchange in 2020-2023.

Data Collection Technique

Data collection technique is a method carried out by a researcher to be able to collect data and information which will be useful as supporting facts in describing his research [12]. To obtain the expected research results, the information is obtained by means of:

a. Documentation

Collection of data in the form of journals or memos in the form of program reports from pre-existing data. This is done by tracing and recording the necessary information. Sources of data obtained from IDX and financial reports that have been published on the IDX from 2020-2023.

b. Accessing the Web and Related Sites

This method is done by collecting materials or data related to the object discussed.

Population and Sample

Population is a generalization area consisting of subjects that have certain quantities and characteristics set by researchers to study and then draw conclusions [13]. The sample is part of the number and characteristics possessed by the population [13]. From this sampling technique there are 27 companies that meet the criteria. So that the amount of company data to be observed is 96 (24 x 4) financial statements. The companies that are sampled are as follows:

Table 1. Research sample company.

No.	Code	Company Name
1	ACES	Ace Hardware Indonesia Tbk
2	AMRT	Sumber Alfaria Trijaya Tbk
3	CENT	Centratama Telekomunikasi Indonesia Tbk
4	CSAP	Catur Sentosa Adiprana Tbk
5	POWER	Duta Intidaya Tbk
6	DIVA	Distribusi Voucher Nusantara Tbk
7	DNET	Indoritel Makmur Internasional Tbk
8	ECII	Electronic City Indonesia Tbk
9	ERAA	Erajaya Swasembada Tbk
10	GLOB	Global Teleshop Tbk

11	KIOS	Kioson Komersial Indonesia Tbk
12	COINS	Kokoh Inti Arebahama Tbk
13	LPPF	Matahari Department Store Tbk
14	MAPA	MAP Aktif Adiperkasa Tbk
15	MAPI	Mitra Adiperkasa Tbk
16	MCAS	M Cash Integration Tbk
17	MIDI	Midi Utama Indonesia Tbk
18	MPPA	Matahari Putra Prima Tbk
19	NFCX	NFC Indonesia Tbk
20	RALS	Ramayana Lestari Sentosa Tbk
21	RANC	Supra Boga Lestari Tbk
22	SONA	Sona Topas Tourism Industry Tbk
23	TELE	Tiphone Mobile Indonesia Tbk
24	TRIO	Trikonsel Oke Tbk

Source: IDX data & Lembarsaham.com after processing (2024)

RESULTS AND DISCUSSION

Results

Financial ratio analysis is carried out to evaluate the state of the company's financial performance so that the strengths and weaknesses faced in the financial sector can be known [14], [15]. Where this information is needed by various parties for different purposes, especially for making decisions related to finance and the use of resources effectively and efficiently in the future.

Based on the research results obtained, both in the form of quantitative and qualitative data supported by the theoretical basis and research methods that have been stated in the previous chapter, the financial statements are analyzed in terms of liquidity and profitability ratios to find answers to the problem formulation that has been stated by the author.

The following is presented the calculation of the financial performance analysis of Retail Trading Companies listed on the Indonesia Stock Exchange in 2020-2023 as follows:

Table 2. Results of comparative analysis of financial ratios of retail trading companies listed on the Indonesia stock exchange in 2020-2023 in terms of liquidity ratio.

Description	2020	2021	2022	2023	Ratio Average	Industry Standard	Company Performance
Liquidity Ratio							
Current Ratio	2,644	2,688	2,354	1,909	2,399	2	Good
Quick Ratio	1,659	2,195	1,427	1,096	1,594	1,5	Good
Cash Ratio	0,627	0,812	0,565	0,490	0,626	0,5	Good

Source: Data processed 2024

Table 3. Results of comparative analysis of financial ratios of retail trading companies listed on the Indonesia stock exchange in 2020-2023 in terms of profitability ratios.

Description	2020 (%)	2021 (%)	2022 (%)	2023 (%)	Ratio Average (%)	Industry Standard (%)	Company Performance
Liquidity Ratio:							
Current Ratio	-64,76	-18,79	-19,08	-50,07	-38,18	30	Below average
Quick Ratio	-12,41	4,68	3,09	84,11	19,87	40	Below average
Cash Ratio	-15,07	-3,06	1,03	-2,79	-4,97	20	Below average

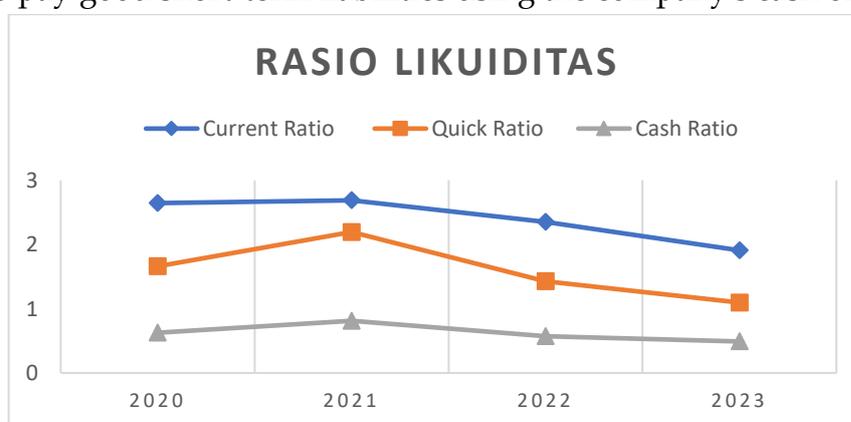
Source: Data processed 2024

Discussion

Based on the results of the analysis and discussion carried out authoritatively and empirically on *Liquidity & Profitability Analysis* in measuring *Financial Performance* in Retail Trading Companies listed on the Retail Trading Companies listed on the Indonesia Stock Exchange (IDX) in 2020-2023 are as follows:

Liquidity Ratio

It can be concluded that the financial performance of Retail Trading companies listed on the Indonesia Stock Exchange (IDX) in 2020-2023 seen from the liquidity ratio, which is in a good condition, means that it is liquid, which means that on average the company has the ability to meet its current obligations despite fluctuations in the ratio value each year. This can be proven by the Current Ratio value known to show an average of 2.399 times greater than the industry standard of 2 times. This means that the company has the ability to pay good short-term liabilities using its current assets. Quick Ratio is known to show an average of 1.594 times greater than the industry standard of 1.5 times. This means that the company has the ability to pay good short-term liabilities using current assets without using its inventory. Cash Ratio is known to show an average of 0.626 times greater than the industry standard of 0.5 times. This means that the company has the ability to pay good short-term liabilities using the company's cash on hand.

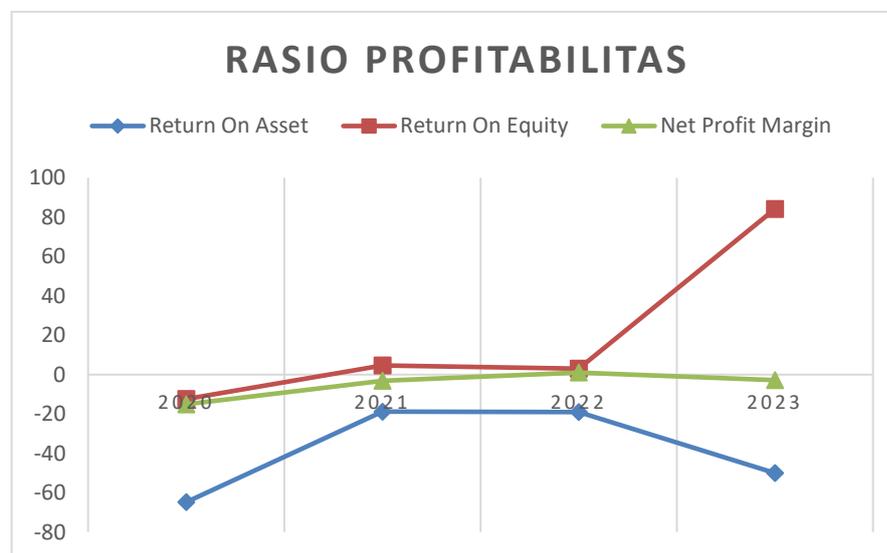


Source: Data processed by myself

Figure 1. Liquidity ratio chart of retail trade sub-sector companies for the period 2020 -2023.

Profitability Ratio

It can be concluded that the financial performance of Retail Trading companies listed on the Indonesia Stock Exchange (IDX) in 2020-2023 seen from the profitability ratio is in a bad condition or below average, which means that on average the company is considered unable to maintain the level of profit and even the percentage of profit is still in a minus state and cannot maximize the company's performance in generating productive profits. This can be proven by the ROA value known to show an average of -38.18% smaller than the industry standard of 30%. This means that the company has not been able to generate profits from managing its assets. ROE is known to show an average of 19.87% less than the industry standard of 40%. This means that the company has not been able to generate profits from the management of its equity or capital. NPM is known to show an average of -4.97% less than the industry standard of 20%. This means that the company has not been able to generate profits from the results of sales activities that have occurred.



Source: Data processed by myself.

Figure 2. Liquidity ratio chart of retail trade sub-sector companies for the period 2020-2023.

CONCLUSION

Fundamental Finding : Based on the results of the analysis of financial ratios sourced from the financial statements of Retail Trading Companies listed on the Indonesia Stock Exchange in 2020–2023, it can be concluded that the financial performance of these companies, assessed through liquidity ratios, is in good condition. This means that on average, the companies have the ability to meet their current obligations, even though there are fluctuations in the ratio values each year. This is evidenced by the value of the Current Ratio showing an average of 2.399 times, the Quick Ratio an average of 1.594 times, and the Cash Ratio an average of 0.626 times. However, when financial performance is evaluated through profitability ratios, the findings indicate a poor or below-average condition. This is reflected in the Return On Asset

(ROA) showing an average of -38.18%, Return On Equity (ROE) at 19.87%, and Net Profit Margin (NPM) at -4.973%. **Implication** : The results of this study suggest that while Retail Trading companies listed on the IDX demonstrate sufficient short-term financial health and liquidity, they face significant challenges in generating profit and managing long-term financial sustainability. These mixed outcomes imply that stakeholders and investors should not rely solely on liquidity indicators when assessing overall financial performance. Instead, profitability metrics must also be closely monitored to evaluate the real capacity of these companies to deliver shareholder value and ensure business continuity. **Limitation** : This research is limited by its exclusive focus on financial data obtained from financial reports without incorporating qualitative factors or external market conditions that may have influenced company performance during the 2020–2023 period. Additionally, the use of average values across several companies may obscure significant variations within the sector, potentially masking exceptional performers or outliers with critical insights. **Future Research** : Future research should consider expanding the scope to include a qualitative analysis of strategic, operational, and macroeconomic factors that influence financial performance. Moreover, comparative studies between retail trading sectors in other emerging markets could offer valuable benchmarking insights. Longitudinal studies that explore post-2023 data would also help assess recovery patterns and future profitability trends in the context of global economic shifts.

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