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THE EFFECT OF LIQUIDITY RATIO AND PROFITABILITY RATIO ON FINANCIAL PERFORMANCE AT UNILEVER INDONESIA COMPANY

Muhaimin Dimyati
STIE Mandala
Jalan sumatera 118 Jember
Prum Gunung Batu FF 35 Jember
+6282260509977
dimyati@stie-mandala.ac.id

Nely Supeni
STIE Mandala
Jalan sumatera 118 Jember
Jalan Mawar Jember
+6282230391657
nely@stie-mandala.ac.id

Karina Dewi Saputri
STIE Mandala
Jalan sumatera 118 Jember
Jalan Sunan Derajat Jember
+6281230516194
Karinadewisaputri98@gmail.com

ABSTRACT

This study aims to determine the effect of liquidity ratios and profitability ratios by using the calculation of current ratio, quick ratio, return on assets and return on equity on financial performance at PT. Unilever Indonesia Tbk period 2009-2018. The data used in this study are secondary data collected from the results of PT Unilever Indonesia Tbk's financial statements contained on the official website of PT Unilever and listed on the Indonesia Stock Exchange. The data processing method uses multiple linear regression analysis method with the help of SPSS 21 analysis tool. The results showed that the CR (Current Ratio) and ROA (Return On Asset) variables significantly influence financial performance, while the QR (Quick Ratio) and ROE (Return On Equity) variables did not have a significant effect on financial performance at PT. Unilever Indonesia Tbk period 2009-2018.

Keywords : ***Liquidity Ratio, Profitability Ratio, Financial Performance***.

1. BACKGROUND

Every company always wants its business to grow. This development will occur if it is supported by the management's ability to determine policies in planning, obtaining, and utilizing funds to maximize company values. The problem faced by the company is how the company gets the pace of the world economic order that has experienced development and leads to a free market economic system, companies are increasingly motivated to increase competitiveness. They compete very tightly with each other. In this competition, there will be a high selection. Every company is required to always look for ways to win the competition by managing the company as best as possible. A company can be said to have achieved success and succeeded in winning the competition with other companies. One of the indicators is if it can generate profits for the owner.

Financial management is one of the most important fields in a large or small-scale company, both profit and non-profit, will have great attention in the financial sector, especially in the development of an increasingly advanced business world, competition from one company to another is getting tighter, on the other hand. another, with uncertain economic conditions causing many companies to suddenly go bankrupt. In the financial sector, an important medium is needed in the process of making economic decisions. The media is in the form of financial reports that are published periodically. This financial report is a necessity for entrepreneurs, investors, banks, management, government and capital market players. The financial report is also information that describes the financial condition of a company, and further this information can be used as a description of the company's financial performance. (Fahmi Irham, 2013: 2)

According to Munawir (2010: 31) the objective of financial statement analysis is a very important tool for obtaining information regarding the financial position and results achieved by the company concerned. Such financial data will be more meaningful to interested parties if the data is considered for two or more periods, and is further analyzed so that data can be obtained that will support the decisions to be taken.

In this study, the authors will examine finance at PT Unilever Indonesia Tbk. PT.Unilever Indonesia Tbk (IDX: UNVR) is an Indonesian company which is a subsidiary of Unilever. This company was previously known as Lever Zeepfabrieken NV PT. Unilever Indonesia Tbk makes various kinds of products, from beauty products to food products that are commonly found every day. Of the various products that have been made by PT Unilever Indonesia Tbk, the problem behind this research is to determine the profit that can be obtained and to know the company's ability to meet obligations or pay short-term debt in several periods. In this study, two ratios analysis will be used, namely the liquidity ratio and the profitability ratio. Based on the description of the phenomenon above, the researcher feels the need to conduct research.The research objective is To partially determine the effect of liquidity ratios and profitability ratios on the financial performance of PT Unilever Indonesia Tbk for the period 2009-2018; To determine simultaneously the effect of liquidity ratios and profitability ratios on the financial performance of PT Unilever Indonesia Tbk for the period 2009-2018; To find out, to find out the dominant influence between liquidity ratios and profitability ratios on the financial performance of PT Unilever Indonesia Tbk for the period 2009-2018.

2. Problem formulation

Do Profitability and Liquidity simultaneously affect the financial performance of PT Unilever Indonesia Tbk?

Do Profitability and Liquidity partially affect the financial performance of PT Unilever Indonesia Tbk?

3. Research Objectives

The purpose of this research is, To know simultaneously the effect of Profitability Ratio and Liquidity Ratio on the financial performance of PT Unilever Indonesia Tbk. And To find out partially the effect of Profitability Ratios and Liquidity Ratios on the financial performance of PT Unilever Indonesia Tbk.

4. Limitation of the Problem

Limitation of the Problem this research is only limited to 2 ratio calculations with 4 calculations. The two ratios are the liquidity ratio and the profitability ratio and the calculations used in this study are the current ratio, quick ratio, return on assets and return on equity

5. Literature Review

Financial Ratio Analysis

Hery, SE, M.SI, CRP., RSA. (2015) Financial Ratio Analysis is an analysis that is carried out by connecting various estimates in financial statements in the form of financial ratios. This financial ratio analysis can reveal important relationships between estimated financial statements and can be used to evaluate the company's financial condition and performance. According to Sartono (2001: 113) what is meant by financial ratio analysis is "The basis for assessing and directing the company's operating performance. In addition, financial ratio analysis can also be used as a framework, financial planning and control. According to Syamsuddin (2007: 331-336) and Hanafi (1996: 75) the types of financial ratios can be grouped into Liquidity Ratios, Profitability, Solvency, and Activity Ratios. Agus Sartono (2011: 113) mentions the types of financial ratios are Liquidity Ratios, Profitability, and Leverage. According to Ang (1997: 18.23-18.38) financial ratios can be grouped into five types based on their scope, namely liquidity ratios, activity ratios, profitability ratios, solvency ratios and market ratios.

Of the many financial ratios available, this study uses two financial ratios according to Agus Sartono, namely the Liquidity Ratio and Profitability Ratio which can be used to assess the company's performance in meeting its short-term and long-term obligations, the company's ability to manage its assets so that provide cash inflow for the company and the ability to earn profits.

The ratio analysis used is: 1. Liquidity ratio analysis (*Liquidity Ratios*) is a ratio analysis that will show the company's ability to meet short-term obligations (Kasmir, 2008: 129); 2. Profitability Ratio Analysis*(ProfitabilityRatios)*is the company's ability to profit through all the capabilities, and so on. (Sofyan Safri Harahap, 2008: 304).

Dupont Analysis

According to JC Van Horne & JM Wachowicz, Jr., in the book Financial Management Principles, which was translated by Heru Sutojo, Du Pont System is a system that uses a certain approach to ratio analysis to evaluate the effectiveness of the company. According to Sofyan S. Harahap, in the book Critical Analysis of Financial Statements, Du Pont has his own way of analyzing reports. The method is almost the same as regular financial statement analysis, but the perspective is more integrative and uses the composition of financial statements as an element of analysis. According to Mamduh M. Hanafi and Abdul Halim (2002: 90),Analysis Du Pont is an analysis that connects three kinds of ratios at once, namely ROI, Profit Margin and Asset Turn Over. According to AJ Keown, et al (2004: 102), du Pont's analysis is a financial ratio system designed to investigate the determinants of the ratio of returns on shareholders' equity and returns on assets.According

to Syamsudin (2000: 64),analysis Du Pont's is the ROA generated by multiplying profits. of thecomponents sales and the efficiency of the use of total assets in generating these profits. Meanwhile, Sutrisno's opinion (2001: 256) states that Du Pont 's analysis is an analysis used to control changes in activity ratios and net profit margins and how much they affect ROA. According to Syafarudin (2003: 128),analysis is Du Pont important for managers to know which factor has the strongest influence between profit margin and total asset turnover on ROA. In addition, by using this analysis, expense control can be measured and the efficiency of asset turnover as a result of sales fluctuations can be measured. According to Soediyono (2001: 137), what can be described usinganalysis Du Pont's is ROA (Return On Assets) which is a comparative figure or ratio between the company's profits and the total assets of the company.

The Du-Pont system is an approach developed by Du-Pont Company to measure the company's effectiveness in generating profits. This system provides an overview of the factors that are interrelated and affect the rate of return on investment of a company (ROI) and the rate of return on equity (ROE), namely net profit margin, total asset turnover and the level of debt of a company. By knowing and understanding these factors, it can assist management in deciding its policies in order to increase the rate of return on investment and equity of a company.

The purpose of this analysis is used to determine the extent to which the company's effectiveness in turning its capital, so this analysis includes various ratios. The Du Pont System combines the activity / asset turnover ratio with the profit /ratio profit margin on salesand shows how the two interact in determining the Return On Investment (ROI), which is the profitability of the company's assets. The ratio of return on sales (profit margin) is influenced by the level of sales and net income generated. This means that this profit margin also includes all costs used in company operations. The activity ratio itself is influenced by sales and total assets. It can be said that this analysis does not only focus on the profit achieved, but also on the investment used to generate that profit.

The greater the ROI, the better the development of the company in managing its assets in generating profits. This is because the ROI consists of several elements, namely sales, assets used, and the profit on sales the company receives. This ROI figure will provide important information when compared to the benchmark used as a standard. So the comparison of ROI for several consecutive periods will be more accurate. Based on the trend of ROI, the development of the company's business operational effectiveness can be assessed, whether it shows an increase or decrease.

In order to see and assess the level of operational effectiveness of a company, do not only use the sensitivity and acumen of managers qualitatively, but must use quantitative methods. Du Pont System is a method used to assess the operational effectiveness of the company, because in this analysis it includes elements of sales, assets used and profits generated by the company.

6. Hypothesis

This research proposes the following hypothesis:

a) Profitability Ratios and Liquidity Ratios are suspected to have a simultaneous effect on the financial performance of PT Unilever Indonesia Tbk.
b) It is suspected that the Profitability Ratio and Liquidity Ratio partially influence the financial performance of PT Unilever Indonesia Tbk.

7. Research Methods

7.1 Description of Research Objects

Unilever Indonesia was founded on December 5, 1933 as Lever Zeepfabrieken NV On July 22, 1980, the company name was changed to PT Lever Brothers Indonesia and on June 30, 1990, the company name was changed to become PT.Unilever Indonesia Tbk. Unilever Indonesia released 15% of its shares onthe Jakarta Stock Exchangeandthe Surabaya Stock Exchangein 1981. Unilever Indonesia has more than 1,000 distributors throughout Indonesia.

7.2 Types of Research

Research This research is in the form of quantitative research. According to Kasiram (2008:149) in his book "Qualitative and Quantitative Research Methodology", interpreting quantitative research as a process of gaining knowledge by using data where the data is in the form of numbers as a tool to analyze information about what you want to know. Quantitative research is assumed that the variables are fixed and can be identified and measured with objective or standard tools.

7.3 Data Collection Techniques

The collection method used in this research is descriptive analysis and quantitative analysis, namely research that compares the similarities or differences of two or more facts and properties of the object under study. Sources of data used in this study is secondary data. Secondary data can be defined as data obtained from other parties (Kuncoro, 2009:148). Secondary data in this study is in the form of documents obtained from IDX/Indonesian Stock Exchange via the internet. The data used in this study were obtained from the financial statements of PT. Unilever Indonesia Tbk for the period 2009 – 2018.

7.4 Data Analysis Methods

The data analysis methods used include: classical assumption test, which is used to assess whether in an Ordinary Least Square (OLS) linear regression model there are classical assumption problems. The classical assumption test provides certainty that the regression equation obtained has accuracy in estimation, is unbiased and consistent, so that the forecasting model made becomes valid as a forecasting tool. Second, a multiple linear regression model is used in order to know the regression coefficient so that it can be tested whether or not there is an effect on the dependent variable. Third, determine the coefficient of determination in order to know the contribution of the independent variable to the variation of changes in the dependent variable. Fourth, test the hypothesis using a partial test and a simultaneous test. Through this hypothesis test, the proposed hypothesis will be answered.

8. Discussion

8.1 Results of The Research

Sales on PT.Unilever Indonesia Tbk for the period 2009 - 2018 experienced the highest increase in 2011 amounting to 19.2%. Meanwhile, the lowest sales occurred in 2018 at 1.5%. The average of net sales for 10 years from 2009 - 2018 was 9.8%. One of the things that caused sales at PT Unilever to increase was because this company had strong innovation and good market development so that it was able to increase market share and become a market leader in almost all major categories. And that is one reason Unilever also suffered a decline in sales is the high price of goil ulawhich is one of the main raw material in thedivision, Foodsuncertainty of crude oil prices and the weakening of the rupiah are the three main things that must be faced by the Company.

Current Ratio at PT Unilever Indonesia Tbk for the period 2009 - 2018 experienced the highest increase in 2010 at 21.5% and experienced the lowest decline in 2011 amounting to -45.7% . The average Current Ratio at PT Unilever Indonesia Tbk for 10 years from 2009 - 2018 was -1.5%.

Quick RatioQuick Ratio () at PT.Unilever Indonesia Tbk Period 2009 - 2018 experienced the highest increase in 2013 by 19% and experienced the lowest decline in 2010 by -30%. The average Quick Ratio at PT Unilever Indonesia Tbk for 10 years from 2009 - 2018 was -1.5%.

Return on Assets (ROA) at PT Unilever Indonesia Tbk for the period 2009 - 2018 experienced the highest increase in 2011 at 39.8% and the lowest decline was -10% and the average Return On Assets (ROA) at PT Unilever Indonesia Tbk for 10 years from the 2009 - 2018 period was 6%.

Return On Equity (ROE) at PT Unilever Indonesia Tbk for the period 2009 - 2018 experienced the highest increase in 2011 amounting to 55.7% and the lowest decline occurred in 2010 amounting to 11.6%. The average Return On Equity (ROE) at PT Unilever Indonesia Tbk for 10 years from 2009 - 2018 was 6.1%.

8.2 Analysis of research results

classic assumption test results in that: The value of the Kolmogorov-Smirnov test was significant at 884 and .415, this means value above 0.05 then the data distribution declared to meet the assumptions of normality. Second, The results of the calculation of the Tolerance value show that there is 1 variable that shows a number less than 0.10, namely the ROE variable, which means that there is a correlation with the CR variable, with a correlation value close to 1, which is 0.819. Meanwhile, the other variables, namely CR, QR and ROA, have a tolerance of more than 0.10, which means that there is no multicollinearity in the regression model. The correlation value between the CR and QR variables is -0.49 close to -0.05 which means that there is almost multicolonierity, while the significance value of the QR variable is greater than 0.05 and the CR variable is smaller than 0.05 so that the QR variable can be excluded from the model. regression. Third, Based on the DW value of 1.420 greater than the upper limit of du <d <4 - du, it can be concluded that there is no positive or negative autocorrelation or it can be concluded that there is no autocorrelation.

The coefficient of determination in model 3 is 0.744 or 74.4% this means that the independent variables, namely CR and ROA, can explain the variation of the financial performance variables by 74.4%, the remaining 25.6% is explained by variables outside the regression model.

Of the 4 independent variables included in the regression model, the QR and ROE variables are not significant, this can be seen from the significance probability for QR of 0.749 and ROE of 0.831 and both are far above 0.05. Meanwhile, CR and ROA are significant at 0.05 or ≤ 0.05. Each of the CR and ROA variables has a significance probability of 0.003 and 0.001.

From the research results obtained regarding the effect of Current Ratio on Financial Performance at PT Unilever Indonesia Tbk which is listed on the Indonesia Stock Exchange. The results of the hypothesis test partially show the variable X1 (CR). This variable has a t count of 4.369> t table (2.6850) or a significance probability value of 0.003 smaller than alpha, namely 0.05. This means that the variable X1 (CR) has a partial effect on the company's financial performance.

From the research results obtained regarding the effect of Quick Ratio on Financial Performance at PT.Unilever Indonesia Tbk which is listed on the Indonesia Stock Exchange. The results of the hypothesis test partially show that the X2 variable (QR). This variable has a t count of 0.334 <t table (2.6850) or a significance probability value of 0.749 greater than alpha, which is 0.05. This means that the variable X2 (QR) does not have a partial effect on the company's financial performance, because it has a probability value of significance that is greater than alpha, while a variable can be said to have a positive and significant effect, namely by having a probability value that is smaller than alpha.

From the research results obtained regarding the effect of Return On Assets on Financial Performance at PT Unilever Indonesia Tbk which is listed on the Indonesia Stock Exchange. The result of hypothesis testing partially shows that the variable X3 (ROA). This variable has a t count of 5.279 > t table (2.6850) or a significance probability value of 0.001 smaller than alpha, namely 0.05. This means that the variable X3 (ROA) has a partial effect on the company's financial performance.

results obtained regarding the effect of Return On Equity on Financial Performance at PT Unilever Indonesia Tbk which are listed on the Indonesia Stock Exchange. The result of hypothesis testing partially shows that the variable X4 (ROE). This variable has a t count of -0.225 <t table (-2.6850) or a significance probability value of 0.831, greater than alpha, which is 0.05. This means that the variable X4 (ROE) has no partial effect on the company's financial performance.

The results of research obtained regarding the Effect of Liquidity Ratios and Profitability Ratios on Financial Performance at PT Unilever Indonesia Tbk simultaneously show that there is an influence between liquidity ratios and profitability ratios on financial performance. The company, this is evidenced by the significant results obtained from the variable Current Ratio (Likudity) and Return On Assests (Profitability) which shows the number is smaller than alpha, namely 0.05 or the Fcount value of 14.044 is greater than Ftable of 4.737 which means that it has simultaneous influence. on financial performance at PT.Unilever Indonesia Tbk.

9. CONCLUSION

The conclusion of the study with a multiple linear regression model is used, to determine the effect of liquidity ratio and rentability ratio on the performance of Unilever Indonesia Tbk company as follows:

a) There is a significant influence between the liquidity ratio and the profitability ratio on the company's financial performance partially. Each of these ratios has a significant positive effect, namely the liquidity ratio: *Current Ratio* (CR) with a significance value of 0.001 and the profitability ratio: *Return on Assets* (ROA) with a significance value of 0.003, where both have a smaller significance value than alpha, namely 0.005.

b) There is a significant influence between the liquidity ratio and the profitability ratio on the company's financial performance simultaneously. This can be seen from each ratio which has a significant effect, namely *Current Ratio* (CR) and *Return On Assets* (ROA).

c) The ratio that has a dominant influence on company performance is the ratio of *Return on Assets* (Profitability). This can be seen from the magnitude of the ROA t test value compared to the CR value.

10. Suggestions

The suggestions we can give to Unilever Indonesia Tbk companies are as follows:

a) Company's liquidity is in a good position (*liquid*). This must be maintained so that the condition of the company continues to be said to be smooth in fulfilling its financial obligations because companies that can pay off short-term debts will more easily obtain funding from creditors and investors to smoothen their operations so that profits can also increase.

b) The company's profitability is in a good position. This shows that the company's success in generating profits is in good condition and this condition must be maintained by the company.

c) If investors want to invest in parties who want to invest, investors should pay more attention to the factors that can affect the company's financial performance, especially the *current ratio, quick ratio, return on assets* and *return on equity, current ratio* and *return on assets* . It is known that simultaneously has a significant effect on the company's financial performance. However, other researchers are advised to continue or follow up on the study of factors that can affect the company's financial performance.

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