

THE EFFECT OF SOLVENCY RATIO ON PROFITABILITY RATIO IN PT. UNILEVER TBK PERIOD 2014-2021

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Abstract

This study aims to determine the influence of the solvency ratio has an influence on the ratio at PT. Unilever Tbk for the 2014-2022 quarter, the data in this study are secondary data for 32 samples. The methods used to analyze the relationship between variables are descriptive analysis, classical assumption test, multiple linear regression and hypothesis testing. The findings in this study show that partially the solvency ratio has no effect on the solvency ratio. It is also known that the solvency ratio does not have a significant effect on changes in earnings.

Keywords: *Solvability Ratio, Profitability Ratio*

1. INTRODUCTION

A company was founded with the goal to be achieved, namely to obtain the maximum profit so that it requires the company to face all the changes that occur. The company applies various ways to produce good performance, so that it can survive and win the competition. To be able to compete, companies must be able to manage wealth, capital and liabilities to the maximum.

In making investment decisions investors need to analyze the financial statements of each company in order to avoid the risk of loss. For this reason, investors need financial information obtained from the company's financial statements. The purpose of presented financial statements is to provide useful information for potential investors and creditors to predict, compare, and evaluate their potential cash flows in terms of amount, timing, and uncertainty. So, from the company's financial statements, information can be obtained about the company's financial position, company performance, company cash flow, and other information that is closely related to financial statements, including information about company profits. Profit is the basis for tax calculations, a guide in determining investment policies and decision making,

Profit is generally used as a measure of the achievements achieved by a company so that profit can be used as a basis for making investment decisions and predictions to predict changes in future profits. The profit earned by the company for the coming year cannot be ascertained, so it is necessary to predict changes in profits.

Financial ratios are analyzes that link balance estimates and income statements to one another, which provide an overview of the company's history and an assessment of the condition of a particular company. Analysis of financial ratios allows financial managers to predict the reactions of potential investors and creditors and can be used to obtain additional funds.

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In the statement of Financial Accounting Concept No. 1, the objective of Financial Reporting by Business Enterprise states that the purpose of financial reporting is to provide information about company performance that is presented through the measurement of profit and its components. Profit information which is part of accounting information is generally used as a tool to measure company performance. Where the greater the profit, the better the assessment of the company. Profit is also a measurement of changes in shareholder wealth (change in value) as well as estimates of future profits

In the manufacturing sector, companies that are part of the Indonesia Stock Exchange (IDX) as manufacturers of beauty or household needs whose products are often found are brands from PT.Unilever Indonesia Tbk. PT. Unilever Indonesia Tbk is one of the largest companies in Indonesia engaged in the business of production and distribution of consumer goods operating in Indonesia since 1993, has grown and developed the Indonesian community for 78 years. These goods include soap, detergent, margarine, food, milk, ice cream, beverages and cosmetic products and many other products from PT. Unilever Indonesia Tbk has been used by most Indonesian people and the quality of these products has been proven.

Table 1. PT. Financial report data. Unilever Tbk for the 2014-2021 period

Year	Total assets (Millions of Rp)	Total Debt (Million IDR)	Net profit (Million IDR)
2014	14,280,670	9,681,888	5,737,739
2015	15,729,945	10,902,585	5,851,805
2016	16,745,695	12,041,437	6,390,672
2017	18,906,413	13,733,025	7,004,462
2018	19,522,970	11,944,837	9,109,445
2019	20,649,371	15,367,509	7,392,837
2020	20,543,632	15,597,264	7,163,536
2021	19,068,532	14,747,263	5,758,148

Based on the table above, it can be seen that the company's assets show that its assets have fluctuated and the resulting net profit also tends to fluctuate. Overall assets at PT. Unilever Tbk experienced fluctuations, namely in 2015 by 10%, in 2016 it decreased by 6%, in 2017 it experienced growth by 13%, in 2018 it experienced a decrease of 3.2%, in 2019 it experienced growth of 5.7%, in 2020 it experienced a decrease of -0.5% and 2021 a decrease of -7%. This is a high decrease in assets compared to the previous year.

Based on the data above, the phenomenon that occurs at PT. Unilever Tbk which shows net profit obtained from 2014-2021 also fluctuates. In 2015 it was 2%, in 2016-2017 it grew by 9%, in 2018 it grew by 30% which was the highest growth compared to other periods. Then in 2019 it decreased by -18%, in 2020 it grew by -3% and in 2021 it decreased by -19% which was the highest decrease compared to other periods.

2. IMPLEMENTATION METHOD

The type of research used in this study is quantitative data using measurements that are usually measured and calculated as numerical variables directly. According to Sugiono (2019:17). "Quantitative research is defined as a research method based on the philosophy of positivism, used to examine certain populations or samples, collecting data using research instruments, analyzing data is quantitative / statistical, with the aim of testing established hypotheses".

The data source used in this study is secondary data, namely research data sources obtained indirectly but through the Indonesian Stock Exchange website (www.idx.co.id). In the form of company financial statements for the 2014-2021 period. Then the data collected will be analyzed using descriptive statistical techniques, classical assumption test, multiple linear regression analysis and hypothesis testing.

This analysis is used to collect data, process data, and present data. Presentation can use tables, size charts and pictures. Multiple linear regression is used to determine the direction and how much influence the independent variable has on the dependent variable (Ghozali, 2018)

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

Information :

Y	= dependent variable
α	= constant
$\beta_1, \beta_2, \beta_3$	= regression coefficient
X1	= independent variable Current Ratio
X2	= Debt to Asset Ratio independent variable
X3	= independent variable Total Asset Turnover
E	= distraction

3. RESULTS AND DISCUSSION

1. Results

This research was conducted to examine the influence of the independent variables, namely the solvency ratio to the profitability ratio using secondary data from the Indonesia Stock Exchange. The dependent variable in this study is the change in profit, which is an increase in net profit expressed in the percentage generated by the company in managing its assets.

The higher the ratio value, the better an effort is in obtaining profits where this ratio is important in evaluating the effectiveness and efficiency of management in the company's business. In the following, the results of the calculation (ROA) can be measured by dividing the net profit before tax by the total assets owned, below are the results of obtaining profitability or return on assets (ROA). Changes in profits of PT. Unilever Tbk started in 2015 at 6%. Then 2016 experienced a profit increase of 8% from the previous year. Furthermore, 2017 experienced an increase of 13%, the following year, 2018 experienced an increase of 15%. Then in 2019 it decreased -10%. Then 2020 the following year 2021 by -15%.

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Table 2 Calculation of the Profitability Ratio of PT. Unilever Tbk for the 2014-2021 period

Year	Q	Profit for the current year (Million RP)	Previous year's profit (Million RP)	Profit changes	Average
2014	Q1	1,360,981	1,431,983	-0.05	0.005
	Q2	2,847,991	2,823,890	0.01	
	Q3	4,048,929	4,090,499	-0.01	
	Q4	5,738,523	5,352,625	0.07	
2015	Q1	1,591,699	1,360,981	0.17	0.00625
	Q2	2,930,640	2,843,991	0.03	
	Q3	4,183,173	4,048,929	0.03	
	Q4	5,851,805	5,738,523	0.02	
2016	Q1	1,570,040	1,591,699	-0.01	0.0825
	Q2	3,298,207	2,930,640	0.12	
	Q3	4,750,551	4,183,173	0.13	
	Q4	6,390,672	5,851,173	0.09	
2017	Q1	1,960,841	1,570,040	0.25	0.1325
	Q2	3,623,958	3,298,207	0.09	
	Q3	5,229,400	4,750,551	0.10	
	Q4	7,044,562	6,390,672	0.09	
2018	Q1	1,839,131	1,960,841	-0.06	0.1525
	Q2	3,529,869	3,623,958	-0.02	
	Q3	7,303,493	5,229,400	0.39	
	Q4	9,109,445	7,004,562	0.30	
2019	Q1	1,748,520	1,839,131	-0.05	-0.1075
	Q2	3,697,232	3,529,869	0.05	
	Q3	5,509,603	7,303,493	-0.24	
	Q4	7,397,837	9,109,445	-0.19	
2020	Q1	1,862,681	1,748,520	0.06	0
	Q2	3,619,635	3,697,232	-0.02	
	Q3	5,438,339	5,509,603	-0.01	
	Q4	7,163,536	7,392,837	-0.03	
2021	Q1	1,698,080	1,862,681	-0.08	-0.1575
	Q2	3,045,892	3,619,635	-0.16	
	Q3	4,378,794	5,438,339	-0.19	
	Q4	5,758,148	7,163,536	-0.20	

Source: IDX published financial reports, data processed in 2023

Based on the table above, it can be seen that in the fourth quarter of 2018 it showed the highest value of 0.30 while the lowest profit change was in the third quarter of 2019 -0.24. For more details, the average value of changes in profit, the data is made in the following graph:

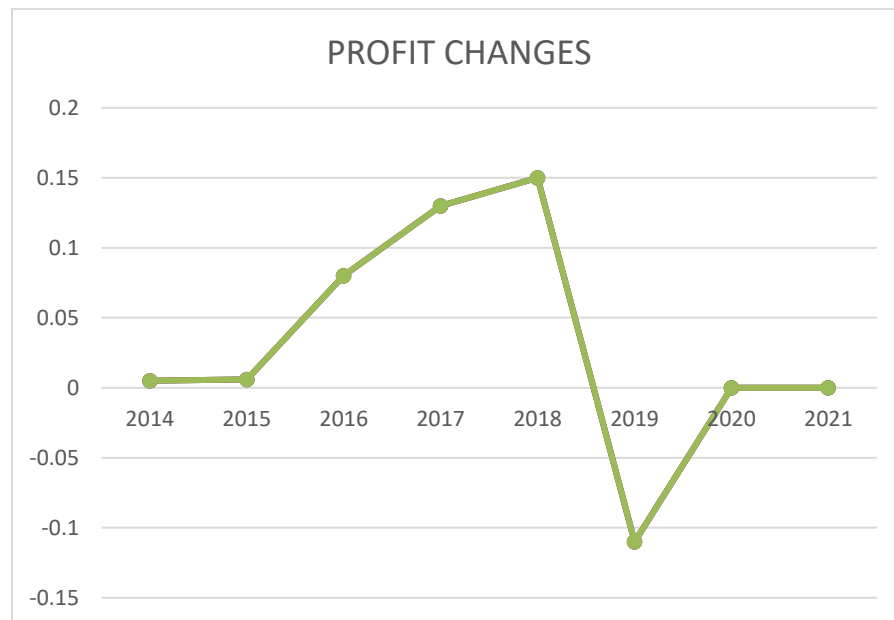


Figure 3. Profit Growth

PT. Unilever Tbk started in 2015 at 6%. Then 2016 experienced a profit increase of 8% from the previous year. Furthermore, 2017 experienced an increase of 13%, the following year, 2018 experienced an increase of 15%. Then in 2019 it decreased -10%. Then 2020 the following year 2021 by -15%.

2. Discussion

The discussion in this study will describe the results of the research and findings in this research regarding the suitability between the theories that have been studied and the opinions of experts and previous research, each of which has been described in the previous discussion. Based on the research findings, discussion of the results and research findings of solvency ratio. The results of hypothesis testing show that the solvency ratio has no partial effect on earnings changes. This is evidenced by the calculated t value of 0.832 which is less than 1.699 with a significant value of 0.384 greater than 0.05. A high solvency ratio indicates that the company has a lot of debt, so it is difficult for the company to obtain additional loans because it is feared it will not be able to cover its debts.

4. CONCLUSION

The solvency ratio variable has a partially insignificant effect on the profitability ratio at PT. Unilever Tbk. Which means the solvency ratio has no significant effect on earnings changes.

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