

## PROFITABILITY RATIO ANALYSIS AS MEASUREMENT TOOL OF FINANCIAL PERFORMANCE STUDY CASE OF PT PERTAMINA (PERSERO)

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### ABSTRACT

*Financial performance is one of the most critical things in a company, both internal and external. In measuring economic performance, financial statements are crucial benchmarks in assessing how the company can survive in the coming period. One way to calculate this financial performance is by utilizing a profitability ratio calculation, with Du Pont analysis as a tool for the method. Companies can find out how strengths to be maintained and weaknesses that must be fixed. Investors can compare the level of operational efficiency of two companies engaged in the same field. The company that was selected as a research company was PT. Pertamina (Perseo). The company's financial performance results have increased and decreased, and the company should know how the company's performance is to stabilize its operational state. This research method uses secondary data to acquire financial reports for the period 2015-2019, and with descriptive analysis. From the results that have been processed by researchers, PT Pertamina (Persero) has not been maximized in calculating the profitability ratio because the results are still below the average industry ratio. However, when compared to competing company, PT Pertamina (Persero) is always superior.*

*Keywords:* Financial Performance, Profitability Ratio, Du Pont Analysis.

### INTRODUCTION

PT Pertamina (Persero) was entrusted as a holding company in the energy sector established by the Ministry of BUMN on June 12, 2020. Pertamina holds five sub-holding companies namely Upstream Sub-holding which is operationally run by PT Pertamina Hulu Energi, a Gas Sub-holding which is run by PT Perusahaan Gas Negara), Refinery & Petrochemical Sub-holding run by PT Kilang Pertamina Internasional, Power & NRE Sub-holding run by PT Pertamina Power Indonesia, and Commercial & Trading Sub-holding run by PT Patra Niaga. Also, Pertamina operates the Shipping Company business through PT Pertamina International Shipping. Pertamina's critical role also marks a new milestone in its business journey after Pertamina's real contribution for more than six decades provides the energy that has moved the joints of the Indonesian nation's life various regions abroad. During the Pandemic period, PT Pertamina (Persero) experienced quite serious challenges, Pertamina faced 3 (three) problems at once. These problems are the decline in oil and gas sales, the drop-in world oil prices to the lowest level, and the rupiah's fluctuating exchange rate against the US dollar. Pertamina must take steps for the long term (Source: business.tempo.co). On the other hand, Pertamina also has a sizeable debt, as evidenced by the Return on Investment (ROI) in 2019 of 13.06%. The percentage of ROI is said to be good if the number is close to 0, with this Pertamina is said to have suffered a loss and has the potential to be unable to repay its loan. This figure is a comparison to other oil and gas companies such as BP, only 2.41%; Shell 5.81%; and Exxon 6.5% as of 2019. This study aims to provide an overview of the company's development as a whole, in terms of finance, whether to get profits according to the target or vice versa. The parameter used for this research is to use the Profitability Ratio calculation analysis, which will later be used as an indicator to determine whether the study carried out provides an adequate contribution or not to the company.

### LITERATURE REVIEW

The financial report is also one of the crucial tools for obtaining information regarding the financial position and results that have been achieved by the company concerned. The financial statements also show what management has done or is responsible for the resources entrusted to it. Ratio financial analysis is a series of financial accounting and other information to determine its financial performance and financial condition. Financial ratio analysis is also used to compare financial data from several ratios to determine whether the company's finances are well developed or not and its profitability. Financial ratios are also used and used as a reference in analyzing a company's performance conditions in the long run. The profitability ratio is a ratio that aims to determine the company's ability to generate profits during the current period and provides an overview of the effectiveness of management in implementing its operational activities. Dupont analysis is an integrated approach to financial statement analysis. Dupont analysis combines activity ratios and profit margin and shows how these ratios interact to determine its profitability. This approach's bases are the linkages made through financial ratios between the balance sheet and the income statement. Financial performance is an analysis carried out to see the extent to which a company has implemented proper and correct financial implementation rules.

**Table 1. Previous Research**

No	Researchers	Title	Result
1	Denny Saputra (2013)	Profitability Ratio Analysis at PT Petrona Mining Contractors in Samarinda.	The results of comparisons and discussions conducted at PT Petrona Mining Contractors using a profitability ratio analysis tool for the period 2011 to 2012 have increased or decreased (stable).
2	Mardahleni (2017)	Profitability Ratio Analysis in Assessing the Financial Performance of PT Hanjaya Mandala Sampoerna, Tbk.	The analysis results show that GPM and NPM of the company's financial performance are considered low because the average rational level is below the average industry level. Meanwhile, from the ROE and ROI analysis, its performance is deemed good because its average level is above the average industry level.
3	Surya Sanjaya (2018)	Profitability Analysis in Assessing Financial Performance at PT Taspen (Persero) Medan.	ROA tends to decline, because of the decrease in the company's sale so that company earnings will also decrease. The value of the ROA from the year 2012-2016 does not meet the standards of the assessment of the Ministry, and ROE in 2015-2016 has decreased, this shows the company cannot generate a return on equity that is owned.
4	Nina Shabrina (2019)	Analysis of Profitability Ratios and Liquidity Ratios to Assess Financial Performance at PT Astra International, Tbk.	PT Astra International's financial performance, Tbk obtained an average value of profitability using GPM for five years, with 12.8% and using an ROE of 17.8%. This shows that the company's financial performance in terms of profitability, is declared unhealthy.
5	Nursyam Ar & Saenab (2020)	Profitability Ratio Analysis at CV Tamalanrea Motor.	NPM, AT, ROI, and ROE from 2015-2019 tended to increase, but only 2015 decreased because the rupiah's weakening impacted company profits.

## RESEARCH METHODOLOGY

In this study is one of the studies with quantitative methods of descriptive analysis with secondary data acquisition. The descriptive analysis technique is an analysis used to process data by describing or describing the collected data without intending to make generalized conclusions or generalizations. Descriptive research can be used to describe the sample data and does not want to make conclusions that apply to the population in which the sample is drawn. Using secondary data in question is a data source that does not directly provide data to other people's collections, for example, in this study using financial reports as shown in figure below.

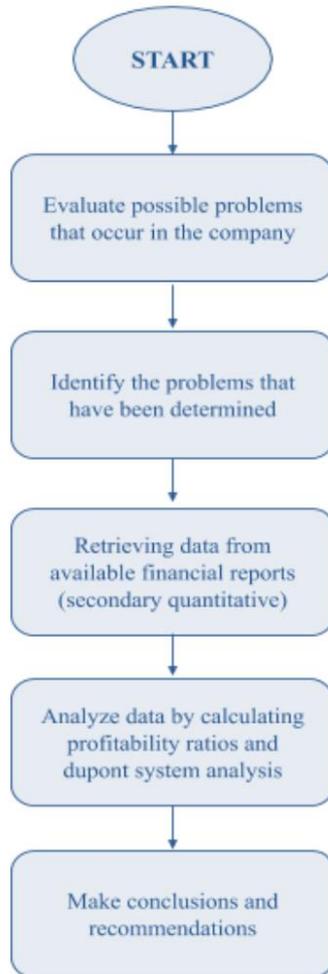


Figure 1. Research Flow Framework

## RESULT AND DISCUSSION

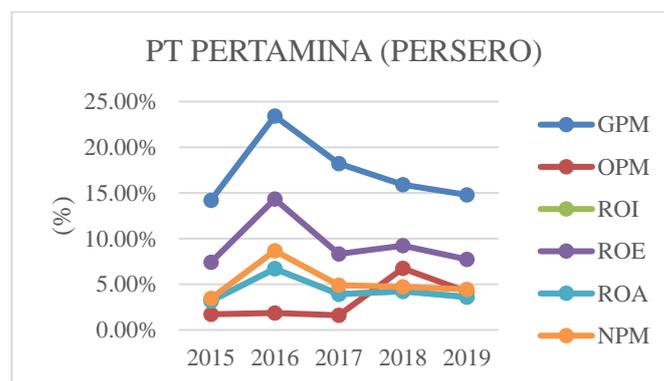


Figure 2. GPM, OPM, ROI, ROE, ROA NPM Ratio

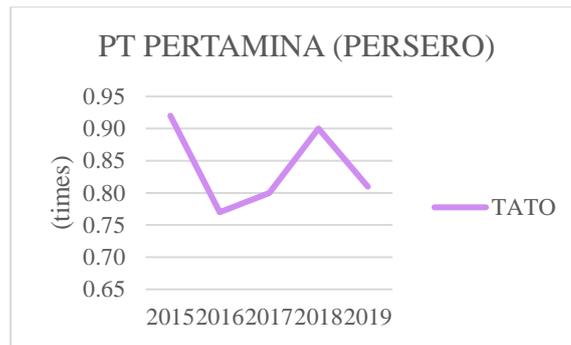


Figure 3. TATO Result

Table 2. Comparison Result

Company	Profitability	Year				
		2015	2016	2017	2018	2019
PT Pertamina (Persero)	GPM (%)	14,30%	23,41%	18,21%	15,91%	14,80%
	OPM (%)	1,73%	1,87%	1,61%	6,74%	4,21%
	ROI (%)	3,17%	6,70%	3,92%	4,23%	3,60%
	ROE (%)	7,41%	14,33%	8,34%	9,24%	7,74%
	ROA (%)	3,17%	6,70%	3,92%	4,23%	3,60%
	NPM (%)	3,45%	8,67%	4,90%	4,72%	4,43%
	TATO (times)	0,92 times	0,77 times	0,80 times	0,90 times	0,81 times
PT AKR Corporindo Tbk	GPM (%)	11,21%	12,32%	10,21%	6,60%	8,72%
	OPM (%)	0,04%	0,06%	0,08%	0,24%	0,05%
	ROI (%)	6,96%	6,61%	7,75%	8,01%	3,28%
	ROE (%)	14,53%	12,97%	14,45%	16,08%	6,98%
	ROA (%)	6,96%	6,61%	7,75%	8,01%	3,28%
	NPM (%)	5,36%	6,88%	7,13%	6,78%	3,24%
	TATO (times)	1,30 times	0,96 times	1,09 times	1,18 times	1,01 times

Source: Author analysis

From this data, it can be seen that the ratio of profitability ratios has almost the same quality value, the situation tends to go up and down but during the period the ratio from the beginning of the 2015 period to the end of the 2019 period tends to increase. Except for the calculation of Total Asset Turnover, PT Pertamina (Persero) tends to decrease its asset turnover. And for PT AKR Corporindo Tbk as a comparison company, all ratios that have been calculated during the period of the initial ratio from 2015 to 2019 tend to decline. Except for the calculation of Operating Profit Margin, the operating cost efficiency tends to increase. Among these two companies, it appears that PT Pertamina (Persero) has better financial performance than PT AKR Corporindo Tbk. Still, when compared to the average industry ratio of the two companies, it has not been able to manage its finances effectively, and this also shows that the financial performance of PT. Pertamina (Persero) based on profitability ratios is still not good.

## CONCLUSION

The reason for taking the Pertamina sample is because the researcher considers that Pertamina is a company that is very competent and superior in its field, so that it will produce good research results when compared to its competitors.

After the author known the result of the financial report data and information that obtained by PT Pertamina (Persero) regarding the Profitability Ratio Analysis as the Measurement Tool of Financial Report that has been described and discussed in the previous chapter, it can be concluded that:

1. Based on the results of calculations and analyzes that have been done in the previous chapter, the financial performance of PT Pertamina (Persero) during the 2015-2019 period based on the Gross Profit Margin measurement was considered to be less profitable, this is compared to the average Gross Profit Margin result for the last 5 years is 17.33%, which is still below the industry standard Gross Profit Margin by 30%.
2. Based on the results of calculations and analyzes that have been done in the previous chapter, the financial performance of PT Pertamina (Persero) during the 2015-2019 period based on the Operating Profit Margin measurement was considered to be less than the average result of Operating Profit Margin for the last 5 years is 3.23%, which is still far below the industry standard Operating Profit Margin by 30%.
3. Based on the results of calculations and analyzes that have been done in the previous chapter, the financial performance of PT Pertamina (Persero) during the 2015-2019 period based on Return on Investment measurement was considered to be less than the average return on investment for the last 5 years is 4.32%, which is still far below the industry standard Return on Investment by 30%.
4. Based on the results of calculations and analyzes that have been done in the previous chapter, the financial performance of PT Pertamina (Persero) during the 2015-2019 period based on Return on Equity measurement was considered to be less than the average result of Return on Equity for the last 5 years is 9.41%, which is still far below the industry standard Return on Equity by 40%.
5. Based on the results of calculations and analyzes that have been done in the previous chapter, the financial performance of PT Pertamina (Persero) during the 2015-2019 period based on Return on Assets measurement was considered to be low; this is compared to the average return on assets for the last 5 years is 4.32%, which is still far below the industry standard Return on Assets by 30%.
6. Based on the results of calculations and analyzes that have been done in the previous chapter, the financial performance of PT Pertamina (Persero) during the 2015-2019 period based on the Net Profit Margin measurement was considered to be less profitable; this is compared to the 5-year average Net Profit Margin result of 5.23%, which is still far below the industry standard Profit Margin by 20%.

Based on the results of calculations and analyzes that have been done in the previous chapter, the financial performance of PT Pertamina (Persero) during the 2015-2019 period based on Total Asset Turnover measurement was considered to be less than the average result of Total Asset Turnover for the last 5 years is 0.84 times, which is still below the industry standard Total Asset Turnover by 2 times.

## RECOMMENDATION

Based on the results of research conducted by the author at PT Pertamina (Persero), the authors provide the following suggestions:

1. For Companies  
The company should make a non-residual budget, where the budget system is based on activity estimates. Each activity will be evaluated separately and minimize which activities need to be continued for the next period. Paying attention to products with high sales and whose sales levels are not developing, this is done to keep investors who invest in the company. Companies should also use and manage all their assets efficiently. In the next period, the company can generate higher sales and profits, and manage its capital more effectively and consistently to increase sales and expand market share.
2. For Writers  
In research conducted like this, it is hoped that the authors will process existing data and information in more detail and accuracy. Or can confirm more directly to the company, the cause of the results is below the industry ratio standard.
3. For Other Parties  
It is recommended that further researchers calculate financial ratios by profitability ratios and use other ratios to measure the company's financial performance to find out the company's potential development in more detail.

## LIMITATION

The limitation of this research is that the company that can be compared to PT Pertamina (Persero) is only 1 (one) company, and the company is not a state-owned company.

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