THESIS

FINANCIAL PERFORMANCE ANALYSIS OF SMOOTHIE THEORY HEALTHY DRINK BUSINESS DURING THE COVID-19 PANDEMIC

compiled and submitted by

FERENICA KIMBERLY ANG

A031191111

to

ACCOUNTING DEPARTMENT
FACULTY OF ECONOMICS AND BUSINESS
UNIVERSITAS HASANUDDIN
MAKASSAR
2023

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As one of the requirements to obtain
Bachelor of Economics degree

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PREFACE

Praises and gratitude the author sends to God Almighty, the Most Gracious and the Most Merciful for His blessings, love, and mercy, the author is finally able to complete this research with the title "Financial Performance Analysis of Smoothie Theory: Healthy Drink Business During the COVID-19 Pandemic" as one of the requirements to complete the study and obtain academic degree in Faculty of Economics and Business Universitas Hasanuddin.

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ABSTRACT

Financial Performance Analysis of Smoothie Theory: Healthy Drink Business During the COVID-19 Pandemic

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This study aims to analyze the financial performance of one of the MSME in Makassar in the period of 2018- 2021 by analyzing the effects of Current Ratio (CR), Quick Ratio (QR), Cash Ratio, Inventory Turn Over (ITO), Total Assets Turnover (TATO), Gross Profit Margin (GPM), Net Profit Margin (NPM), and Operating Ration (OR). The population of this study were 1 MSME in culinary industry. This study uses secondary data and multiple regression analysis. The results showed that there is a positive and significant effect on Quick Ratio and Cash Ratio for its ability to pay short-term debt, less effective in the utilization of assets based on the activity ratio, and a significant effects on Gross Profit Margin (GPM).

Keywords : Financial Performance, Current Ratio, Quick Ratio, Inventory Turnover, Total Assets Turnover, Gross Profit Margin, Net Profit Margin, Operating Ratio.

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CHAPTER I

INTRODUCTION

1.1 Research Background

In December 2019, the world was shocked by a mysterious pneumonia case reported from Wuhan, Hubei Province. The source of transmission of this case is not yet known precisely where it came from, but this first case of pneumonia was linked to a fish market in Wuhan. This virus has spread to almost all corners of the world, including Indonesia (Susilo, 2020).

Indonesia reported its first Covid-19 case on March 2, 2020. Prevention of transmission and spread of Covid-19 is carried out by keeping a distance, wearing masks, and washing hands frequently. The government also implemented Large-Scale Social Restrictions (LSSR) and voiced the appeal to stay at home. This Covid-19 attack threatens the world's health, social, political institutions, and economic sectors that have experienced severe impacts.

Lockdown policies taken by various countries to prevent further spread of COVID-19 hampered economic activity, including economic activity in Indonesia. The government enacted the LSSR, as outlined in Government Regulation No. 21 of 2020, in response to a rapid increase in the number of Covid-19 cases. The implementation of LSSR policy imposed restrictions on all routine activities. The industrial and office sectors were obliged to temporarily cease their operations. In addition, the same phenomenon is affecting the education sector, public services, all places of worship, shopping centres, restaurants, and tourist destinations. This social restrictions has a negative impact on overall economic activity (Iskandar et al, 2020). This is indicated by the decline in Indonesia's economic growth at the end of 2020 to negative (-2.19%) from the previous at the end of 2019 of 4.96%. Indonesia's economic GDP in the first quarter of 2020 was 2.97%, indicating a slowdown compared to the first quarter of 2019, when it reached 5.07%, the lowest growth rate since 2001. This condition cannot be separated from the COVID-19 pandemic's effect on the Medium, Small, and Micro enterprises (MSME) sector.

MSMEs play an influential role in the Indonesian economy, including the generation of employment opportunities. UU 20/2008 defines UMKM MSMEs based on net worth and annual sales results.

Table 1.1 MSMEs criteria based on indicators in UU 20/2008

Types	**Net Worth (excluding land and buildings)**	**Annual Sales**
Medium	Rp 500 million - 50 billion	Rp 2,5 billion - 50 billion
Small	Rp 50 million - 500 million	Rp 300 million - 2,5 billion
Micro	< Rp 50 million	< Rp 300 million

MSMEs are a safety net for low-income individuals to engage in productive economic activity. Moreover, MSMEs play an essential role in boosting a country's Gross Domestic Product (GDP), particularly in Indonesia, as it confronts the Industrial Age 4.0.

Based on data published by the Ministry of Cooperatives and SMEs of the Republic of Indonesia, there were approximately 63 million MSMEs in 2019. As shown in Table 1.1, MSMEs employ approximately 97% of the Indonesian workforce and contribute to 57% of GDP. The same source indicates that there are 816,000 SMEs employing 7.9 million people and contributing 27% to GDP. The number and contribution to GDP of MSMEs has increased from 2013 when there were around 700,000 and contributing 22% to the GDP (ILO, 2019).

Table 1.2 MSMEs in Indonesia 2019

Type	Number		GDP		Employment	
	Unit	Share (%)	IDR	Share (%)	Person	Share (%)
Micro	62,106,900	98.7	2,856,608	30.06	107,232,992	89.17
Small	757,090	1.20	1,191,871	12.54	5,704,321	4.74
Medium	58,627	0.09	1,376,936	14.49	3,763,103	3.11
MSME	62,922,617	99.99	5,425,415	57.08	116,673,416	97.02

Source: (Bappenas, 2019)

Amid the increasingly rapid development of MSMEs, their growth has decreased due to the emergence of Covid-19 in 2020. Some initial reports suggest that MSMEs are affected because of their dependence on external input (OECD & ASEAN, 2020). A study conducted by the Association of Business Development Services Indonesia (ABDSI, 2020) reported that from 6,405 surveyed MSMEs, 48.3% reported difficulty in securing supply lines, 92.6% required debt restructuring, and 26.6% are facing cash flow problems and thus unable to pay off the debt (SimpulRakyat.co.id, 2020). Moreover, a report by ILO suggests that, from 571 businesses as their sample, 68% reported a disruption of their business activity due to the pandemic, 65% put a halt on their operation and 3% had permanently stopped operating. In addition, roughly 80% reported a sharp decline in revenue; 34% reported had lost a quarter of their revenue, 18% had lost 25–50% of their revenue, and 28% had lost over half of their revenue (ILO, 2019).

Makassar, the capital city of South Sulawesi Province, is one of the major cities in Indonesia that has attracted investors, including MSMEs entrepreneurs, due to its rapid economic growth. Based on data from the South Sulawesi Provincial Office of Cooperatives and MSME (2021), there were more than 940,000 business units in 2019, followed by approximately 1.2 million in 2020 and 1.5 million in 2021. Out of a total of 1.2 million MSMEs registered in South Sulawesi in 2020, as many as 1,953 were reported to be affected by Covid-19 (Sulselprov, 2020). Amid the Covid 19 Pandemic, implementing LSSR diminished consumer confidence in goods. This resulted in a change in consumer shopping behaviour, causing business actors to incur losses and even experience a decline in income (Alfin, 2021). The South Sulawesi Cooperatives and MSME Office (2020) report that the micro business sector most severely impacted by the Covid-19 pandemic is the culinary industry.

In 2019, the MSME sector in Makassar City employed 2,127 people with a total investment value of IDR 80,719,911,054 and a total output value of IDR 586,031,002,000.The data indicates that labour absorption in the MSMEs sector has decreased by 66.43%, investment has declined by 60.58%, and production value has dropped by 90.30% (BPS, 2021). This phenomenon was caused by the Covid-19 pandemic, which demonstrates that the MSME sector in Makassar has experienced a decline in business performance.

For the continuity of its business activities during the new normal, MSMEs must think of the right way or steps for the success of the business undertaken. Business success will certainly be achieved if SMEs are able to achieve good performance.

Performance is a general term used for some or all actions or activities of a company in a certain period. Performance in particular is the determination of certain measures that can measure the success of a business in generating profits (Kusumadewi, 2017). The company's financial performance can be analyzed with various financial analysis tools, to determine the company's financial condition in a certain period (Bogomin et al, 2016).

The MSMEs performance can be driven by applying the financial management function. Research conducted by Bogomin et al (2017) shows that financial inclusion has a significant effect on MSME performance. The study states that on a large scale, financial literacy has not been reached optimally if there are still problems with asymmetric information on financial services so that it can hamper the success of MSMEs to compete. With financial literacy and good financial inclusion, business actors are able to use financial capabilities in making various decisions. MSMEs with good financial literacy will be able to implement strategic plans to identify opportunities and threats, have adequate financial access, and respond to changes in the unstable business climate, so that decisions made will provide innovative and targeted solutions to improve MSME performance.

Financial reports are helpful to proprietors, administrators, and financial backers from numerous points of view. For instance, partners can utilize financial data to acquire a superior comprehension of the financial parts of the organization, hazard profile, and venture purposes (Van Auken, H., 2013). While proprietors and partners can settle on better choices by using financial reports, SME proprietors regularly do not finish their financial reports well, utilizing financial reports less productive. Accordingly, solid and arranged financial reports on time are inadequate when the proprietor could not utilize and decipher them precisely (Van Auken, H., 2005).

Assessment of the company's financial performance can be done by analyzing financial performance, one of which is using the method of financial ratio analysis (Matsoso & Benedict, 2016). Financial ratio analysis is one method of calculation by comparing between one particular account and another account in financial statements. The ratios that have been analyzed help provide useful information to several stakeholders such as internal users and external users.

This study uses ratio analysis on SMEs, namely Smoothie Theory. Smoothie Theory, one of Makassar's small and medium-sized enterprises (SME) in the culinary industry, experienced an increase in sales during the Covid-19 pandemic when most MSMEs in South Sulawesi experienced a decline in sales due to the pandemic.

Smoothie Theory is one of the natural fruit smoothies brands that contain local fruit from the city of Makassar, which carries the tagline of *healthy, natural, and no sugar*. Smoothie Theory has been established since 2018.

"Smoothie theory is on the rise amid the pandemic. Because in the past, people were less concerned about healthy living. Now they have to get through this pandemic. This condition is a momentum to further increase educational efforts for the community," explained Benita, the owner of Smoothie Theory (ubahlaku.id, 2021). Smoothie Theory experienced an increase in sales of up to 2-3 times compared to before the Covid-19 pandemic. This increase is a good momentum for Smoothie Theory to maintain and develop its business.

Based on the background above, the authors are interested in conducting research with the title: **"FINANCIAL PERFORMANCE ANALYSIS OF THE SMOOTHIE THEORY HEALTHY DRINK BUSINESS DURING THE COVID-19 PANDEMIC".**

1.2 Research Question

Based on the background that has been described, the research questions to be observed in this study are:

1. What is the financial performance of Smoothie Theory based on the Liquidity Ratio?
2. What is the financial performance of Smoothie Theory based on the Activity Ratio?
3. What is the financial performance of Smoothie Theory based on the Profitability Ratio?
4. What are the strategies used to increase sales and maintain ratios during the Covid-19 Pandemic?

1.3 Research Objective

In accordance with the background and research question, the objectives of this study are:

1. To calculate and analyze the financial performance of Smoothie Theory based on the Liquidity Ratio.
2. To calculate and analyze the financial performance of Smoothie Theory based on the Activity Ratio.
3. To calculate and analyze the financial performance of Smoothie Theory based on the Profitability Ratio.
4. To determine the strategies used to increase sales and maintain ratios during the Covid-19 Pandemic.

1.4 Research Significance

1.4.1 Theoretical Contribution

The findings of this study will provide an explanation of financial analysis in Smoothie Theory based on Financial Ratio analysis, which will serve as the basis for future measurements or evaluations of the company's sustainability. furthermore, it is expected that the results of this study will provide additional information, sources of reference, and pointers for future research pertaining to the advancement of knowledge, particularly in financial performance.

1.4.2 Practical Contribution

1. This research is expected to provide business professionals and financial practitioners with valuable information and serve as one of the factors considered when making decisions regarding business activities.

2. This research's findings can serve as a reference for company management in analyzing profit, asset management, funding, and business activities.

3. This study aims to provide empirical evidence about financial performance analysis in Smoothie Theory for researchers so that it can be used as a reference for future studies.

1.5 The Organization of Thesis

The writing structure consists of several chapters as follows:

CHAPTER I INTRODUCTION

This chapter contains an explanation of the research background, research question, research objectives, theoretical and practical contribution, and the organization of thesis.

CHAPTER II LITERATURE REVIEW

Contains the theoretical basis that are related to variables, relevant literature that is used as a basic reference for the theory, as well as several previous research that support this research. Contains explanations related to theoretical and empirical which are formulated in the conceptual framework. The conceptual framework describes the framework in which the relationship between the concepts studied by answering the research question.

CHAPTER III RESEARCH METHOD

Contains an explanation of the research design consisting of the place and time of research as well as descriptions of research objects, types of research and data sources to be used in research then identifying research variables and measuring these variables with certain analytical methods.

CHAPTER IV RESEARCH RESULTS

This chapter contains an explanation of the results of the research and its discussion. The research results consist of a description of the data and a description of the research results.

CHAPTER V DISCUSSION

This chapter contains explanations regarding answers to the research questions, interpreting findings, integrating results and findings on established science or theory, modifying existing theories or developing new theories.

CHAPTER VI CLOSING

This chapter contains explanations regarding the conclusions of the research results, research implications, research limitations and suggestions for this research. With the limitations of this research, it is expected that it can be perfected in further studies.

CHAPTER II

LITERATURE REVIEW

2.1 Financial Statements

2.1.1 Financial Statements Definition

Financial Statements are a central feature of financial reporting. IAS 1 refers to financial statements as “a structured representation of the financial position and financial performance of an entity” and elaborates that the objective of financial statements is to provide information about an entity’s financial position, its financial performance, and its cash flow, which is then utilized by a wide spectrum of end users in making economic decisions. In addition, financial statements also show the results of management’s stewardship of the resources entrusted to it. A financial statement should present true and fair picture of the business entity. So, financial statements are prepared by accountant to give financial information in financial reporting.

2.1.2 Purposes of Financial Statements

According to the Indonesian Institute of Accountants (2009), the purpose of financial statements is to provide information regarding the financial position, performance, and changes in the financial position of a company that is useful for a large number of users in making economic decisions.

According to SAK No.1, the objectives of financial statements are as follows:

1. Financial statements provide information related to the financial position, performance, and changes in the company’s financial position that is useful for most users in making economic decisions.

2. Financial statements are prepared with the aim of meeting the everyday needs of the majority of users. However, financial statements only provide some of the information that users need in making economic decisions because, generally, financial statements describe the economic effects of past events and are not required to provide non-financial information.
3. Financial statements show what management has done (stewardship) or management's responsibility for the resources entrusted to it. Users who wish to assess what has been done or management's accountability do so so that they can make economic decisions; these decisions may include, for example, decisions to hold or trade their investments in the company or to reappoint or replace management.

Financial statements provide information about an entity's financial position, financial performance, and cash flows that can be useful to most users in making economic decisions. Financial statements are also a form of management's responsibility for using resources entrusted to it in managing an entity. Thus the financial statements are not for particular purposes, for example, mergers and acquisitions. The purpose of financial statements is to provide information about a company's financial position, performance, and cash flows that can be useful for users of financial statements in making economic decisions and also show management's responsibility for using the resources entrusted to them. Based on the description that has been explained, it can be concluded that the purpose of financial statements is as the primary tool that provides company financial information to parties who need it so that it can be used to determine the company's performance that will be used to make decisions by management in the future (Fahmi, 2011).

2.1.3 Types of Financial Statements

According to the Institute of Indonesia Chartered Accountants in Financial Accounting Standards (2017), the components of financial statements consist of:

1. Statement of financial position at the end of the period;

The statement of financial position is a statement that presents an entity's assets, liabilities, and equity (net assets) at a given point in time. The statement of financial position is sometimes described as a "stock" statement because it reflects the balances of the company's accounts at a moment in time, as opposed to the other basic financial statements, which are described as "flow" statements all reflect summarized results of transactions over a period of time.

2. Income statement and other comprehensive income for a certain period;

The IASB's framework states that comprehensive income is the change in the entity's net assets over the course of the reporting period arising from nonowner sources. Comprehensive income comprises all components of "profit or loss" and of "other comprehensive income".

3. Statement of changes in owners' equity;

Equity (owners', partners', or shareholders') represents the interest of the owners in the net assets of an entity and shows the cumulative net results of past transactions and other events affecting the entity since its inception. The statement of changes in equity reflects the increases and decreases in the net assets of an entity during the period. In accordance with IAS 1, all changes in equity from transactions with owners are to be presented separately from non-owner changes in equity.

4. Cash flow for a certain period;

The purpose of the statement of cash flows is to provide information about the operating cash receipts and cash payments of an entity during a period, as well as providing insight into its various investing and financing activities. It is a vitally important financial statement, because the ultimate concern of investors is the reporting entity’s ability to generate cash flows which will support payments (typically but not necessarily in the form of dividends) to the shareholders. More specifically, the statement of cash flow should help investors and creditors assess.

5. Notes to financial statements

Information provided in addition to that presented in the financial statements, which comprise a summary of significant accounting policies and other explanatory information, including narrative descriptions or disaggregation of items presented in those statement as well as information about items that do not qualify for recognition in those statements.

2.2 Financial Statement Analysis

2.2.1 Financial Statement Analysis Definition

The activity of reviewing and understanding financial statements is called financial statement analysis. In analyzing financial statements, it is necessary to be able to compare data for two or more periods and analyze further so that the information presented in the financial statements will provide an overview of the company's performance in the past and predict things that are likely to happen in the future. Financial statement analysis consists of two words, analysis and financial statements. The word analysis is to break or decompose a unit into various minor units. In contrast, the financial statements are the balance sheet, profit and loss, and cash flow. If these two meanings are combined, then financial

(Iskandar, 2020) statement analysis means breaking down financial statement items into smaller units of information and seeing the relationship that is significant or has meaning between one another where the purpose of analyzing the financial statements is to determine the financial condition, which is very important in the process of making the right decision (Hutauruk, 2017).

(Munawir S. , 2014) explained that financial statement analysis consists of reviewing or studying the relationships and tendencies or trends to determine the financial position and results of operations and related developments.

Financial statement analysis is a method that helps decision-makers to find out the company's strengths and weaknesses through information obtained from financial statements. Based on the theories above, it can be concluded that financial statement analysis is an analytical method carried out to determine the financial condition, strengths and weaknesses of the company, the results of operations and also the development of a company through data or information obtained from financial statements. The analysis results will then be communicated to the parties interested in the company to make relevant decisions (Hery, 2018).

2.2.2 The Purpose and Benefits of Financial Statement Analysis

Analyzing financial statements has various purposes and benefits for interested parties to assess the company's performance in a certain period.

Hery (2018) explains that, in general, the goals and benefits of analyzing financial reports are:

1. To determine the company’s financial position in a certain period, including assets, liabilities, equity, and business results achieved during several periods.
2. To find out the strengths that are advantages of a company.

3. To determine management performance.
4. As a comparison with other similar companies.
5. To find out the corrective steps that need to be taken, especially those related to the company's financial position.
6. To identify the weaknesses that the company lacks.

According to (Kariyoto, 2017), financial statement analysis includes the application of various analytical instruments and techniques to reports and financial data in order to obtain meaningful and valuable measurements and relationships in the decision-making process. Based on the explanation above, it can be concluded that it is necessary to carry out a systematic and measurable analysis of financial statements aimed at knowing the company's financial position in a certain period and determining corrective steps that need to be taken in the future so that it can be used as a support in the company's decision-making process.

2.2.3 Financial Statement Analysis Methods and Techniques

Munawir (2014) explains that analytical methods and techniques are needed to determine and measure the relationship between items in the financial statements so that changes in each item can be seen when compared with reports from several periods for one particular company or compared with other comparison tools, for example, compared with budgeted financial reports or with other company financial reports. Hery (2018) explained that, in general, two methods of financial statement analysis are commonly used in practice:

1. Vertical Analysis

   Vertical analysis is an analytical technique that is carried out by comparing the components in the financial statements for one period only so that it will not be known about the development of the company, either the progress or decline of the company's performance from one period to the next, but can only obtain information that describes the relationship between the components of the financial statements for one period only.

2. Horizontal Analysis

   Horizontal analysis is an analysis technique carried out by comparing financial statements for several periods so that the company's development can be seen, both progress and decline in company performance from one period to the next.

Besides the methods used to analyze financial reports, there are also other types of financial statement analysis techniques, namely comparative analysis of financial statements, trend analysis, percentage analysis per component, analysis of sources and use of working capital, financial ratio analysis, analysis of changes in gross profit, breakeven analysis, credit analysis.

1. Comparative Analysis of Financial Statements

   Comparative analysis of financial statements is an analytical technique by comparing financial reports for two or more periods so that it will show changes in total (absolute) or percentage (relative).

2. Trend Analysis

   Trend analysis is an analytical technique used to determine trends in a company's financial condition and performance.

3. Common Size Analysis

   Common size analysis is an analytical technique used to determine the percentage of each component of assets to total assets, the percentage of each component of debt and capital to total passive, and the percentage of each component of the income statement to net sales.

4. Sources and Use Of Working Capital Analysis

   Analysis of the sources and uses of working capital is an analytical technique used to determine the sources and uses of working capital over the two time periods being compared.

5. Financial Ratio Analysis

   Financial ratio analysis is an analytical technique to determine the relationship between specific certain components in the balance sheet and income statement.

6. Analysis of Changes in Gross Profit

   Analysis of Changes in Gross Profit is an analytical technique to determine the position of gross profit and the reasons for changes in gross profit from one period to the next.

7. Break-Even Analysis

   Break-even analysis is an analytical technique used to know the level of sales that must be achieved so that the company does not suffer losses.

8. Credit Analysis

   Credit analysis is an analytical technique for assessing the feasibility of a debtor's credit application to a creditor.

2.3 Financial Performance Analysis

A company's health assessment can be done by analyzing the financial statements to Determine the performance of its finances. One of the analytical tools that can be used is the analysis of financial ratios.

Jumingan (2014:239) Financial performance is a description of the financial condition of a certain period whether it concerns the aspects of gathering funds and the distribution of funds usually measured by the capital adequacy indicators, liquidity and profitability.

Munawir (2009:55) financial ratios analysis is one way of processing and interpretation of accounting information expressed in both relative and absolute terms to carry out a specific relationship between a number and other numbers from A financial statement.

2.3.1 Types of Financial Ratios

The types of financial ratios commonly used consist of Liquidity Ratios, Activity Ratios, Profitability Ratios and Leverage Ratios (Samryn, 2015). According to Hery (2018) in practice, there are at least five types of financial ratios that are often used to assess companies' financial condition and performance, namely Liquidity Ratios, Solvability Ratios or Capital Structure Ratios, Leverage Ratios, Activity Ratios, Profitability Ratios and Appraisal Ratios or Market Size Ratios.

1. **Liquidity Ratio**

   Liquidity ratio is a ratio that shows a company's ability to meet its short-term obligations. Alternatively, the liquidity ratio compares to determine the extent of the company's capacity to pay its short-term debt that will mature (Hery, 2016).

   a. Current Ratio

      The current ratio is a comparison used to determine a company's capacity to pay off a short-term debt that will soon expire using the amount of existing current assets.

$$Current\ Ratio = \frac{Current\ Assets}{Current\ Liabilities} \tag{1}$$

b. Quick Ratio

The quick ratio is a comparison used to determine a company's capacity to pay off its short-term debts, which will soon expire by using very current assets, excluding the availability of goods for sale and other current assets.

$$Quick\ Ratio = \frac{Current\ Assets - Inventory}{Current\ Liabilities} \qquad (2)$$

c. Cash Ratio

Cash ratio to determine how much cash or cash equivalents are available to pay off short-term responsibilities. This comparison shows the company's capacity to meet its current debts that are soon expiring using existing cash or cash equivalents.

$$Cash\ Ratio = \frac{Cash\ Equivalents}{Current\ Liabilities} \qquad (3)$$

2. Solvability Ratio

According to Hery (2016) The Solvency Ratio is a comparison used to see how far a company’s wealth is funded through debt. Alternatively, the solvency ratio is used to see how much debt the company has to bear to fulfil its assets.

The following are the types of solvency ratios:

a. Debt to Assets Ratio

The debt to Assets Ratio is used to determine the scale of debt on capital. This comparison is calculated as the result of the division between the amount of debt and capital.

$$Debt\ to\ Assets\ Ratio = \frac{Total\ Debts}{Total\ Assets} \qquad (4)$$

a. Debt to Equity Ratio

The debt-to-equity ratio is used to calculate the proportion of debt to capital.

$$Debt\ to\ Assets\ Ratio = \frac{Total\ Debts}{Total\ Assets} \quad (5)$$

b. Times Interest Earned Ratio

The ratio of multiples of interest obtained illustrates how far or how many times the company's capacity to pay off the interest.

$$Times\ Interest\ Earned\ Ratio = \frac{Earnings\ before\ interest\ \&\ taxes}{Interest\ Expense} \quad (6)$$

c. Long-Term Debt to Equity Ratio

The ratio of long-term debt to capital is a comparison used to calculate the scale of long-term debt to capital.

$$LTDER = \frac{Long\ Term\ Debt}{Shareholders'Equity} \quad (7)$$

d. Operating Income to Liabilities Ratio

The ratio of operating profit to debt is a comparison that shows (how far or how many times) the company's capacity to pay all debts.

$$Operating\ Income\ to\ Liabilities\ Ratio = \frac{Operating\ Profit}{Net\ Sales} \quad (8)$$

3. Activity Ratio

The activity ratio is a ratio that describes the extent to which a company uses its resources to support its activities, where the use of this activity is carried out very maximally to achieve maximum results (Fahmi, 2011). The activity ratio is used to measure the effectiveness of the company in using its assets (Kasmir, 2012). The activity ratio is a ratio used to measure the effectiveness of the company in using its assets, including measuring the level of efficiency of the company in utilizing existing resources (Hery, 2018).

4. **Profitability Ratio**

   A profitability ratio is a comparison used to determine a company's ability to profit from its normal business operations. Rentability comparison is another name for profitability comparison. In addition to assessing the enterprise's ability to generate profits over a specific period. This comparison also aims to evaluate management efficiency in carrying out management operations. Profitability comparison is a valuable comparison for determining a company's ability to pursue profits. This comparison also shares the importance of a company's management's effectiveness. Profits from marketing and investment income demonstrate this. The point is that using this comparison reflects the company's efficiency (Hery, 2016).

5. **Valuation Ratio**

   According to Sudana (2011), the valuation ratio is used to evaluate the performance of shares of companies traded on the stock exchange. The valuation ratio indicates how much the general public values the company, so people are interested in purchasing shares at a price greater than their book value.

2.4 Previous Research

Table 2.1 Previous Researches Summary

No	Name	Research Title	Research Methodology	Research result
1.	Della Ayu Zonna Lia, Rastam Hidayat dan Zahroh Z.A (2015)	Penilaian Kinerja Keuangan Pada Usaha Kecil dan Menengah (UKM) Berdasarkan Analisis Rasio Keuangan (Studi pada IRT Ramayana Agro Mandiri Kota Batu Tahun 2011-2014)	The type of research used is descriptive research using a case study approach.	1. The company's liquidity ratio is still less effective in managing assets. 2. The company's leverage ratio represents a good condition and can pay off the debt by utilizing assets. 3. The company's activity ratio shows an unfavourable condition. 4. Profitability ratios describe unfavourable conditions
2.	Nanden Kostani dan Ratna Meisa Dai (2019)	Analisis Kinerja Keuangan Usaha Mikro Kecil dan Menengah di Kota Tasikmalaya	The research method used in this study is a quantitative approach with descriptive research.	The financial position of most Tasikmalaya SMEs is in a liquid condition because the value of the current ratio of these SMEs

				describes current assets that are greater than current debt.
3.	Apolonaris Felix Erakipia dan Hendrik Gamaliel (2016)	Analisis Laporan Keuangan Sebagai Dasar Penilaian Kinerja Keuangan Pada UMKM Amungme dan Kamoro	The type of research used by the author is descriptive research, which is carried out by collecting data related to the problems faced. Data is information obtained from research or through references.	1. MSMEs Amungme and Kamoro, from a liquidity standpoint, it is discovered that the company's ability of assets to ensure its current liabilities is efficient from year to year, even though the cash flow decreases from year to year. 2. Based on the solvency ratio, the company can cover or guarantee all of its debts using only its capital and assets if it is ever liquidated. 3. When looking at profitability, it is discovered that it shows efficiency from year to year even

				though the profit margin net income does not meet the level of efficiency in the company's ability to earn profits through all existing capabilities and resources, such as sales activities, cash, capital, number of employees, and number of branches. 4. Based on the activity ratio with a ratio value of fewer than six times, it was discovered that the company's ability to manage fixed assets was inefficient, even though most of this ratio showed efficiency.
4.	Mutiara Nur' Rahmah dan Euis Komariah (2016)	Analisis Laporan Keuangan Dalam Menilai Kinerja Keuangan Industri Semen Yang Terdaftar Di BEI	The research method used in this study is a quantitative approach.	The company is considered good, based on the current ratio,

		(Studi Kasus PT Indocement Tunggal Prakarsa TBK)		because the ratio value is above the cement industry average and the industry average in general, but the company's cash ratio is considered poor, where the ratio value is too high compared to the industry average cement and industry average in general.
5.	Maikel Ch. Ottay dan Stanly W. Alexander (2015)	Analisis Laporan Keuangan Untuk Menilai Kinerja Keuangan Pada PT. BPR Citra Dumoga Manado	This study uses descriptive research methods in the form of case studies and literature studies.	Financial performance of PT. BPR Citra Dumoga Manado continues to experience an increase from 2009 to 2011. As with the liquidity ratio, the value of total assets, net income, capital, operating income, operating expenses and profit before tax increased

				significantly yearly. The Operating Expenses Ratio reflects an increase in efficiency from year to year.

2.5 Conceptual Framework

To facilitate the author in conducting this research, the framework used in this research is as follows.

Figure 2. 1 Research Conceptual Framework