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The Comparison of Financial Performance between PT. Unitex TBK and PT. Sunson Textile Manufacturer TBK by Using Financial Ratio Analysis

Perbandingan Kinerja Keuangan Antara PT. Unitex TBK dan PT. Sunson Produsen Tekstil TBK dengan Menggunakan Analisis Rasio Keuangan

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Abstract: *The writer's purpose of making this research is to compare PT. Unitex Tbk and PT. Sunson Textile Manufacturer Tbk of which company performs better during the tight competition of textile industries since the ASEAN-China Free Trade Agreement is signed in 2010. The object of this research is PT. Unitex Tbk and PT. Sunson Textile Manufacturer Tbk which are focusing on producing textile products such as yarn, fabric and other textile products. The objective of this research is to see the role of financial ratio analysis of both companies. The writer collects the data by using internet. After analyzing the data of both companies, the writer found out that both companies had a low performance during year 2018-2022. But, by comparing at this financial condition and performance on both companies, therefore, the writer can conclude that PT. Sunson Textile Manufacturer Tbk has a better financial performance.*

Abstrak: Tujuan penulis membuat penelitian ini adalah untuk membandingkan PT. Unitex Tbk dan PT. Sunson Textile Manufacturing Tbk perusahaan mana yang memiliki kinerja lebih baik di tengah ketatnya persaingan industri tekstil sejak Perjanjian Perdagangan Bebas ASEAN-China ditandatangani pada tahun 2010. Objek penelitian ini adalah PT. Unitex Tbk dan PT. Sunson Textile Produsen Tbk yang fokus memproduksi produk tekstil seperti benang, kain dan produk tekstil lainnya. Tujuan penelitian ini adalah untuk melihat peran analisis rasio keuangan kedua perusahaan. Penulis mengumpulkan data melalui internet. Setelah menganalisis data kedua perusahaan, penulis menemukan bahwa kedua perusahaan tersebut memiliki kinerja yang rendah selama tahun 2018-2022. Namun dengan membandingkan kondisi keuangan dan kinerja kedua perusahaan tersebut, maka penulis dapat menyimpulkan bahwa PT. Sunson Textile Produsen Tbk memiliki kinerja keuangan yang lebih baik.

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BACKGROUND

Nowadays in business era, companies are trying to compete to have a good performance and development. This tight competition among the companies forced the companies to survive and compete to be better. Therefore, Companies nowadays utilize their finance department in order to monitor the condition and performance of the company. But the competition does not just apply in domestic. This competition also applies in international market. According to Nurmalasari (2012) Persaingan di dunia bisnis saat ini terasa semakin ketat, terutama semenjak perjanjian bebas antara negara-negara ASEAN dan Cina yang diberlakukan sejak tanggal 1 Januari 2010. Diperkirakan ada sepuluh sektor industri yang paling dirugikan dalam perdagangan tersebut, salah satunya adalah sektor industri tekstil. This can be explained as: competition became tighter since the ASEAN-China Free Trade Agreement (ACFTA) is signed on 1st January of 2010. There are about 10 industries in Indonesia that were harmed due to this agreement since China's import products are competitive. One of those industries is textile industries. Textile industries have been a major industries that contribute a large income outside the oil and gas industries in Indonesia, but nowadays, textile industries is decreasing due to the tight competition from overseas. In this unfavorable condition, the writer wants to compare two textile companies and by using financial ratios as a tool to know which company is able to survive and maintain their market better since financial ratio can indicate the performance of the company According to Libby et al. (2011). We have seen that financial results are often affected by industry and economy-wide factors. By comparing a company with another one in the same line of business, an analyst can gain better insight into its performance. The research objects that the writer chooses are PT. Unitex Tbk and PT. Sunson Textile Manufacturer Tbk. They are chosen because both companies are in the same industry, textile industry. Both PT. Unitex Tbk and PT. Sunson Textile Manufacturer Tbk are integrated textile company, ranging from Spinning, Weaving, and Immersion, which also include in selling of yarn, fabric and other textile products. Both companies' products marketed in domestic and international, including Australia, Japan, United States, European countries, and other countries as well. PT. Unitex Tbk located in Ciawi, Bogor and was established in 1973, while PT. Sunson Textile Manufacturer Tbk located in Bandung and was established in 1972.

The definition can be explained as: financial statements are statements that are designed for decision makers, especially for external parties, for information about achievement of revenue target and costing realization. By using the profitability ratio and liquidity ratio as tools to interpret the financial statement into percentage, it can help the writer to show the company's performance. Profitability is the ability of a company to generate earnings. Analysis of profit is important concern to stockholders because they gain revenue in the form of dividends. Further, increased profits can cause a rise in a market price, leading to capital gains. Profit are also important to creditors because profits are one source of funds for fulfill obligations and paying debts. Management also uses profit as a performance measure. (Gibson, 2011)

Liquidity ratio is the ability of a company to fulfill their short term debt. An entity's ability to maintain its short term debt-paying ability is important to all users of financial statements. If the entity cannot maintain a short-term debt paying ability, it will not be able to maintain a long-term debt –paying ability, nor will it be able to satisfy its stockholders. Even a very profitable entity will find itself bankrupt if it fails to meet its obligations to short-term creditors. The ability to pay current obligations when due is also related to the cash-generating ability of the firm (Gibson, 2011)

Financial statements also provide an overview of a business or person's financial condition either in short term and long term. All the relevant financial information of a business firm presented in

a structured manner and in a form so it becomes easy to understand. According to Pernyataan Standar Akuntansi Keuangan (2009, p.7), “Tujuan laporan keuangan adalah memberikan mengenai posisi keuangan, kinerja keuangan dan arus kas entitas yang bermanfaat bagi sebagian besar kalangan pengguna laporan dalam informasi pembuatan keputusan ekonomi.” This can be explained as: The purpose of financial statement is to give information about financial position, financial performance and cash flow which is useful for most of report users to support in their decision making.

According to Wild et al (2009, p.13), “Balance sheet reports the amount of assets, liabilities, and stockholders’ equity of an accounting entity at a point in time. The balance sheet is a statement of a company’s financial position as of a certain date. Assets are the original costs of the equipment and land purchased by the company. Liabilities, which represent current obligations, consist of the amounts currently owed by the company to its creditors. Satisfying these liabilities will generally requires cash payments in the future. Common stock and retained earnings comprise the stockholder’s equity section. Common Stock represents the initial investments by company’s owners. Retained earnings are a measure of the company’s past profits that have been retained in the business. Without the balance sheet, investors would have difficulty assessing the current financial condition of the company. Without the balance sheet, investors would have difficulty assessing the current financial condition of the company.

According to Kimmel et al. (2009, p. 16), “Income statement reports the revenues less the expenses of the accounting period.” The income statement is divided into two parts: revenues, a measure of assets generated from the products and services sold, and expenses, a measure of the asset outflows (costs) associated in selling these products and services. The difference between those two amounts is called net income (profit), which measures the success of the company’s operations over a particular period of time. Without the income statement, investors would be unable to determine the company’s performance during the period. However, amounts received from issuing stock or paid out as dividends are not used in determining net income.

Financial analysis is the application of analytical tools and techniques to general-purpose financial statements and related data to derive estimates and inferences useful in business analysis. Financial statement analysis reduces reliance of hunches, guesses, and intuition for business decisions. It decreases the uncertainty of business analysis by providing a systematic and effective basis for business analysis. According to Albrecht et al (2011, p. 142), Financial statement analysis involves the examination of both relationships among financial statements numbers and the trends in those numbers over time. One purpose of financial statement analysis is to use the past performance of a company to predict how well it will do in the future. Another purpose is to evaluate the performance of a company with an eye toward identifying problem areas. Financial statement analysis is both diagnoses, identifying where a firm has problems, and prognosis, predicting how a firm will perform in the future. Financial analysis may be used internally to evaluate issues, such as employee performance, the efficiency of operations, and credit policies. It is also used externally to evaluate potential investments and the credit-worthiness of borrowers, among other things.

Besides those 3 primary data, the financial analyst also need to examine events that may help to explain the company’s present condition and may have a bearing on its future prospects. The financial analyst must select the pertinent information, analyze it, and interpret the analysis, enabling judgments on the current and future financial condition and operating performance of the company.

METHOD

To enhance the process of completing this writings, the writer does the design of the research in order to gain the information that is needed to solve the problem. The research is done through case study without using hypothesis. By using data from this research the writer will process financial statement to gain the financial information that can be useful. By using case study, the writer will related the problem of how to analyze financial statement using financial ratio to compare two same industry companies. For research object, the writer chooses PT. Unitex Tbk and PT. Sunson Textile Manufacturer Tbk. Both of the companies are in the same business industry, which is textile.

The unit data used in this research is the income statements and balance sheets of both companies for accounting period from year 2018 to 2022 by using the financial ratios, which are profitability ratio and liquidity ratio, of those companies, then compare those financial ratio results in order to know which company is able to survive and maintain their market better since those financial ratios can indicate the performance of the company. In completing the writings and gather the accurate data for this skripsi, the writer is going to do the research by collecting the information and data needed from PT. Unitex Tbk and PT. Sunson Textile Manufacturer Tbk. The writer will obtain the financial statement, which are income statements and balance sheet of PT. Unitex Tbk and PT. Sunson Textile Manufacturer Tbk from year 2018-2022 from the companies' official website.

The data analysis method that is used in this study is a descriptive method, on where the collected data is compiled, processed, analyzed, and compared with the theoretical background. This method will help the writer to develop the skill to evaluate the data and make a conclusion from the data to the company.

The steps in the data analysis method that will be used by the writer in finishing this will be as follows: 1) Sort out elements or financial data from the income statement and balance sheet that will be needed to do the ratio analysis for the companies. 2) Calculate the financial ratios, which are profitability ratio, evaluate the financial statements of the companies, and compare those ratios from one period to another period. The formula that are used as below:

Liquidity ratio

Liquidity ratio is used to measure the short term ability of the company to pay their maturing obligation and to meet the unexpected need for cash, which consist of:

$$\begin{aligned} \text{Current ratio} &= \frac{\text{Current assets}}{\text{Current liabilities}} \\ \text{Quick ratio} &= \frac{\text{Quick assets}}{\text{Current liabilities}} \end{aligned}$$

Profitability ratios

Profitability ratios is used to measure the income or operating success of a company for a given period of time, which consist of :

$$\begin{aligned} \text{Return on Assets} &= \frac{\text{Net income}}{\text{Total assets}} \\ \text{Return on Equity} &= \frac{\text{Net income}}{\text{Total Equity}} \\ \text{Net Profit Margin} &= \frac{\text{Net income}}{\text{Sales}} \end{aligned}$$

From the results of comparison on each company's ratios from one period to another period, do the interpretation for companies' performance, in order to know which company is able to survive in their market better.

Then make the conclusion regarding the result of the research and also give some recommendations and suggestions for the other companies that running the same business.

RESULTS

In here, the writer will analyse financial statement (balance sheet and income statement) provided by the companies using ratio analysis to indicate how well the companies can maintain their business and also compare which companies could perform better. For the elements of income statement and also the balance sheet provided by the companies from year 2018-2022 will be shown in the table below:

Table 1. Elements of Liquidity Ratio and Profitability Ratio at PT. Unitex Tbk (in Rupiah)

No	Elements	2018	2019	2020	2021	2022
1	Cash	4,120,528,684	4,299,737,293	9,941,320,075	2,964,173,542	10,725,000,825
2	Quick Assets	23,860,556,310	20,117,968,323	43,756,765,347	42,652,693,098	40,191,921,000
3	Current Assets	59,467,081,042	66,623,082,223	78,266,132,663	85,422,133,844	74,545,090,785
4	Total Assets	139,544,414,466	143,664,943,156	153,901,724,876	160,639,854,610	162,716,738,085
5	Current Liabilities	238,275,614,576	262,136,170,886	296,776,566,756	310,619,033,792	330,893,993,430
6	Total Liabilities	-	-	-	-	-
7	Equity	114,410,480,186	138,271,036,496	163,559,193,297	171,738,094,215	190,213,975,710
8	Sales	156,315,263,619	145,590,262,794	164,593,134,280	206,178,499,954	148,558,864,740
9	Net Income	33,643,982,808	30,679,809,266	25,288,156,801	-8,178,900,918	11,968,744,425

Source: Prepared by the writer

Table 2. Elements of liquidity Ratio and profitability Ratio at PT. Sunson Textile Manufacturer Tbk (in Rupiah)

No	Elements	2018	2019	2020	2021	2022
1	Cash	15,442,272,796	1,874,098,914	1,810,752,949	1,530,510,889	1,233,634,407
2	Quick Assets	208,444,792,847	209,098,734,906	220,750,026,040	78,236,191,470	39,080,756,713
3	Current Assets	470,118,327,977	420,842,827,125	479,591,778,732	469,277,014,808	428,479,361,379
4	Total Assets	918,745,741,642	843,664,921,499	872,458,721,356	843,450,156,966	810,275,583,968
5	Current Liabilities	356,091,611,020	372,655,251,321	238,460,976,346	256,793,923,071	249,010,900,038
6	Total Liabilities	0	1	0	6	7
7	Equity	352,112,694,414	285,771,048,104	323,173,455,256	299,075,459,700	284,938,272,890

7	Sales	450,315,062,096	327,908,490,433	446,624,926,710	403,181,559,300	554,471,435,919
8	Net Income	1,228,609,371	3,651,196,558	9,918,323,868	24,097,995,553	14,147,186,803

Source: Prepared by the writer

PT. Unitex Tbk has current ratio of 0.25 in 2018. It is increased to 0.254 in 2019, in 2020 increased to 0.264, in 2021 increased to 0.275, but in 2022, it decreased to 0.225. "The norm for companies in most industries is around 1.50 ... In most industries, current ratio of 2.0 is very strong." (Hornrgren, 2008, p.716). Company's current ratio during year 2018-2022 is very low compare to the standard, so it shows that company's has difficulty to use its current assets to meet its short-term obligations. In 2018, PT. Unitex Tbk has quick ratio of 0.1, in 2019 decreased 0.077, in 2020 increased 0.147, but in 2021 decreased to 0.137 and in 2022 decreased again to 0.121. An acid-test ratio of 0.90 to 1.00 is acceptable in most industries." (Hornrgren 2008, p.717). In here, company's quick ratio during year 2018-2022 doesn't fulfill the standard which means company relies too heavily on inventory to meet its obligations if we compare the current ratio to the quick ratio.

Table 3. Trend Analysis of Liquidity Ratios of PT. Unitex Tbk

No	Liquidity Ratios	Actual Data					Based Year 2018 = 1 (100%)			
		2018	2019	2020	2021	2022	2019	2020	2021	2022
1	Current Ratio	0.25	0.254	0.264	0.275	0.225	1.016	1.056	1.1	0.9
2	Quick Ratio	0.1	0.077	0.147	0.137	0.121	0.77	1.47	1.37	1.21

Source: Prepared by the writer

PT. Sunson Textile Manufacturer Tbk has current ratio of 1.32 in 2018. It is decreased to 1.129 in 2019, but in 2020, the current ratio was rapidly increased to 2.011, but in 2021 decreased to 1.827, and in 2022, it decreased again to 1.721. "The norm for companies in most industries is around 1.50 ... In most industries, current ratio of 2.0 is very strong." (Hornrgren, 2008, p.716). Company's current ratio during year 2018-2022 overall is good compare to the standard, so it shows that company's has running its short-term obligations well by using its current assets, but recently performance of covering its short-term obligations is decreasing due the decreased of its current ratio.

In 2018, PT. Sunson Textile Manufacturer Tbk has quick ratio of 0.585, in 2019 decreased 0.561, in 2020 rapidly increased 0.926, but in 2021 the quick ratio has a rapid denial by decreasing to 0.305 and in 2022 decreased again to 0.157. An acid-test ratio of 0.90 to 1.00 is acceptable in most industries." (Hornrgren 2008, p.717). In here, we can see that PT. Sunson Textile Manufacturer Tbk 's short term obligation relies too heavily to its inventory, since the gap between the current ratio and quick ratio is very far. When we see to its current ratio, this company is performing well to meet its short term obligation but when we see to its quick ratio, it is very poor. In the last 5 years, it only performing well in 2020.

Table 4. Trend Analysis of Liquidity Ratios of PT. Sunson Textile Manufacturer Tbk

No	Liquidity Ratios	Actual Data					Based Year 2018 = 1 (100%)			
		2018	2019	2020	2021	2022	2019	2020	2021	2022
1	Current Ratio	1.32	1.129	2.011	1.827	1.721	0.85	1.52	1.38	1.3
2	Quick Ratio	0.585	0.561	0.926	0.305	0.157	0.95	1.58	0.52	0.26

Source: Prepared by the writer

DISCUSSION

In here, the writer is using two types of financial ratio, which is liquidity ratio and profitability ratio in order to analyze the financial performance of the company.

As the results of the financial ratio calculation discussed above, it can be seen that the liquidity ratios of PT. Unitex Tbk is not reaching 1.0, which indicates that the company had difficulties in paying the short-term obligations. However, the liquidity ratio of PT. Sunson Unitex Tbk is above 1.0 during year 2018 until 2022, but the trend of the liquidity ratio is decreasing start from year 2021, since the Free Trade Agreement make the company had tighter competition in export activities, since the company is focusing on exporting its product. Therefore, the result of liquidity ratios for PT. Sunson Textile Manufacturer Tbk is better than PT. Unitex Tbk And for the profitability ratios of PT. Unitex Tbk declined from year to year, this shows that the company's performance in generating profit tends to be lower from year to year. The performance in generating earnings was getting lower almost every year, the company also suffers losses and the company suffers capital deficiency. For PT. Sunson Textile Manufacturer Tbk, the profitability ratio also decreasing from year to year and the company's performance in generating earnings tends to get lower and start from 2021, the company suffers losses influenced by the global economic crisis and the Free Trade Agreement. Therefore the results of profitability ratio for Sunson Textile Manufacturer Tbk is better than PT. Unitex Tbk, Although both companies suffer losses 2021 and 2022, but literally PT. Sunson Textile Manufacturer Tbk made a better performance than PT. Unitex Tbk in year 2008 until 2020, and the capital deficiency accumulation also impacts PT. Unitex Tbk's financial performance.

CONCLUSION

The writer are using two types of ratio to analyze both companies financial performance, which is liquidity ratio and profitability ratio. After both companies are being analyzed by utilizing financial ratio analysis in order to measure the financial performance, it can be concluded that both companies are not perform well during the difficult era of textile industries.

From the results of comparing financial performance of both companies by using financial ratio analysis as a tool, it is shown that PT. Sunson Textile Manufacturer was performing better than PT. Unitex Tbk in year 2018-2022. But both companies could not survived well during the difficult era of the textile industries in year 2018-2022.

RECOMMENDATION

Based on the conclusions above, both PT. Unitex Tbk and PT. Sunson Textile Manufacturer Tbk had a decreased profitability ratios. For the profitability ratios, both of the companies are expected to be more wisely in managing their operating activities, such as the interest expenses from the loans being borrowed, and be careful to expand business prior to the economic condition and the market condition. For the liquidity ratios, PT. Unitex Tbk is expected to be more cautious in managing their assets, especially their fixed assets by borrowing loans. For PT. Sunson Textile Manufacturer Tbk, the liquidity ratio is having a decreasing trend although the companies still have a good performance in

meeting its short term obligation. Therefore, both companies are expected to reduce the amount of loans being borrowed from creditors. This is to avoid the risk of suffering loss after the global economic crisis.

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