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## Analysis of Financial Report Ratios to Assess the Performance of Cigarette Sub-Sector Companies Listed on the Indonesia

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**Abstract.** The objective of this study was to investigate the financial performance growth in the cigarette industry in the Indonesia Stock Exchange (IDX). The research employed a quantitative descriptive approach, utilizing secondary data obtained from the Indonesia Stock Exchange, specifically the financial statements of Cigarette Sub Sector Companies from 2021 to 2022. The analysis conducted in this study encompassed liquidity, solvency, and profitability ratios. The findings revealed that the financial liquidity ratio indicated a partial decline in the cigarette sector companies listed on the IDX during 2021-2022, both in terms of revenue and profit generated. This decline is likely due to increased health concerns and reduced cigarette consumption following the post-pandemic period, as the market has become more sensitive to health issues. Wismilak Inti Makmur Tbk experienced a decrease of approximately 3.29% between 2022 and the previous year, yet it remains the company with the highest proportion compared to others. However, when considering annual data, PT Indonesian Tobacco Tbk can be regarded as the top-performing company, with a growth rate of 20.72%. Despite Wismilak Inti Makmur Tbk's increase, it still maintains a low debt ratio (30.79%) compared to other companies in the sample. In 2022, Wismilak Inti Makmur Tbk's debt ratio decreased by 29.12% compared to the previous year, indicating that the company's assets exceed its debt. Conversely, HM Sampoerna Tbk recorded a 15.41% increase in the debt to equity ratio in the same year.

**Keywords:** financial performance, financial ratios, cigarette sector

### A. INTRODUCTION

In a time of rapid technological advancements that have compelled corporations to expedite their business management, combined with the outbreak of the Covid-19 virus, the Indonesian economy suffered a significant setback. The Covid-19 outbreak initially originated in Wuhan, China, manifesting as cases of pneumonia characterized by inflammation of the air sacs in the lungs (Sudaryono et al., 2020). Over a period of three weeks, Covid-19 exhibited an approximate growth rate of 2.92 percent. This viral infection has adversely impacted numerous businesses, including those in the cigarette industry. Consequently, it becomes imperative to analyze financial accounts to assess company performance.

Financial reports are generated through the collection of transactional data and serve as a means to determine the financial soundness of a company (Siahaan & Simanjuntak, 2020). Consequently, financial analysis is essential for company growth. Financial statement analysis involves assessing the present and historical financial status and operational outcomes of a company, with the objective of making the most probable forecasts and predictions about its future condition and performance (Hantono, 2018). The purpose of this study is to ascertain whether the cigarette sector, listed on the Indonesia Stock Exchange (IDX), witnessed an improvement in financial performance during the period of the pandemic. Cigarette companies are particularly relevant to the pandemic due to health concerns. The study will focus on analyzing ratios such as liquidity, solvency, and profitability.

## **B. LITERATURE REVIEW**

### **Definition of Financial Ratios**

Financial ratios serve as analytical instruments used to depict the correlation between various elements within a financial statement. The financial statement comprises the balance sheet and income statement. The balance sheet provides details about a company's assets, debts, and equity at a specific moment in time, while the income statement exhibits the company's performance over a specific period. As per the Statement of Financial Accounting Standards, financial statements are structured presentations of an entity's financial position and performance. The objective of financial reports is to furnish information about an entity's financial position, performance, and cash flows, which proves valuable to a broad range of users in making economic decisions. These reports also reflect management's accountability for resource utilization. Financial ratios involve comparing numbers in financial accounts by dividing one figure by another (Spica & Herdinigtyas, 2005). Such comparisons can be made within the same financial statements or across different statements. Financial report analysis entails scrutinizing relationships, trends, and developments within financial statements to determine the financial position, operational outcomes, and progress of the respective company (Saemargani & Mustikawati, 2019). Ratio analysis offers several advantages over other types of analysis, such as being more accessible to comprehend and interpret as numerical summaries, having lower financial costs compared to lengthy and complex reports, understanding the financial situation in relation to other industries, serving as an excellent data source for decision-making and predictive models, standardizing company size, facilitating the assessment of a company's development over time or "time series" compared to other companies, and enabling the identification of patterns and making future projections for the company (Pongoh, 2013). By analyzing financial statements, a company can identify its strengths and weaknesses, enabling it to address and enhance areas of weakness while maintaining and further improving areas of strength. Thus, financial ratios function as an analytical tool within a financial report, enabling the comparison of figures to obtain insights into a company's strengths, weaknesses, and developments.

### **Forms of Financial Ratios**

There are several ways to evaluate a company's financial performance by analyzing its financial statements. Financial ratios are commonly employed for this purpose and serve specific functions, which are interpreted by the company's management to make informed decisions and establish company policies. These financial ratios encompass various types, as outlined by Raharjo and Muid (2013):

### **Liquidity Ratio**

Liquidity ratios gauge a company's capacity to fulfill immediate financial obligations, particularly short-term liabilities. This category includes the following ratios: Current Ratio, Quick Ratio, Cash Ratio, Cash Turnover Ratio, and Ratio of Inventory to Net Working Capital.

### **Solvency Ratio**

Solvency ratios assess the extent to which a company's assets are financed through debt. The solvency ratios encompass: Debt to Asset Ratio, Debt to Equity Ratio, Long Term Debt to Equity Ratio, Tangible Assets Debt Coverage, Current Liabilities to Net Worth, Times Interest Earned, and Fixed Charge Coverage.

### **Profitability Ratio**

Profitability ratios measure a company's ability to generate profits from its sales, assets, or equity. The profitability ratios include: Return on Equity (ROE), Return on Investment (ROI), Margin Profile, and Earnings per Share of Common Stock.

### **Growth Ratio**

The Growth Ratio evaluates a company's capacity to maintain its economic position amidst economic growth within its industry sector.

### **Purpose and Benefits of Financial Statement**

Financial statement analysis serves various purposes and provides benefits to different parties. The objectives and advantages of conducting financial statement analysis, as stated by Pongoh (2013), include:

- a. Determining the company's financial standing within a specific period, encompassing its assets, liabilities, capital, and achieved business outcomes across multiple periods.
- b. Identifying the company's weaknesses or areas where improvement is needed.
- c. Identifying the company's strengths or areas where it excels.
- d. Identifying the necessary steps to enhance the company's future financial position based on its current state.
- e. Assessing the performance of management to determine if any changes or updates are required, considering their success or failure.
- f. Utilizing financial statement analysis to compare and contrast the achievements of similar companies.

### **The Relationship between Financial Ratios and Company Performance**

Financial ratios and company performance have a close relationship. There are many financial ratios, each with its own application. He will observe the ratios with the most appropriate use of the analysis he will perform for investors. Because the financial idea of flexibility means that the formula or various forms of the formula used must be adapted to the

situation under study, if the ratio does not represent the purpose of the analysis to be carried out, the ratio will not be used (Raharjo & Muid, 2013).

### Previous Research

The research entitled Analysis of Financial Report Ratios to Assess the Performance of Pharmaceutical Sector Companies Listed on the Indonesia Stock Exchange for the 2019-2020 period aims to determine the increase in financial performance during a pandemic in the pharmaceutical sector listed on the Indonesia Stock Exchange (IDX). The ratio analysis used in this study includes analysis of liquidity, solvency, activity and profitability ratios, and there are additional ratios from previous researchers, namely growth ratios and valuation ratios. (Pratahamy et al., 2022). Research entitled Analysis of the Effect of Financial Ratios on Profitability in Banking Companies for the 2016 – 2018 Period. This study aims to examine and analyze the effect of financial ratios on the profitability of banking companies. The financial ratios used include the variable capital adequacy ratio (CAR), variable non-performing loans (NPL), net interest margin (NIM), bank loan to deposit ratio (LDR) and return on assets (ROA) for companies listed on the IDX 2016 -2018. (Nurhasanah, et al, 2021).

## C. RESEARCH METHODOLOGY

### Research Population

The population in this study is the entire research subject. The selected population has a close relationship with the problem under study. The population is a generalization area consisting of objects or subjects that have certain quantities and characteristics determined by the researcher to be studied and then drawn conclusions. On the Indonesia Stock Exchange there are manufacturing industry companies in which there is a consumer non-cyclicals sector which includes the cigarette sub-sector. This cigarette sub-sector is the population of the research to be conducted, the total population listed on the Indonesia Stock Exchange is 5 companies.

### Research Sample

The sample is part of the population whose characteristics are to be studied. The research sample can be interpreted as part of the population that is used as research subjects and is a "representative" of members of that population. The sample is a part of the whole and the characteristics possessed by a population. In this study, the sample used was a saturated sample (4 out of 5 companies, because there was no data) engaged in the cigarette sector which had been listed on the Indonesia Stock Exchange.

Table 1 Research sample

No	Stock Code	Issuer Code
1	GGRM	Gudang Garam Tbk
2	ITIC	PT Indonesian Tobacco Tbk
3	HMSP	HM Sampoerna Tbk
4	WIIM	Wismilak Inti Makmur Tbk

## Research design

Research design is a set of techniques and methods for analyzing and collecting data to define variables that will be the subject of research. This research design will provide an overview for researchers that will facilitate research. This research design describes the population, the methodology to be used, the number of samples, data collection procedures, conclusions and others. A research design is a plan for collecting and analyzing data in a cost-effective manner. This research was conducted in the cigarette sector which is listed on the Indonesia Stock Exchange. The population in this study is the cigarette sub-sector which is listed on the IDX by taking 4 samples of the cigarette company sub-sector in Indonesia.

## Data Types and Sources

The source and type of this research uses secondary data. Secondary data is information collected indirectly from third parties and related to research conducted in the form of company history, scope, organizational structure, books, literature, articles and websites. The author uses secondary data from idx.co.id in the form of financial report data and other data related to the research in this study. Secondary data with external data type is the type of data used in this study.

## Variable Operational Definitions

In accordance with the title of this study, namely Analysis of Financial Statements to Assess the Performance of Cigarette Sector Companies Listed on the Indonesia Stock Exchange. So this study has independent variables and dependent variables. The independent variable (independent variable) is a variable that influences or becomes the cause of the change or emergence of the dependent variable. While dependence is the variable that is affected or which is the result, because of the independent variables.

## D. RESULTS AND DISCUSSION

### Financial Data of Cigarette Sector Companies Indexed on the Indonesia Stock Exchange for 2021-2022

Table 2 Assets of Cigarette Sector Companies Indexed on the Indonesian Stock Exchange

No	Nama Perusahaan	Kode	Aset		%
			2021	2022	
1	Gudang Garam Tbk	GGRM	89,964,369,000,000	88,562,617,000,000	-1.56
2	PT Indonesian Tobacco Tbk.	ITIC	526,704,173,504	553,207,312,282	5.03
3	HM Sampoerna Tbk	HMSP	53,090,428,000,000	54,786,992,000,000	3.20
4	Wismilak Inti Makmur Tbk	WIIM	1,891,169,731,202	2,168,793,843,296	14.68

Table 3 Equity of Cigarette Sector Companies Indexed on the Indonesian Stock Exchange

No	Nama Perusahaan	Kode	Ekuitas		%
			2021	2022	
1	Gudang Garam Tbk	GGRM	59,288,274,000,000	57,855,966,000,000	-2.42
2	PT Indonesian Tobacco Tbk.	ITIC	324,679,509,187	364,321,203,318	12.21
3	HM Sampoerna Tbk	HMSP	29,191,406,000,000	28,170,168,000,000	-3.50
4	Wismilak Inti Makmur Tbk	WIIM	1,318,385,158,595	2,168,793,843,296	64.50

Table 4 Income of Cigarette Sector Companies Indexed on the Indonesian Stock Exchange

No	Nama Perusahaan	Kode	Pendapatan		%
			2021	2022	
1	Gudang Garam Tbk	GGRM	124,881,266,000,000	124,682,692,000,000	-0.16
2	PT Indonesian Tobacco Tbk.	ITIC	238,398,863,725	279,179,553,590	17.11
3	HM Sampoerna Tbk	HMSP	98,874,784,000,000	111,211,321,000,000	12.48
4	Wismilak Inti Makmur Tbk	WIIM	2,733,691,702,981	3,704,350,294,106	35.51

Table 5 Profits of Cigarette Sector Companies Indexed on the Indonesian Stock Exchange

No	Nama Perusahaan	Kode	Laba		%
			2021	2022	
1	Gudang Garam Tbk	GGRM	5,605,321,000,000	2,779,742,000,000	-50.41
2	PT Indonesian Tobacco Tbk.	ITIC	18,368,616,642	23,952,323,176	30.40
3	HM Sampoerna Tbk	HMSP	7,137,097,000,000	6,323,744,000,000	-11.40
4	Wismilak Inti Makmur Tbk	WIIM	176,877,010,231	49,644,129,079	-71.93



## Analysis of the Ratio of Cigarette Sector Companies Indexed on the Indonesia Stock Exchange for 2021-2022

### Liquidity Ratio Analysis

Table 6 Current Ratio of Cigarette Sector Companies

No	Nama Perusahaan	Kode	Current Ratio		%
			2021	2022	
1	Gudang Garam Tbk	GGRM	209.07%	190.37%	-8.95
2	PT Indonesian Tobacco Tbk.	ITIC	87.70%	105.87%	20.72
3	HM Sampoerna Tbk	HMSP	188.14%	168.51%	-10.43
4	Wismilak Inti Makmur Tbk	WIIM	293.23%	283.57%	-3.29

The Current Ratio is a measure that compares a company's current assets to its current liabilities. A higher ratio indicates better liquidity. According to Table 6, Wismilak Inti Makmur Tbk experienced a decrease of approximately 3.29% between 2022 and the previous year, but it still holds the highest percentage compared to other companies. However, when examining the yearly data, PT Indonesian Tobacco Tbk stands out as the top-performing company with a growth rate of 20.72%.

### Solvency Ratio Analysis

Table 7 Debt to Asset Ratio of Cigarette Sector Companies

No	Nama Perusahaan	Kode	Debt to Asset Ratio		%
			2021	2022	
1	Gudang Garam Tbk	GGRM	34.10%	34.67%	1.68
2	PT Indonesian Tobacco Tbk.	ITIC	38.36%	34.14%	-10.98
3	HM Sampoerna Tbk	HMSP	45.02%	48.58%	7.92
4	Wismilak Inti Makmur Tbk	WIIM	30.29%	30.79%	1.67

The Debt to Asset Ratio is a metric utilized to gauge the proportion of assets funded through debt. Table 7 reveals that Wismilak Inti Makmur Tbk has the most minimal debt ratio among the listed companies. Despite experiencing a growth, Wismilak Inti Makmur Tbk still maintains a comparatively low debt ratio of 30.79% when compared to other companies in the sample.

Table 8 Debt to Equity Ratio of Cigarette Sector Companies

No	Nama Perusahaan	Kode	Debt to Equity Ratio		%
			2021	2022	
1	Gudang Garam Tbk	GGRM	51.74%	53.07%	2.58
2	PT Indonesian Tobacco Tbk.	ITIC	62.22%	51.85%	-16.68
3	HM Sampoerna Tbk	HMSP	81.87%	94.49%	15.41
4	Wismilak Inti Makmur Tbk	WIIM	43.45%	30.79%	-29.12

The Debt to Equity Ratio is a measure used to assess the amount of debt relative to equity capital. A lower debt to equity ratio indicates a stronger and safer position for a company. According to Table 8, Wismilak Inti Makmur Tbk has the lowest debt ratio among the listed companies. In fact, it is noted that Wismilak Inti Makmur Tbk's debt ratio decreased by 29.12% in 2022 compared to the previous year. This means that the company's assets outweigh its debts. Conversely, in the same year, HM Sampoerna Tbk's debt to equity ratio increased by 15.41%.

### Profitability Ratio Analysis

Table 9 Return On Assets (ROA) of Cigarette Sector Companies

No	Nama Perusahaan	Kode	Return On Asset		%
			2021	2022	
1	Gudang Garam Tbk	GGRM	6.23%	3.14%	-49.62
2	PT Indonesian Tobacco Tbk.	ITIC	3.49%	4.33%	24.15
3	HM Sampoerna Tbk	HMSP	13.44%	11.54%	-14.14
4	Wismilak Inti Makmur Tbk	WIIM	9.35%	2.29%	-75.53

ROA is an indicator that demonstrates a company's capacity to generate operating profit after taxes relative to its total assets. A higher value indicates better performance. According to table 9, HM Sampoerna Tbk stands out as a company with a favorable ROA level since it efficiently generates after-tax operating profit from its total assets. Although HM Sampoerna Tbk experienced a decline in 2022, it still maintains a strong ROA compared to other companies sampled in the same year.



Table 10 Return On Equity (ROE) of Cigarette Sector Companies

No	Nama Perusahaan	Kode	Return On Equity		%
			2021	2022	
1	Gudang Garam Tbk	GGRM	9.45%	4.80%	-49.18
2	PT Indonesian Tobacco Tbk.	ITIC	5.66%	6.57%	16.21
3	HM Sampoerna Tbk	HMSP	24.45%	22.45%	-8.18
4	Wismilak Inti Makmur Tbk	WIIM	13.42%	2.29%	-82.94

The ratio utilized to calculate net income generated from the company's own capital and the availability of net income to owners or investors is referred to as return on equity (ROE). The higher the company's value, the more appealing it becomes for investors to allocate their investments into it. According to table 10, HM Sampoerna Tbk possesses the highest level of ROE. Concurrently, PT Indonesian Tobacco Tbk witnessed an increase during the same year, which allowed it to captivate investors for investment purposes. Nonetheless, HM Sampoerna Tbk remains attractive when considering its ROE percentage and a relatively minor decline in comparison to others, as indicated by the data presented in table 10.

### Growth Ratio Analysis

The growth calculation results presented in the table indicate that the revenue of Wismilak Inti Makmur Tbk, a company in the cigarette sector, has shown a significant increase from 2021 to 2022, amounting to 35.51%. Following closely is PT Indonesian Tobacco Tbk, which experienced a revenue growth of 17.11%. In terms of profit analysis for the same period, PT Indonesian Tobacco Tbk is the only company that saw a growth in profits, specifically by 30.40%. On the other hand, Wismilak Inti Makmur Tbk witnessed a decline in profits by 71.93%.

### E. CONCLUSIONS AND SUGGESTIONS

Based on the aforementioned data and calculations, it can be inferred that the cigarette industry companies listed on the IDX during 2021-2022 have faced a decline in both their revenue and profit. This decline can be attributed to the emergence of the endemic period, wherein the market has become more health-conscious, resulting in a reduced consumption of cigarettes. Among the listed companies, Wismilak Inti Makmur Tbk experienced a decrease of approximately 3.29% between 2022 and the previous year, making it the company with the highest decline percentage compared to others. However, when examining the yearly data, PT Indonesian Tobacco Tbk emerges as the top-performing company, with a growth rate of 20.72%.

Wismilak Inti Makmur Tbk stands out as a company with a relatively low debt ratio (30.79%) compared to the other sampled companies, despite experiencing an increase. Furthermore, the debt ratio of Wismilak Inti Makmur Tbk decreased by 29.12% in 2022 compared to the previous year, indicating that the company's assets surpass its debt. On the

other hand, HM Sampoerna Tbk witnessed an increase of 15.41% in its debt-to-equity ratio in the same year.

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