



**THE ROLE OF FINANCIAL RATIO ANALYSIS SEEN IN TERMS
OF LIQUIDITY, SOLVABILITY AND PROFITABILITY IN
MEETING THE STANDARDS OF FINANCIAL RATIO
FOR COMPANY HEALTH(CASE STUDY
AT PT. IGASAR)**

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ABSTRACT

Research Objectives: The objective of this study is to evaluate the financial health level of PT. Igasar during the period 2014–2016 by analyzing financial ratios, specifically liquidity, solvency, and profitability ratios, and assessing whether these ratios meet the standard benchmarks of a healthy company.

Design/ Methodology / Approach Research: This study employs a descriptive quantitative approach using secondary data derived from the company's financial statements (balance sheets and income statements) for the period 2014–2016. Data collection is conducted through documentation techniques. The analysis method includes: 1. Financial ratio analysis (liquidity, solvency, and profitability ratios), 2. Comparative analysis, comparing company ratios against standard financial benchmarks. The evaluation is based on established financial ratio standards to determine the company's health level.

Research Results: The findings indicate that PT. Igasar's financial performance during 2014–2016 is generally unhealthy, as reflected in all three ratio categories: 1. Liquidity: The current ratio, quick ratio, and cash ratio consistently fall below standard benchmarks, indicating the company's inability to meet short-term obligations effectively. 2. Solvency: The debt-to-asset ratio and debt-to-equity ratio remain high throughout the observed period, suggesting excessive reliance on debt financing and high financial risk. 3. Profitability: Profitability ratios (Net Profit Margin, Return on Assets, and Return on Equity) do not meet standard levels. Although there is slight improvement after 2014 (from loss to profit), overall performance remains below healthy standards.

Implications of Research Results: The results imply that PT. Igasar faces significant financial management challenges, including: Weak short-term financial stability (liquidity issues), High dependency on external financing (solvency risk), Inefficient utilization of assets and capital in generating profits. These findings suggest the need for: Improved financial management and cost control, Better coordination across organizational divisions, Strategic efforts to enhance operational efficiency and

competitiveness. Overall, financial ratio analysis proves to be an effective tool for evaluating and monitoring company health and supporting managerial decision-making.

Keywords: Financial Health Level; Liquidity Ratio; Solvency Ratio; Profitability Ratio; Financial Statement Analysis

A. INTRODUCTION

Research Background

Financial reports published by a company are a valuable source of information regarding the company's financial position, performance, and changes in financial position, which is highly useful for supporting informed decision-making. To make the information presented more useful in decision-making, financial data must be converted into information that is useful for economic decision-making. This is achieved through financial statement analysis (Baviga, 2024b).

Financial reports can be used as a basis for measuring the health of a company through existing financial ratios (Hanafi, 2004:23).

The following is a summary of the financial information table for PT. Igarar.

Table 1
CORPORATE INCOME REPORT
REALIZATION IN 2016, 2015, 2014

DESCRIPTION	YEAR 2016	YEAR 2015	YEAR 2014
1	2	3	4
SALES RESULTS	414,382,086,177	445,194,747,761	381,382,531,427
COST OF GOODS SOLD	385,375,418,778	416,897,771,782	356,803,122,045
GROSS PROFIT ON SALES	29,006,667,399	28,296,975,979	24,579,409,382
OPERATING EXPENSES			
SELLING EXPENSES	9,037,579,115	8,151,201,444	6,843,302,670
ADMINISTRATIVE & GENERAL EXPENSES	678,306,370	610,718,461	365,977,840
TOTAL OPERATING EXPENSES	9,715,885,486	8,761,919,905	7,209,280,510
OPERATING PROFIT	19,290,781,913	19,535,056,074	17,370,128,872
ADMINISTRATIVE & GENERAL EXPENSES	14,099,221,976	14,246,243,453	14,694,061,741
OPERATING PROFIT	5,191,559,937	5,288,812,620	2,676,067,131
INCOME & EXPENSES OUTSIDE OPERATIONS			
EXTRA OPERATIONAL INCOME	4,596,861,789	(56,368,084)	(146,436,439)
EXCHANGE RATE GAP	-	5,236,026	2,670,640

PROFIT (LOSS) SHARE OF ASSOCIATE COMPANIES	-	-	9,696,660
INTEREST EXPENSE	(2,518,895,583)	(3,219,934,832)	(3,847,758,511)
TOTAL INCOME & EXPENSES OUTSIDE OPERATIONS	2,077,966,206	(3,271,066,890)	(3,981,827,650)
PROFIT BEFORE INCOME TAX	7,269,526,143	2,017,745,731	(1,305,760,518)
INCOME TAX	(1,720,976,500)	(1,437,853,750)	(637,066,750)
PROFIT (LOSS) AFTER INCOME TAX	5,548,549,643	579,891,981	(1,942,827,268)

Source: Financial Report data of PT. Igarasr

The importance of financial ratio analysis in measuring and predicting company performance and health also needs to be carried out at PT. Igarasr, the subject of this research. This attention is drawn to the decline in PT. Igarasr's performance in 2014 (attachment to the P/L Report), where in that year the company experienced a significant loss of Rp 1.9 billion), this can be seen in the company's very high operating expenses in that year. Although the company has sufficient assets to finance short-term and long-term debt. However, this raises the question of how management manages the company so that such large losses and business burdens occur.

Measuring company performance is crucial in providing information on whether the company is healthy or unhealthy. This information will serve as a reference for management, who are entrusted with managing the company, in making decisions about its future progress (Baviga, Rio. Amriana, 2023).

Based on the background of the important role of financial ratio analysis in predicting the health level of a company, in this study the author chose the title "**The role of financial ratio analysis seen from the perspective of liquidity , solvency and profitability in meeting the standards of financial ratios for company health (case study: at PT. Igarasr, 2014-2016 period)**".

Formulation of the problem

Based on the description above, the problem formulation in this research is:

1. Does liquidity play a role in meeting financial ratio standards health?
2. Does Solvency play a role in meeting financial ratio standards health?
3. Does profitability play a role in meeting financial ratio standards health? .

B. THEORETICAL BASIS

Understanding Financial Reports

In Darsono and Ashari (2005), financial reports are information that contains the financial position, business results, changes in equity and cash flow of the company. Financial reports show the company's financial performance which is indicated by the company's ability to generate income with the resources owned by the company.

According to Hanafi (2004:30), financial reports are important because they provide input information for decision-making. Financial reports provide information on profitability, risk, and cash flow timing, all of which influence the expectations of stakeholders.

Understanding Financial Statement Analysis

According to Najmudin (2011:78) the definition of financial report analysis is as follows, "financial report analysis consists of reviewing or studying relationships and tendencies or trends *to* determine the financial position and results of operations and the development of the company concerned."

Financial analysis is the use of financial reports to analyze a company's financial position and performance and to assess future financial performance (Munawir, 2004:14).

Financial Ratio Analysis

Financial ratio analysis is a tool used to determine or describe a company's financial performance, which is a systematic comparison of two elements. Analysis and interpretation of various ratios can provide a better view of a company's financial condition and performance than analysis based solely on individual financial data that is not in the form of ratios (Baviga & Desiyanti, 2024).

Types of Financial Ratios

According to Darsono and Ashari (2005), the grouping of financial ratios used is as follows:

a) Liquidity Ratio

According to Dwi Prastowo (1995), the liquidity ratio measures a company's ability to meet its short-term obligations.

Liquidity ratio can also be said to be a tool to measure a company's ability to meet its short-term debts as they fall due (Rio Baviga, Afrizal, Wirmie Eka Putra, 2024).

Liquidity ratios include :

Current Ratio: This is the ratio of current assets to current liabilities. It is used to measure a company's ability to pay its current liabilities.

$$\text{Rumus Current Ratio} = (\text{Aktiva Lancar} / \text{Kewajiban lancar}) \times 100$$

Referring to the assessment guidelines for cooperatives, medium and small enterprises with high performance (Ministry of Cooperatives and Small and Medium Enterprises , 2002), the current ratio assessment criteria are as follows:

- (1) Very good : 175%- 200%
- (2) Good: 150% - 174%
- (3) Not Good: 100%- 149%
- (4) Not Good: less than 100% or more than 24%

Very Current Ratio (Acid Test Ratio or Quick Ratio)

The ratio to measure the company's ability to pay short-term financial obligations by using more liquid current assets (Liquid Assets) (Baviga, 2024a) .

In calculating the quick ratio, inventory is not included in current assets because inventory is considered not very liquid. because inventory takes a relatively long time to become cash.

$$\text{Rumus Quick Ratio} = (\text{Kas} + \text{Efek} + \text{Piutang} / \text{Hutang Lancar}) \times 100 \%$$

Referring to the assessment of cooperatives, medium and small companies with high performance (Ministry of Cooperatives and Small and Medium Enterprises 2002), the Quick Ratio assessment criteria are as follows:

1. Very good: more than 100%
2. Good : 100%
3. Not Good: less than 100%
4. Not Good: less than 100% or more than 25%

Cash Ratio

To measure how much cash or cash equivalents are available to pay short-term debt.

$$\text{Rumus Cash Ratio} = (\text{Kas dan setara kas} / \text{Kewajiban lancar}) \times 100 \%$$

b) Solvency Ratio

Solvency is the ability to pay long-term debt, both principal and interest (Kuswadi, 2006). Solvency shows the company's ability to pay off all existing debts using all of its assets.

The ratios that can be used to measure solvency are:

Total Debt to asset ratio (DAR = total debt : total assets) or also called leverage or debt ratio.

This ratio is the importance of debt funding by showing the percentage company assets backed by debt.

Rumus menghitung Total Debt to Aset Ratio :

$$\text{Total Debt to Assets Ratio} = \text{Total Hutang} / \text{Total Aktiva} \times 100 \%$$

Debt to Equity Ratio (DER) indicates the percentage of funds provided by shareholders to lenders. This ratio reflects the debt and equity in a company's funding and indicates the company's ability to meet all its obligations. The lower the ratio, the better the company's solvency (Rio Baviga, 2025).

Rumus menghitung Total Debt to Equity Ratio :

$$\text{Total Debt to Equity Ratio} = \text{Total Hutang} / \text{Modal Sendiri} \times 100 \%$$

Long Term Debt to Equity Ratio (long-term debt to capital ratio) is a ratio used to measure the proportion of long-term debt to capital.

Rumus menghitung Long Term Debt to Equity Ratio :

$$= \text{Hutang jangka Panjang} / \text{Modal} \times 100 \%$$

c) Profitability Ratio

Commonly used profitability ratios are:

Gross Profit Margin (GPM).

This ratio measures the percentage of gross profit over net sales. This ratio also measures the efficiency of controlling the cost of goods sold or production costs, indicating the company's ability to produce efficiently.

$$\text{Rumus Gross profit margin} = \text{Laba Kotor} / \text{Penjualan bersih} \times 100 \%$$

Net Profit Margin (NPM).

This ratio is used to assess the company's performance over time in terms of profitability and is also used to estimate the company's net profit in the future based on its estimated sales.

$$\text{Rumus Net profit margin} = \text{Laba bersih} / \text{Penjualan bersih} \times 100 \%$$

Return on Assets (ROA)

The ratio is used to measure how much net profit is generated from each fund invested in total assets. It also provides a better measure of a company's profitability because it shows the effectiveness of management in using assets to generate income.

$$\text{Rumus return On Assets} = \text{Laba bersih} / \text{total asset} \times 100 \%$$

Return on Equity (ROE)

This ratio shows the extent to which a company manages its own capital effectively, measuring the level of profit from investments made by the company's own capital owners or shareholders.

$$\text{Rumus return On Equity} = \text{Laba bersih} / \text{total equity} \times 100 \%$$

Characteristics of a healthy company

(Haryono et al., 2026) In relation to this research, the following are the characteristics of a healthy company:

1. Pay close attention to income and expenses. By focusing on expenses, it's hoped that you'll maximize your income.
2. Able to improve company finances when company income decreases.
3. The company is able to compete with other companies and is always developing.
4. A healthy company can also be assessed in terms of liquidity, solvency, and profitability. Liquidity refers to a company's ability to meet its short-term obligations or debts with its current assets. Solvency, on the other hand, refers to its ability to pay all outstanding debts. there is by using the wealth owned by the company.
5. Meanwhile, the profitability of a company's health can be seen from the company's ability to generate profits with all existing capabilities and resources such as sales activities, cash, capital, number of employees, number of branches.

C. RESEARCH METHODOLOGY

Research Data

The data used is quantitative data, that is, data measured on a numerical scale (numbers). Secondary data consists of PT. Igarar's financial reports from 2014 to 2016, namely : Balance Sheet, Profit/Loss Statement (Haryono & Albetris, 2022)

Research Object

This research was conducted at the company PT. Igarar. The object of this research is the profit and loss report and balance sheet of the company during the period 2014-2016.

Definition of Variables and Analysis Tools

Financial Report Calculation Data of PT. Igarar

The analytical tool used to analyze the health level of the two banks mentioned above is financial ratio analysis, referring to the standards for a healthy financial ratio for a company

(Kasmir : 2008). The assessment is based solely on a quantitative approach. This is due to the limited data obtained by the author.

The aspects analyzed by the author include liquidity, solvency and profitability. To make it easier to calculate each ratio, the author has made a summary of financial report information related to the ratios that will be used, namely, as shown in the table below.

**Comparison of PT. Igarar's Ratio with Standard Financial Ratios
For the year 2014**

Ratio	PT. Igarar	Financial ratio standards	On (under)	Information
Liquidity				
- Current Ratio (%)	96.42	200	- 103.58	Not good
- Quick Ratio	91.68/0.9	1.5	-58.32	Not good
- Cash Ratio (%)	times 3.34	times/150% 50%	- 46.6	Not good
Solvency (%)				
- Debt to Asset Ratio	99.43	35	+ 64.43	Not good
Debt to Equity Ratio	99	90	+9	Not good
Profitability (%)				
- Net Profit Margin	-0.51	30	-29.49	Not good
- Return to Asset Ratio	-1.67	30	-28.33	Not good
- Return to Equity Ratio	-294.67	40	-290.67	Not good
-Return to Investment	-1.71	30	-1.29	Not good

**Comparison of PT. Igarar's Ratio with Standard Financial Ratios
For the year 2015**

Ratio	PT. Igarar	Financial Ratio Standards	On (under)	Information
Liquidity				
- Current Ratio (%)	93.25	200	- 103.58	Not good
- Quick Ratio	84.17/0.84	1.5 times	-58.32	Not good
- Cash Ratio (%)	times 9	50%	- 46.6	Not good
Solvency				
- Debt to Asset Ratio (%)	99	35	+ 64.43	Not good
Debt to Equity Ratio	99	90	+9	Not good
Profitability				
- Net Profit Margin	0.13	30	-29.49	Not good
- Return to Asset Ratio	0.47	30	-29.53	Not good
- Return to Equity Ratio	46.80	40	6.80	Good
-Return to Investment	-1.71	30	-28.29	Not good

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**Comparison of PT. Igarar's ratio with standard financial ratios
For the year 2016**

Ratio	PT. Igarar	Financial Ratio Standards	On (under)	Information
Liquidity				
- Current Ratio (%)	97.61	200	- 102.39	Not good
- Quick Ratio	94.06/0.94	1.5 times	-0.56	Not good
- Cash Ratio (%)	15.91	50%	-34.09	Not good
Solvency				
- Debt to Asset Ratio (%)	94.90	35	+ 59.9	Not good
Debt to Equity Ratio	95.5	90	+5.5	Not good
Profitability				
- Net Profit Margin	1.34	30	-28.66	Not good
- Return to Asset Ratio	5.01	30	-24.99	Not good
- Return to Equity Ratio	98.20	40	58.20	Good
-Return to Investment	5.01	30	-24.99	Not good

D. DISCUSSION

From the ratio comparison table in the attached table for 2014 to 2016, as shown, it shows that:

1. In terms of the company's liquidity, both the cash and quick ratios were in the unhealthy category in 2014. This was evident in the current ratio of 96.42 % , which is still far from the healthy standard ratio of 150%. Similarly, the quick ratio was also at 91.68 % , which also falls short of the healthy standard of 150%.
2. In terms of solvency, the company's debt-to-asset and debt-to-equity ratios were quite high in 2014, at 99.43% and 99%, respectively. These high ratios indicate the company's significant operational liabilities.
3. In terms of profitability, the company's ability to generate profits experienced a significant trend, where in 2014 the company experienced quite large losses with a net profit margin of (0.15) , the company's return on assets and return on equity were each at minus figures. Then in 2015 the company was able to achieve profits with a net profit margin ratio of 0.13%, return on assets of 0.47% and return on equity of 0.47%.

E. CONCLUSION AND SUGGESTIONS

From the research results and discussions, the following conclusions can be drawn regarding the level of financial health of PT. Igarar:

1. From the liquidity ratio analysis, it shows that the company is still unable to meet the standards of good/healthy financial ratios from 2014 to 2016.
2. The solvency analysis shows that the company had a relatively high debt ratio from 2014 to 2016. The year-over-year increase in operating expenses contributed to the high ratio. The debt-to-asset and debt-to-equity ratios from 2014 to 2016 were above healthy standards.

F. SUGGESTION

1. The company should further improve its performance so that the company can compete with similar companies engaged in the cement distribution business, especially those in West Sumatra itself.
2. Lack of cooperation/coordination between divisions/sections is one of the causes of poor financial performance achieved by the company, for this reason each division/ section or all personnel in the company must work together in carrying out tasks/work so that the goal of advancing the company can truly be achieved.

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