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Analysis of Liquidity, Solvency, and Activity Ratios on the Financial Performance of PT. Siantar Top Tbk. Listed on the IDX for the Period 2019–2023

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Abstract

This study aims to determine the liquidity, solvency, and activity ratios in relation to financial performance at PT. Siantar Top Tbk., which is listed on the Indonesia Stock Exchange (IDX) for the period 2019-2023. The study uses a quantitative descriptive approach with secondary data. Data collection techniques were carried out through documentation and literature studies. Data analysis techniques employed comparative descriptive analysis. The results of the study indicate that financial performance, as measured by liquidity ratios, is in good/inefficient condition, suggesting that the company has a very strong ability to meet its short-term obligations (good). However, the high current ratio exceeding the ideal threshold indicates inefficient utilization of current assets (inefficiency). From the solvency ratio perspective, the company's financial performance is in very good condition, as evidenced by a significant downward trend, thereby reducing dependence on external debt. From the activity ratio perspective, financial performance is in poor condition due to a significant annual decline, reflecting reduced efficiency in utilizing assets to generate revenue.

Keywords: Financial Performance, Liquidity Ratio, Solvency Ratio, Activity Ratio.

INTRODUCTION

Activities carried out by a group of people in doing business have a goal to be achieved, namely getting business profits. The profit can be used and allocated for capital reserves and business expansion in the future. Financial transactions that take place in one accounting period will be prepared in financial statements following generally accepted accounting principles. Financial statements include all evidence of major and supporting transactions, which are presented as a form of management accountability to the company's vision and mission.

Financial statements provide various benefits, especially for parties with an interest in company activities. Apart from being the basis for decision-making, this report also facilitates the prediction of future financial conditions. One of the commonly used analysis methods is financial ratio analysis. Management can interpret financial statements using liquidity, solvency, activity, and profitability ratios to determine the extent to which financial performance has increased or decreased each year. This information is important for owners and shareholders in making strategic decisions regarding the continuity of the company.

According to Sjahrial (2020), the liquidity ratio describes the company's ability to manage current assets effectively and efficiently to pay off short-term liabilities on time. Companies that have smooth liquidity will be able to carry out operational activities optimally. Meanwhile, the solvency ratio shows the company's ability to meet its long-term obligations. Kasmir (2019) states that this ratio calculates the percentage of debt used to fund the company's assets, which is an indicator of the ability to pay off obligations, both short and long-term.

The activity ratio is used to measure the company's effectiveness in using its assets (Kasmir, 2019). Companies with a smooth and stable activity ratio show management's ability to manage total assets owned will be allocated productively to get operating profit.

This research was conducted at PT. Siantar Top Tbk., a manufacturing company that processes raw materials into finished goods to meet the needs of the community. As a large company, business activities and financial transactions that occur every month will be presented in the company's financial statements which will be the basis for strategic decision making regarding the company's future sustainability. Based on financial data for 2019-2023, there are fluctuations in several important indicators. Current assets show a significant upward trend every year, signaling an increase in the company's ability to meet its short-term obligations. However, current liabilities have spiked in some years, reflecting an increase in short-term liabilities due to operational activities. The company's total debt also experienced a fluctuating trend, indicating instability in the funding structure. However, equity has shown a fairly consistent upward trend, indicating a decreased reliance on external funding. Sales have not shown optimal performance, even declining at the end of the period. Meanwhile, total assets increased steadily, but were not accompanied by the efficiency of their utilization in generating revenue.

In the financial ratios, it shows that the company's liquidity increased significantly to 695.43% but was not followed by the efficiency of asset utilization which was reflected in a decrease in the activity ratio. Meanwhile, the decrease in the solvency ratio indicates the low use of external funding. This phenomenon shows that high liquidity is not accompanied by efficiency and productivity in financial performance.

Based on this description, the authors are interested in further research through the title "Analysis of Liquidity, Solvency and Activity Ratios on Financial Performance at PT Siantar Top Tbk Listed on the Indonesia Stock Exchange for the 2019-2023 Period".

RESEARCH METHODS

This research uses a quantitative descriptive research approach. According to Sugiyono (2019), quantitative research is research that presents data in the form of numbers as the result of its research.

The data source used in the study is secondary data, namely data obtained from documents or publications that are already available in finished form, such as financial reports, articles, and company archives (Sugiyono, 2019). The data used is in the form of the financial statements of the company PT Siantar Top Tbk which have been published on the Indonesia Stock Exchange and the company's official website. The research variables consist of the Current Ratio, DER (Debt to Equity Ratio) and TATO (Total Assets Turnover).

The data collection techniques used in the study are: 1) Documentation, namely data collection by studying written documents related to the object of research. 2) Literature Study, which is data collection obtained from journals, book literature, the internet in accordance with the problem being studied. The data analysis technique is carried out descriptively comparative, namely a research method that aims to describe the phenomenon under study by comparing the facts of two different objects or samples. Researchers use comparative analysis by comparing financial ratio data from year to year to explain, describe and describe the company's financial

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performance from the results of the ratio analysis of the company's financial statements for the 2019-2023 period.

RESULTS AND DISCUSSION

Company Financial Ratio Data

Table 1. Results of Liquidity, Solvency and Activity Ratio Data

No	Period	Financial Ratios		
		Liquidity	Solvency	Activity
		CR (%)	DER (%)	TATO (%)
1	2019	285,30	34,15	121,90
2	2020	240,50	29,02	111,52
3	2021	416,49	18,73	108,43
4	2022	485,29	16,86	107,42
5	2023	695,43	13,09	86,96

Source: Data processed by the author, 2025

In the table above, it can be conveyed that the company's liquidity, solvency, and activity ratios from 2019-2023 have increased and decreased unstable, so this shows that the company's financial ratios are still not optimal in supporting operational efficiency and sustainable business growth.

Liquidity Ratio Data of the Company

Table 2. Current Ratio (CR) Increase/Decrease Data

No	Period	Liquidity	
		Current Ratio/CR (%)	
		Ratio (%)	Increase (Decrease)
1	2019	285,30	-
2	2020	240,50	- 15,70
3	2021	416,49	73,18
4	2022	485,29	16,52
5	2023	695,43	43,30

Source: Data processed by the author, 2025

The company's current ratio showed an increase from 2020 - 2023, with the highest increase in 2020 - 2021 of 73.18% followed by 43.30% in 2022 - 2023. This reflects a significant increase in current assets compared to current debt, so that the company's ability to pay short-term debt immediately due can be fulfilled properly and smoothly.

Solvency Ratio Data of the Company

Table 3. DER Ratio Increase/Decrease Data

No	Period	Solvency	
		DER Ratio (%)	
		Ratio (%)	Increase (Decrease)
1	2019	34,15	-
2	2020	29,02	- 15,02
3	2021	18,73	- 35,46
4	2022	16,86	- 9,98
5	2023	13,09	- 22,36

Source: Data processed by the author, 2025

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The company's DER ratio shows a significant downward trend during 2019 - 2023, with the highest decrease in 2020 - 2021 by 35.46% and 22.36% in 2022 - 2023. This reflects reduced dependence on loans and increased utilization of internal capital for operational activities. The decrease in DER provides benefits in the form of reduced interest expenses and profit optimization opportunities, so that financial performance shows a better and more stable trend.

Activity Ratio Data of the Company

Table 4. TATO Ratio Increase/Decrease Data

No	Period	Activity	
		TATO Ratio (%)	
		Ratio (x)	Increase (Decrease)
1	2019	1,22	-
2	2020	1,12	- 8,52
3	2021	1,08	- 2,77
4	2022	1,07	- 0,93
5	2023	0,87	- 19,05

Source: Data processed by the author, 2025

The company's TATO ratio from 2019 - 2023 showed a significant downward trend, with the largest decrease in 2022 - 2023 of 19.05% and 2019 - 2020 of 8.52%. This condition reflects that the company's ability to manage total assets for operations is still not optimal. The decrease in TATO indicates that assets are not utilized efficiently so that the allocation of assets for productive purposes is not optimal.

Discussion

Table 5. Company Financial Performance Data for the 2019-2023 Period

No	Ratio	Benchmark	Period					Criteria Standards Assessment
			2019	2020	2021	2022	2023	
1	Liquidity	*Current Ratio*	285,30%	240,50%	416,49%	485,29%	695,43%	Good (Inefficient)
2	Solvency	*Debt to Equity Ratio*	34,15%	29,02%	18,73%	16,86%	13,09%	Very Good
3	Activity	*Total Asset Turnover*	1,22 x	1,12 x	1,08 x	1,07 x	0,87 x	Not Good

Source: Data processed by the author, 2025

Based on the table above, it can be conveyed that the liquidity ratio with the current ratio benchmark shows fluctuations during the 2019-2023 period. This can be seen from the decrease in the ratio in 2019-2020, which was then followed by a significant increase from 2021 to 2023. In 2023, the liquidity ratio reached the highest figure of 695.43% which reflects the company's ability to meet its short-term obligations at a very high level. Based on the standard assessment criteria, the ratio is above the maximum ideal limit of 200%, so it is categorized as good but inefficient (good/inefficiency). This ratio is said to be good and inefficient because it shows that the company has a very strong ability to meet its short-term obligations (good), but the high current ratio value that exceeds the ideal limit indicates an inefficient utilization of current assets (inefficiency). With a ratio that is too high, there is a possibility that the company holds too much cash, receivables, or inventory that is not immediately turned into revenue, thus not making an optimal contribution to productivity and profitability. Therefore, even though liquidity conditions are relatively safe, companies still need to evaluate their current asset management strategies so that they can be used more effectively to support business growth.

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In the solvency ratio aspect with the Debt to Equity Ratio benchmark for the 2019-2023 period, it shows a significant decrease during the 2019-2023 period. In 2019, DER was recorded at 34.15%, then decreased to 29.02% in 2020 and continued to decline until it reached 13.09% in 2023. According to the standard assessment criteria, a DER ratio below 70% is categorized as excellent, as it indicates a low level of debt compared to equity. This decrease reflects that the proportion of debt to equity of the company is getting smaller from year to year, which means that the company's dependence on external funding sources (debt) is decreasing. With a healthy capital structure, the company has a better ability to meet its long-term obligations and higher financial flexibility to develop the business without the pressure of a large debt burden.

In terms of activity ratios with the Total Asset Turnover (TATO) benchmark, it shows a significant decrease from 2019-2023. In 2019, TATO was at a level of 1.22 x, indicating that each unit of assets was able to generate revenue 1.22 x. However, this ratio gradually decreased and reached a low of 0.87 x in 2023. According to the standard assessment criteria, the TATO ratio in the range of 1.5 - 2.0 x is categorized as good, while the range of 1.0 - 0.5 x is categorized as poor. Therefore, in 2023 the decrease in the ratio indicates that the efficiency of utilizing all of the company's assets in generating revenue has decreased to poor. In other words, the company's assets are not used optimally in its operations, potentially reducing productivity and overall financial performance. Therefore, the company needs to evaluate asset management in order to improve efficiency and support the achievement of future revenue targets.

CONCLUSION

An analysis of financial statement ratios in relation to the company's financial performance reviewed PT. Siantar Top Tbk. during the period 2019–2023 shows a fairly good condition, but still requires evaluation in several aspects. In terms of liquidity, the current ratio shows a significant upward trend, reflecting the company's high ability to meet its short-term obligations. However, the ratio exceeding the ideal threshold indicates inefficiency in managing current assets. In terms of solvency, the Debt to Equity ratio has shown a significant decline each year. This indicates that the company is increasingly reducing its reliance on external financing (debt), resulting in a very good capital structure and low financial risk. Meanwhile, in terms of activity, the Total Asset Turnover ratio shows a significant decline, indicating a decrease in efficiency in utilizing assets to generate income. This shows that the company needs to improve its operational strategy and asset management in order to increase overall productivity. Therefore, efforts to improve efficiency in asset management are needed so that financial performance can continue to be improved sustainably.

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