

Profitability Analysis in Evaluating Financial Performance at PT Ramayana Lestari Sentosa Tbk

Anton Wijaya Djahuddin¹

Nurnaningsih Utiahman²

Roydah Gani³

^{1,2,3}Department Of Management

Universitas Gorontalo, Gorontalo

INDONESIA

Email: antonwijaya.butur@gmail.com¹, nurnaningsihutiahman19@gmail.com²,
roydahgani04@gmail.com³

Abstract: - This study aims to evaluate the financial performance of PT Ramayana Lestari Sentosa Tbk before and during the Covid-19 pandemic by referring to three key financial ratios: Net Profit Margin (NPM), Return on Assets (ROA), and Return on Equity (ROE). The analysis focuses on these three primary profitability ratios. The method used is a quantitative descriptive approach with financial ratio analysis techniques based on secondary data obtained from the company's annual financial statements. The research findings indicate that the company's financial performance experienced significant fluctuations, particularly in 2020, which was affected by the Covid-19 pandemic. During that year, ROA, ROE, and NPM were well below industry standards, reflecting a decline in operational efficiency and profitability. Although there was recovery in the following years, the average of the three ratios over the five-year period remained below the threshold of a healthy industry, with ROA at 6.05%, ROE at 8.36%, and NPM at 12.08%. These findings indicate that the financial performance of PT Ramayana Lestari Sentosa Tbk during the observation period was not optimal and that managerial strategies need to be improved to enhance the effective use of the company's assets and capital. It is hoped that the findings of this study can provide insight into the impact of the pandemic on corporate financial performance and offer useful information for stakeholders in making more strategic decisions.

Keywords: Profitability; Financial Performance; Financial Ratios; Financial accounting; Finance.

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1 Introduction

Basically, the main goal of a company is to gain maximum profit by utilizing the economic resources it has. This goal is the main focus for both company owners and management. Company owners expect the capital that has been invested to provide optimal results, so that it can be used as additional capital for new investments and improve the welfare of the owners and all employees. For management, achieving profit is an indicator of success in achieving the targets that have been set, as well as a benchmark for performance in managing the company effectively. (Afik & Ardyanfitri, 2021).

To achieve these goals, company management needs to make proper and accurate planning. In addition, to monitor business development, companies are required to record and prepare financial reports periodically. This financial report is the result of recording all of the company's financial transactions and describes the economic activities that occur in a certain period.(Syaharman, 2021). With the analysis of financial reports, owners and management can assess the company's financial condition, including business progress and performance, as well as compare financial conditions with previous periods as a basis for future decision making.

In general, people judge a company's success from the management's ability to generate profits. Financial performance is an important aspect that shows the extent to which a company implements financial rules correctly and efficiently.(Abdi & Chalimah, 2020). Financial performance measurement is usually done through financial ratio analysis, which is the main tool for assessing the effectiveness and efficiency of a company's operations. However, financial ratio analysis also has limitations, such as not considering the cost of capital, so that sometimes it does not fully reflect the company's actual performance. Therefore, financial performance measurement not only functions as an internal evaluation, but also becomes the basis for strategic decision making by management and company owners.

Financial performance analysis itself is an evaluation process that includes assessment, calculation, and review of the company's financial condition, which is generally done by comparing financial ratios from period to period (time series) or with other companies in the same industry. The company's success in generating profits is the main indicator in assessing financial performance and achieving predetermined targets. Profit also serves as a basis for making investment decisions and predicting changes in financial performance in the future. One of the most relevant measuring instruments in assessing the effectiveness of a company in obtaining profits is the profitability ratio(Gultom, 2021).

Profitability reflects the company's ability to generate profits from its assets and capital, which also illustrates the effectiveness of management in managing the business. Profitability assessments are carried out based on financial statements such as balance sheets and income statements. Ratios such as Net Profit Margin (NPM), Return on Assets (ROA), and Return on Equity (ROE) are often used to measure a company's profitability performance. NPM shows the company's ability to make a profit from sales after deducting all costs, ROA illustrates the efficiency of asset use in generating profits, and ROE assesses how much equity contributes to generating net profit.(Winarnu, 2019).

PT Ramayana Lestari Sentosa Tbk is one of the largest retail companies in Indonesia that plays a strategic role in the national economy. The retail industry plays an important role because it provides the needs of end consumers.(Putri & Ratih, 2022). PT Ramayana was established to meet consumer needs for various products, where revenue from sales is the main source of the company's profits.

Based on financial data of PT Ramayana Lestari Sentosa Tbk for the period 2019-2023, the company's net profit experienced fluctuating dynamics. In 2019, the company posted a net profit of IDR647.89 billion, but in 2020 it experienced a loss of IDR138.87 billion due to external and internal impacts, including the COVID-19 pandemic which caused a decline in consumer purchasing power and restrictions on business activities.(Pratama et al., 2021). Improvements began to be seen in 2021 with a positive profit of IDR170.58 billion and increased significantly in

2022 to IDR351.99 billion, although in 2023 net profit experienced a slight decrease to IDR300.36 billion but remained in the positive zone.

Changes in consumer behavior shifting to online shopping and global economic pressures have also affected the retail industry in Indonesia over the past five years. The COVID-19 pandemic and the Large-Scale Social Restrictions (PSBB) policy implemented by the government have led to a decline in revenue and the closure of many retail outlets, including minimarkets. (Rahmadanty et al., 2023) And (Pratama et al., 2021). This condition poses a major challenge for PT Ramayana in maintaining its profitability and business sustainability. With this background, financial performance analysis through profitability ratios at PT Ramayana Lestari Sentosa Tbk is important to assess the effectiveness of financial management and the company's strategy in dealing with the dynamics of the retail industry and uncertain economic conditions.

2. Theoretical Framework

2.1 Definition of Financial Management

According to (Hasan et al., 2022), financial management encompasses all organizational activities aimed at acquiring, distributing, and utilizing funds optimally and efficiently. In addition to focusing on fundraising, financial management also involves the effective management and utilization of those funds. According to (Suriyanti et al., 2023), financial management can be defined as all company activities related to efforts to obtain funds at a low cost, as well as managing and allocating those funds efficiently.

2.2 Financial Statements

Financial statements are essentially the output of the accounting process, prepared based on generally accepted accounting principles. These statements serve as a means of communicating financial information to the parties who need it (Syafii, 2021). Financial statements are the result of various decisions made by the company and are routinely prepared by management. To evaluate financial performance in the banking sector, an understanding of the analysis conducted and the cumulative financial impact is required (Botutihe et al., 2023)

2.3 Financial Performance

According to Arifin & Marlius in (Sari, 2015) and (Winarnu, 2019) financial performance is a condition that describes the finances of a company by conducting analysis using financial analysis tools, thereby enabling the assessment of the good or bad condition of the company's finances, which reflects its work achievements.

2.4 Profitability

(Meylinda et al., 2022), Profitability ratios are measurement tools used to assess the level of profit earned by a company in comparison to its sales or assets. These ratios illustrate the company's ability to generate profit, whether in relation to sales, assets, or equity. According to Fahmi in (Choeriyah et al., 2021), profitability ratios are used to measure the overall effectiveness of management, as reflected by the level of profit generated in relation to sales or investments.

3 Research Method

This research was conducted at the Indonesia Stock Exchange with the object of study being the financial statements of PT Ramayana Lestari Sentosa Tbk. The method used was profitability ratio analysis to measure the company's profit level based on the raw data obtained from the financial statements. This analysis involved processing data from the balance sheet and income statement to provide a comprehensive overview of the company's profitability performance during the research period.

4 Results and Discussions

4.1 Results

4.1.1 Profitability Ratios

In analyzing the usefulness of financial ratios, a benchmark is required as a standard. One common approach is to compare the company's ratios with those of other companies that dominate the same industry.

The following is a table of the average industry standard for profitability ratios:

Table: 1. Industry Standard for Profitability Ratios

Condition	Profitability Ratios		
	ROA	ROE	NPM
Healthy	>20%	>30%	>20%
Fairly Healthy	=20%	=30%	=20%
Unhealthy	<20%	<30%	<20%

Source:Kasmir (2016:208)

The financial health of a company can be assessed through profitability ratios, namely Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM). A company is categorized as "healthy" if it has an ROA above 20%, ROE above 30%, and NPM above 20%, indicating efficient asset and equity management as well as strong profit generation. A "moderately healthy" condition is reflected by ROA and NPM values at 20% and ROE at 30%, suggesting financial performance is within a safe range but not yet optimal. Conversely, ratios below these thresholds indicate an "unhealthy" condition, reflecting suboptimal financial performance.

a. Return on Asset

Table: 2. ROA Financial Data of PT. Ramayana Lestari Sentosa Tbk. for the Years 2019–2023

Year's	Description	
	Net profit	Total Assets
2019	647.898	5.649.823
2020	-138.874	5.285.218
2021	170.575	5.085.410
2022	351.998	5.235.114
2023	300.363	4.894.919

Table 2 illustrates the fluctuations in the financial performance of PT. Ramayana Lestari Sentosa Tbk. during 2019–2023. In 2019, the company recorded a net profit of IDR 647,898 million but experienced a loss of IDR 138,874 million in 2020, likely due to the impact of the COVID-19 pandemic and increased operating expenses. Performance began to improve in 2021 with a profit of IDR 170,575 million, rising significantly to IDR 351,998 million in 2022. In 2023, profit declined to IDR 300,363 million but remained positive.

Total assets also fluctuated, decreasing from IDR 5,649,823 million in 2019 to IDR 5,085,410 million in 2021. An increase was recorded in 2022 to IDR 5,235,114 million, followed by a decline to IDR 4,894,919 million in 2023, possibly reflecting asset efficiency measures or the disposal of unproductive assets.

b. Return On Equity

This ratio measures the comparison between net profit after tax and the total equity owned by the company.

Table 3. ROE Financial Data of PT. Ramayana Lestari Sentosa Tbk. Years 2019–2023

Year	Description	
	Net Profit	Total Equity
2019	647.898	4.168.930
2020	-138.874	3.718.744
2021	170.575	3.596.823
2022	351.998	3.728.476
2023	300.363	3.577.459

Table 3. shows the fluctuations in the financial performance of PT. Ramayana Lestari Sentosa Tbk. based on net profit and equity from 2019 to 2023. In 2019, the company recorded a net profit of IDR 647,898 million with total equity of IDR 4,168,930 million, reflecting a stable financial condition. In 2020, the company suffered a loss of IDR 138,874 million, and equity declined to IDR 3,718,744 million, likely due to the impact of the COVID-19 pandemic.

Recovery began in 2021 with a net profit of IDR 170,575 million, although equity continued to decline to IDR 3,596,823 million. Performance improved further in 2022 with a net profit of IDR 351,998 million and an increase in equity to IDR 3,728,476 million. However, in 2023, net profit declined to IDR 300,363 million, and equity fell to IDR 3,577,459 million, possibly due to dividend distribution or a decrease in asset value.

c. Net Profit Margin

Net Profit Margin (NPM) is a financial indicator that measures the proportion of net profit generated by a company relative to its total revenue. This ratio assesses how effectively the company generates profit after deducting all operating expenses, non-operating expenses, and taxes. A high NPM value reflects the company's ability to earn profit from each unit of revenue. Generally, NPM is used to evaluate the company's financial performance, assist management in analyzing operational efficiency, and serve as an important consideration for investors in assessing the company's profitability potential.

**Table 4. Financial Data of NPM of PT. Ramayana Lestari Sentosa Tbk.
Period: 2019–2023**

Year	Description	
	Net Profit (million IDR)	Net Sales (million IDR)
2019	647.898	5.596.398
2020	-138.874	2.527.951
2021	170.575	2.592.682
2022	351.998	2.996.613
2023	300.363	2.744.427

The financial data of PT. Ramayana Lestari Sentosa Tbk. from 2019 to 2023 show fluctuating performance. In 2019, net profit was recorded at IDR 647.898 million with sales of IDR 5,596.398 million. In 2020, the company suffered a loss of IDR 138.874 million and sales dropped significantly due to the pandemic. Recovery began in 2021 with a net profit of IDR 170.575 million and sales of IDR 2,592.682 million, followed by an increase in 2022 with net profit of IDR 351.998 million and sales of IDR 2,996.613 million. In 2023, net profit decreased to IDR 300.363 million, while sales remained stable at IDR 2,744.427 million, indicating positive profitability despite pressures.

4.2 Discussion

This study aims to analyze the profitability of PT. Ramayana Lestari Sentosa Tbk. during the 2019-2023 period using three main indicators: Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM). These ratios were chosen because they are representative in assessing the company's effectiveness in generating profit from assets, equity, and sales. The results are presented in tables to facilitate analysis and year-to-year comparisons, as well as to be compared with general financial ratio standards to evaluate the company's performance.

**Table 5. Summary of Profitability Ratio Calculations
for the Years 2019-2023**

Profitability	Year					Average Ratio	Industry Standard	Criteria
	2019	2020	2021	2022	2023			
Return On Asset	11,4 %	-2,63 %	3,35%	6,72%	6,14 %	6,05%	<20%	Unhealthy
Return On Equity	15,5 %	-3,73 %	4,74%	9,44%	8,40 %	8,36%	<30%	Unhealthy
Net Profit Margin	25,6 %	-5,49 %	6,58%	11,75 %	10,9 4%	12,08%	<20%	Unhealthy

The Return On Asset (ROA) analysis of PT. Ramayana Lestari Sentosa Tbk shows a decline from 11.4% in 2019 to 2.63% in 2020, indicating a significant decrease in asset efficiency. Although there was a recovery in 2021 (3.35%) and 2022 (6.72%), ROA fell again to 6.14% in 2023. The average ROA for the 2019-2023 period was 6.05%, well below the industry standard of 20%, reflecting suboptimal and declining asset performance. This situation indicates the need for evaluation and improvement strategies to enhance asset efficiency and company profitability. This study is in line with (Anggi Permata Sari et al., 2024), whose research analyzed the financial

performance of PT Ramayana Lestari Sentosa Tbk using quantitative and descriptive analysis methods through liquidity, profitability, solvency, and activity ratios. The results showed that the profitability ratio indicated an unfavorable condition, as the company, although generating profit, had not yet reached the figures of the previous year. The journal by (Pagiling et al., 2023), also supports this study's findings because it observed a significant decline in Return On Asset (ROA) during the COVID-19 pandemic in manufacturing companies in Indonesia. This aligns with your findings on PT. Ramayana Lestari Sentosa Tbk, which showed a decrease in asset efficiency in generating profits.

The Return On Equity (ROE) analysis of PT. Ramayana Lestari Sentosa Tbk shows a decline from 15.5% in 2019 to 3.73% in 2020, reflecting decreased efficiency in generating profit from equity. Although there was an increase in 2021 (4.74%) and 2022 (9.44%), ROE fell again to 8.40% in 2023. The average ROE for the 2019-2023 period was 8.36%, well below the industry standard of 30%, indicating suboptimal financial performance. The company needs to improve its operational and management strategies to enhance efficiency and profitability. This study is relevant to the research conducted by (Perwati et al., 2025). Their study aimed to identify differences in financial performance between PT. Matahari and PT. Ramayana through liquidity and profitability ratios. The results of their research showed significant differences in profitability ratios, including Return on Equity (ROE), between the two companies, reflecting variations in efficiency in generating profit from equity.

The analysis of Net Profit Margin (NPM) for PT. Ramayana Lestari Sentosa Tbk shows a significant decline from 25.6% in 2019 to 5.49% in 2020, due to the impact of the Covid-19 pandemic. Although there was a recovery in 2021 (6.58%) and 2022 (11.75%), the NPM dropped again to 10.94% in 2023. The five-year average NPM is 12.08%, which is still below the industry standard of 20%, indicating unhealthy profitability and challenges in operational efficiency.

The decline in NPM, along with ROA and ROE, during the pandemic reflects the negative impact of Covid-19 on the company's financial performance, which previously showed positive growth and efficiency in asset and equity utilization. The pandemic caused a decrease in revenue, profit, and operational efficiency, worsening the company's liquidity and asset management. This study is supported by the findings of (Siswati, 2021), who empirically demonstrated that there was a decline in stock prices and an increase in trading volume of PT Ramayana Lestari Sentosa Tbk within the 31-day period before and after the official announcement of the first Covid-19 case in Indonesia. These results indicate that the Covid-19 pandemic had a significant impact on the company's financial performance, including profitability, operational efficiency, and investor perception of the company's stability. The research findings by (Sipahutar1 & Purba, 2024), titled Comparative Analysis of Financial Ratios Before and During the COVID-19 Pandemic in Retail Companies in Indonesia, also support this study's results as both show a significant decline in profitability ratios, particularly Net Profit Margin (NPM), during the COVID-19 pandemic. Their findings reinforce that the pandemic had a clear negative impact on the financial performance of retail companies, which aligns with the decline in NPM observed in PT Ramayana Lestari Sentosa Tbk. Therefore, this journal provides relevant and contextual empirical evidence to support the interpretation of the research results concerning the pandemic's effect on company profitability.

5 Conclusions

Based on the discussions regarding Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM), it can be concluded that these three ratios are essential tools for evaluating a company's financial performance, particularly in terms of asset and equity utilization efficiency and profitability. ROA indicates how effectively a company generates profit from its assets, with a higher ROA signifying optimal use of assets to produce earnings. ROE measures profitability relative to shareholders' equity, where a higher ROE reflects better returns generated from less equity. Meanwhile, NPM shows the proportion of revenue converted into net profit, with increases indicating improved cost management and higher net earnings. The data analysis reveals that the company experienced a decline in financial performance during the Covid-19 pandemic, as evidenced by significant decreases in ROA, ROE, and NPM. This suggests that the pandemic had a substantial negative impact on the company's operational efficiency and profitability.

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