Enhancing Investment Through Profitability Assessment

Mario Bernardo[1*], Nurul Hidayat[2]

[1]*Atma Jaya Catholic University of Indonesia, Jakarta, Indonesia*
[2]*Universitas Islam Nahdlatul Ulama (Unisnu) Jepara, Indonesia*
Email: mariobernardo512@gmail.com

ABSTRACT

The study aims to analyze the profitability of PT Indofood Sukses Makmur Tbk, a leading company in the food sector, by focusing on its Return on Assets (ROA) performance from 2017 to 2021. This quantitative research uses secondary data obtained from the company's financial statements available on the Indonesia Stock Exchange (IDX) website.The analysis reveals that PT Indofood Sukses Makmur Tbk demonstrated positive growth in ROA over the five-year period. The ROA remained stable at 0.08% in 2017 and 2018, increased to 0.09% in 2019, but then slightly declined back to 0.08% in 2020 and 2021. Despite this minor fluctuation, the overall trend indicates a stable and slightly improving profitability performance during the studied timeframe.This consistent ROA performance reflects the company's ability to efficiently utilize its assets to generate profits, even amidst challenges such as fluctuating commodity prices and global economic uncertainties. The findings highlight PT Indofood Sukses Makmur Tbk's resilience and effective financial management within the competitive food industry.

Keywords: *PT. Indofood Sukses Makmur Tbk, financial statements, profitability*

INTRODUCTION

Financial reports are a description of information about company performance. Financial performance control can be described through the performance of good financial report components. Therefore, the effectiveness and efficiency of financial reports in the company are needed through control with the company's internal standards (Bimo et al., 2022) . The relationship between effectiveness and efficiency in financial reports is a company control to continue to exist in the market, so that the company continues to grow (Bimo et al., 2019) . Therefore, company performance must continue to be controlled through controls that are described in audited financial reports and clear standards.

That is why financial reports are a consideration in future investment decisions. Financial reports presented by the company can be a reference for everyone to make investments without leaving out market behavior information (Rutkauskas & Stasytytė, 2020) . Therefore, clear information is expected to be presented in financial reports with assumptions that must still be conveyed to everyone (Lak & Rezaeenour, 2018) . This condition is a reference for everyone, especially owners and investors who have the prospect of investing in the company they are looking at, so that information is expected to be clear and not covered up what is happening in the company.

Financial reports as evaluation material for company activities. Financial reports presented in accordance with the conditions that occur in the company are evaluation materials for company owners and investors, whether to stay or switch their investments to other businesses (Abdeldayem

& Sedeek, 2018) . Therefore, investment decisions must be carefully examined by management so that their investments do not carry greater risks.

Financial reports as the basis of information for compiling profitability analysis. Profitability analysis is carried out to see how well the company describes its achievements in the form of company sales through existing assets (Hoang et al., 2019) . Company performance can be analyzed through how much profit the company can achieve with the assets it has in any sector (Stehel et al., 2019) . This condition will create that good performance has been carried out by the company through financial reports with profitability analysis.

However, not all financial reports cannot be presented in detail, limited only to certain groups of accounts. That is why many problems occur when companies do not include the problems they are currently facing (Matemane & Wentzel, 2019) . The policies implemented by investors will experience problems if the general picture of what is happening is not conveyed clearly (Dewi et al., 2019) . That is why profitability analysis can be carried out to control problems in terms of company sales (Ghaleb et al., 2020) . Based on the background that occurred, this study aims to analyze the profitability of the company PT. Indofood Sukses Makmur Tbk which is one of the leaders in the food sector. Profitability analysis was carried out to compare the performance of companies that have been listed on the IDX from 2017 to 2021.

METHODOLOGY

This research adopts a quantitative approach aimed at analyzing the profitability of PT. Indofood Sukses Makmur Tbk, a leading company in the food sector listed on the Indonesia Stock Exchange (IDX). The study focuses on assessing the company's financial performance over a five-year period (2017–2021) using profitability analysis, specifically through the Return on Assets (ROA) metric. Below is a detailed explanation of the methodology:

Research Design

The study employs a descriptive quantitative design to evaluate financial data and identify trends in profitability. The focus is on understanding how effectively PT. Indofood Sukses Makmur Tbk utilizes its assets to generate profits, providing insights into the company's operational efficiency and financial stability.

Data Collection

The data used in this research is secondary data obtained from the audited financial statements of PT. Indofood Sukses Makmur Tbk, which are publicly available on the official IDX website (www.idx.co.id). The financial statements include key information on assets, sales, and profits, which are essential for calculating ROA and other financial indicators.

Population and Sampling

The population for this study consists of companies in the food sector listed on the IDX. However, PT. Indofood Sukses Makmur Tbk was purposefully selected as the sole subject of analysis due to its status as a market leader in its sector and its comprehensive financial reporting practices.

Data Analysis Technique

The financial data was analyzed using profitability analysis methods, with a focus on ROA as the primary metric. ROA measures the company's ability to generate profits relative to its total assets, reflecting operational efficiency. The formula used for calculating ROA is as follows:

$$\text{Return on Assets (ROA)} = \frac{\text{Profit Before Tax}}{\text{Total Assets}}$$

This formula enables an assessment of how effectively PT. Indofood Sukses Makmur Tbk converts its asset base into earnings before tax.

Justification for Methodology

The use of secondary data ensures reliability, as audited financial statements adhere to strict reporting standards set by IDX and other regulatory bodies. Additionally, focusing on ROA provides a clear picture of how well PT. Indofood Sukses Makmur Tbk utilizes its resources to achieve profitability, making it an appropriate metric for this study.

Limitations

While this methodology provides valuable insights into profitability trends, it is limited by its reliance on publicly available data, which may not capture all internal factors affecting performance. Furthermore, external variables such as macroeconomic conditions and industry-wide challenges are considered qualitatively rather than quantitatively. By employing this structured approach, the study aims to provide a comprehensive analysis of PT. Indofood Sukses Makmur Tbk's profitability over time, offering insights for investors and stakeholders regarding the company's financial health and operational efficiency.

RESULTS AND DISCUSSION

Based on financial report data, it was obtained that the total assets of PT. Indofood Sukses Makmur Tbk from 2017 to 2021 experienced an average increase of 1.2%. This increase in total assets is very good for the company's development, and the company's asset growth data is presented in table 1.1.

Table 1.1 Sales and assets of PT. Indofood Sukses Makmur Tbk

Year	Sale (in Billion Million Rp)	Total Asset (in Billion Million Rp)
2017	70,186,618	87,939,488
2018	73,394,728	96,537,796
2019	76,592,955	96,198,559
2020	81,731,469	163,136,516.0
2021	99,345,618	179,356,193.0

Source: financial report data of PT.Indofood Sukses Makmur Tbk, 2022

According to table 1.1, the results of the analysis of asset growth of PT. Indofood Sukses Makmur Tbk, the growth of this company's assets continued to increase from 2017 to 2018 by 1.1%. Furthermore, from 2018 to 2019 it reached 1% although it decreased by 0.1% but this growth trend is still very good for the company because the sales data also increased by 1.04 better than the previous year. Therefore, based on sales data that increased from year to year by an average of 1.09% from 2017 to 2021, this is the basis that the influence of sales will increase the development of the company's assets. The company's average sales of 1.09% are directly proportional to the growth of total assets which also increased by an average of 1.2% or grew by 0.1%.

The increase in sales growth that occurred at PT. Indofood Sukses Makmur Tbk is an effort made by the company, through marketing promotions and improving product quality. Therefore, when the Covid-19 pandemic occurred, the company did not experience much impact from the decline in the market, because the products produced are food products. The products produced by PT. Indofood Sukses Makmur Tbk are food products that are always in demand by the market, so that the crisis, both the economy and the Covid-19 pandemic, did not affect the company much.

The results of the profitability analysis data are presented in table 1.2 that the growth of Return on Assets (ROA) which fluctuates by an average of 0.08% is a good thing, because maintaining the stability of business profitability is very difficult at this time. That is why the ROA analysis in table 1.2 greatly influences the company's policy to expand the business or survive in current conditions.

Table 1.2 Results of Return on Assets (ROA) Analysis

Year	Profitability before tax (in Billion MillionRp)	ROA
2017	7,658,554	0.09
2018	7,446,966	0.08
2019	8,749,397	0.09
2020	12,426,334.0	0.08
2021	14,456,085.0	0.08

Source: processed data from the financial report of
PT. Indofood Sukses Makmur Tbk, 2022

Based on the ROA analysis data shown from PT. Indofood Sukses Makmur Tbk, it shows a stable company condition from 2017 to 2021, averaging 0.08% to 0.09% or an average of 0.1%. This condition shows that the business activities carried out by PT. Indofood Sukses Makmur Tbk have a level of efficiency and effectiveness of capital turnover used to purchase assets so that it becomes a very effective and efficient profit, but the proportion must be increased. The ROA proportion of 0.1% of the average total asset comparison of 1.2% still has not achieved a good comparison, but from the current economic growth conditions, with increasingly tight market competition, it is difficult to pursue a comparison that is commensurate with the asset purchases that have been made by the company. The ROA condition of PT. Indofood Sukses Makmur Tbk is still considered reasonable in the development of product sales which are increasingly under strong market pressure. Food products must not only have advantages but also have innovation and creativity in attracting consumer interest to remain loyal.

Profitability Trends

The ROA analysis highlights that PT. Indofood Sukses Makmur Tbk has managed to maintain a stable profitability level over five years, averaging around 0.1%. This stability is significant considering the challenging economic environment caused by the COVID-19 pandemic, which affected many industries globally. The company's ability to sustain profitability reflects effective management strategies, particularly in asset utilization and cost control.

Resilience During Economic Shocks

The food sector's essential nature played a critical role in mitigating the impact of the pandemic on PT. Indofood Sukses Makmur Tbk's performance. As a producer of staple food products, demand for its offerings remained relatively unaffected during periods of economic uncertainty. Additionally, proactive measures such as marketing promotions and product quality improvements helped sustain sales growth even under adverse conditions.

Asset and Sales Growth Relationship

The analysis revealed a positive correlation between sales growth (1.09% average) and asset growth (1.2% average). This indicates that investments in assets contributed to increased sales capacity, which further fueled profitability. However, while asset growth outpaced ROA slightly, it suggests room for improvement in optimizing asset utilization to enhance returns.

Challenges and Opportunities

Although the company has demonstrated resilience and stability, its average ROA of 0.1% relative to total asset growth indicates potential inefficiencies in capital turnover. To improve profitability further:

1. The company could explore innovative product offerings and market expansion strategies.
2. Enhancing operational efficiency through technology adoption or cost optimization could also improve ROA.

3. The competitive nature of the food industry requires continuous innovation to maintain consumer loyalty and capture new market opportunities.

PT. Indofood Sukses Makmur Tbk's strong financial health and ability to navigate economic challenges effectively. Despite fluctuations caused by external factors like the COVID-19 pandemic, the company maintained stable profitability through consistent sales growth and efficient asset management. While the company's performance is commendable, there is scope for improving ROA by optimizing asset utilization and exploring new growth avenues. Overall, PT. Indofood Sukses Makmur Tbk has proven itself as a resilient leader in Indonesia's food sector, capable of sustaining its market position even during periods of economic uncertainty.

CONCLUTION

Based on the results of the study conducted related to the analysis of business profitability of PT. Indofood Sukses Makmur Tbk through the growth of Return on Assets (ROA) from the company's financial statements, positive growth was obtained. This can be seen from the financial statements regarding the ROA value proposition which is stable and tends to increase from 2017 to 2021, which is 0.08% and indeed tends to increase by 0.09% in 2019, but there was a decrease of 0.01% in 2020 due to the Covid-19 pandemic. This condition cannot be avoided, because it attacks all sectors, not only the food business sector as a basic need but also receives its impact on a macro scale.

Based on the results of the ROA analysis, PT. Indofood Sukses Makmur Tbk does not only focus on profit margins but also tries to maintain the company's condition. This is proven by the stable ROA analysis value in the conditions of the world's economic shocks that have not been free from the threat of Covid-19. The ability of PT. Indofood Sukses Makmur Tbk with sales growth that continues to increase from year to year, which is an average of 1.1% and the best condition in 2019 of 1.7%, although it decreased by 0.6% in 2020 due to the Covid-19 pandemic. Therefore, in general it can be concluded that the efforts made by the company through the financial report achievements from the profitability analysis of PT. Indofood Sukses Makmur Tbk are very stable in maintaining the stability of the company with developments in bad market conditions, the company is able to maintain increased sales, assets remain stable and tend to increase in number.

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