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ANALYSIS OF LIQUIDITY, PROFITABILITY, SOLVENCY, AND ACTIVITY RATIOS TO ASSESS THE FINANCIAL PERFORMANCE OF PT. PERTAMINA GEOTHERMAL ENERGY TB FOR THE PERIOD 2022 TO 2024

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Abstract

The financial performance of a company is an important indicator in evaluating its condition and the effectiveness of its financial management. This study aims to assess the financial performance of PT Pertamina Geothermal Energy Tbk, a subsidiary of PT Pertamina, in the post-Covid-19 period and in relation to issues concerning integrity within its parent company. The financial ratio analysis approach was utilized in this research, including aspects such as liquidity, solvency, profitability, and activity ratios. The method used in this study is descriptive quantitative analysis, with data obtained through literature review and secondary sources in the form of financial statements for the 2022 to 2024 period from the official website of the Indonesia Stock Exchange. The results show a significant improvement in the company's liquidity. Profitability remains efficient despite a decline in Return on Equity (ROE), indicating reduced effectiveness in equity utilization. The capital structure strengthened with decreased debt proportion. However, operational activities still underperform in asset utilization and receivables management. This research aims to support evaluation efforts to enhance governance, transparency, and strategy strengthening for sustainable financial performance.

Keywords: Ratio Analysis, Financial Performance, Pertamina

Introduction

In the contemporary business environment, companies inevitably have performance standards and targets to achieve their goals, one of which is to generate optimal profit by minimizing production costs as much as possible. Success in achieving these goals is greatly influenced by the company's ability to analyze various internal and external conditions it faces, enabling it to make the right decisions. Effective decision-making is crucial to support target achievement and maintain the company's competitiveness.

In this context, the author has chosen PT Pertamina Geothermal Energy Tbk as the object of study to assess the company's financial performance. As a national energy company that plays a strategic role in supporting Indonesia's energy resilience and economic activities, the stability and financial performance of PT Pertamina must be consistently maintained. However, from 2022 to 2024, the company faced several issues that impacted its financial condition.

After experiencing pressure due to the Covid-19 pandemic, including a decline in demand and plummeting oil prices, the energy sector began showing signs of recovery along with increased economic activity, public mobility, and industrialization, driven by the acceleration of the National Economic Recovery Program in 2022. Nonetheless, challenges persist. Factors such as global oil price fluctuations, government energy policies, and the dynamics of both domestic and international markets play a role in determining the company's financial stability. On the other hand, corruption allegations involving PT Pertamina's subsidiaries, such as PT Pertamina Patra Niaga (Ayu, 2025), have worsened public perception and decreased public trust in the integrity and governance of the overall corporate group. This not only affects the company's reputation but also potentially has a negative long-term impact on its financial performance. In such a situation, it is important to assess whether other subsidiaries, such as PT Pertamina Geothermal Energy Tbk, are able to maintain good financial performance and sound governance amidst external challenges and corruption-related issues within its parent company.

One method that can be used to objectively assess the company's financial condition and performance is financial ratio analysis based on the financial statements of PT Pertamina Geothermal Energy Tbk. Financial statements are the result of an accounting process that present information about a company's financial position and performance, which can be used as a basis for evaluation and decision-making by stakeholders (Oktariansyah, 2020). A previous study by Maritza et al. (2022) shows that financial ratios play a key role in assessing a company's financial condition and performance. By analyzing year-to-year ratio comparisons, it is possible to identify patterns of change and determine whether there is an improvement or decline in performance. Benchmarking these results against industry standards also serves as a basis for decision-making in investments, lending, or projecting the company's future financial strength.

Based on the aforementioned explanation, the author will use financial ratios consisting of: liquidity ratios, which measure the company's ability to meet short-term obligations; profitability ratios, to assess its ability to generate profits; solvency ratios, which show the company's ability to meet long-term liabilities; and activity ratios, which reflect the efficiency of asset utilization in generating revenue. Through a financial ratio analysis approach to PT Pertamina Geothermal Energy Tbk, it is expected to provide an overview of the extent to which the company's financial performance has been maintained. This study not only aims to contribute academically to understanding corporate financial dynamics, but also serves as a basis for evaluating governance improvements, increasing transparency, and strengthening strategies toward sustainable financial performance in the future for PT Pertamina Geothermal Energy Tbk.

Methods

This study employs a descriptive research method with a quantitative approach. Descriptive research is a method aimed at systematically and thoroughly describing phenomena, facts, or events related to specific characteristics within a defined area (Hardani et al., 2020). The quantitative approach adopted in this study is based on the use of numerical data or financial indicators obtained from the financial statements of PT Pertamina Geothermal Energy Tbk for the years 2022–2024, as published on the Indonesia Stock Exchange (IDX) website. The researcher applies the financial ratio analysis method, which involves evaluating the company's financial statements by relating various accounts or estimates within the financial reports for a specific period. This is carried out through the application of financial ratios, namely: liquidity, profitability, solvency, and activity ratios. These ratios serve as the basis for assessing the company's financial performance (Permata, 2021).

Financial performance is a critical element that must be understood by management in responding to the dynamics of business competition. By conducting regular performance evaluations, management can assess the company's financial position and overall level of success. Financial performance reflects the financial condition of a company and indicates how effectively management has conducted its operations within a given period (Sukarno & Mintalangi, 2024). In this study, the researcher measures and compares the results of financial ratios specifically liquidity, profitability, solvency, and activity ratios against industry standards, which serve as benchmarks to assess the financial health and performance of the company (Rahayu, 2020). First, liquidity ratios indicate the company's ability to fulfill its short-term financial obligations by utilizing its current assets (Azwar, 2021). This study focuses on three primary liquidity ratios. The Current Ratio is calculated by dividing Current Assets by Current Liabilities. This ratio measures a company's ability to meet its short-term obligations using its current assets. The Quick Ratio refines this measurement by subtracting Inventory from Current Assets before dividing by Current Liabilities, providing a more stringent test of liquidity by excluding less liquid inventory. The Cash Ratio goes even further, assessing the company's immediate liquidity by dividing Cash and Cash Equivalents by Current Liabilities. According to industry standards outlined by Kasmir (2017), a healthy Current Ratio should be at least 2:1, meaning current assets are twice the amount of current liabilities. The Quick Ratio standard is a minimum of 1:1, indicating that quick assets should cover all current liabilities. Lastly, the Cash Ratio is expected to be at least 1:2, meaning cash and equivalents should cover half of the current liabilities.

Second, profitability ratios evaluate a company's ability to generate earnings in relation to its sales, assets, and equity within a specific timeframe (Astuti, 2021). In this study, the key profitability ratios analyzed include the Net Profit Margin, calculated by dividing net income after interest and taxes by sales, which reflects the company's efficiency in converting revenue into profit. The Gross Profit Margin is determined by dividing earnings before interest and taxes by sales, providing insight into the core profitability from operations before financing and tax expenses. Return on Assets measures how effectively the company utilizes its total assets to generate net income after interest and taxes, while Return on Equity indicates the return generated on shareholders' equity over the period. Industry standards for these profitability ratios, according to Kasmir (2017), suggest that the Net Profit Margin should be at least 10% (1:10), the Gross Profit Margin typically ranges between 30% and 40%, Return on Assets should have a minimum threshold of 5% (1:20), and Return on Equity is expected to be at least 15% (3:20).

Third, solvency ratios evaluate a company's capacity to fulfill its long-term financial obligations and serve as indicators of credit risk (Sembiring, 2021). The primary solvency ratios examined in this study include the Debt to Asset Ratio, which is calculated by dividing total liabilities by total assets and reflects the proportion of a company's assets financed through debt. The Debt to Equity Ratio measures the relationship between total liabilities and total equity, indicating the balance between debt and shareholders' investment. Additionally, the Long-Term Debt to Equity Ratio compares long-term debt to total equity, providing insight into the company's long-term financial leverage. According to industry standards outlined by Kasmir (2017), acceptable thresholds for these solvency ratios are a maximum Debt to Asset Ratio of 60% (3:5), a Debt to Equity Ratio not exceeding 2:1, and a Long-Term Debt to Equity Ratio capped at 1:1. These benchmarks help assess the company's financial stability and risk exposure from its debt structure.

Last, activity ratios assess how efficiently a company utilizes its resources and manages its operational capacity in day-to-day business activities (Fitriana, 2021). This study focuses on several key activity ratios. The Accounts Receivable Turnover ratio, calculated by dividing credit sales by average accounts receivable, measures how effectively the company collects its receivables. Inventory Turnover, determined by dividing the cost of goods sold by average inventory, evaluates how quickly inventory is sold and replaced. Working Capital Turnover, which is sales divided by working capital, indicates how well the company uses its short-term assets to support sales. Lastly, Total Asset Turnover, calculated by dividing sales by average total assets, reflects the overall efficiency in using assets to generate revenue. Industry standards, as outlined by Kasmir (2017), suggest that Accounts Receivable Turnover should occur 6 to 8 times per year, Inventory Turnover between 4 and 6 times per year, Working Capital Turnover at a minimum of 2 times per year, and Total Asset Turnover should be at least 1:1, indicating that sales should equal or exceed total assets. These benchmarks provide useful references for evaluating operational efficiency.

Result and Discussions

Table 1. Comparison of Company Ratios with Industry Standard Ratios

Ratios	Years			Standard Ratios
	2022	2023	2024	
Liquidity Ratios				
Current Ratio	0,505	3,537	3,645	≥ 2
Quick Ratio	0,452	3,357	3,465	≥ 1
Cash Ratio	0,306	2,776	2,883	≥ 0,5
Profitability Ratios				
Net Profit Margin	0,329	0,403	0,394	≥ 0,1
Gross Profit Margin	0,543	0,653	0,638	0,3 – 0,4
Return on Assets	0,051	0,055	0,053	≥ 0,05
Return on Equity	0,101	0,083	0,079	≥ 0,15
Solvency Ratios				
Debt to Asset Ratio	0,493	0,335	0,329	< 0,6
Debt to Equity Ratio	0,971	0,503	0,492	< 2
Long-Term Debt to Equity Ratio	0,288	0,379	0,379	< 1
Activiy Ratio				
Accounts Receivable Turnover	0,969	1,019	0,943	6-8 times/year
Inventory Turnover	5,064	4,014	3,892	4-6 times/year
Working Capital Turnover	-0,91	0,656	0,677	≥ 2 times/year
Total Asset Turnover	0,158	0,149	0,136	≥ 1

Source : Data Processing Result, 2025

In 2022, all liquidity ratios were below the standard benchmarks. The current ratio was only 0.505, indicating that the company's current assets were insufficient to cover its short-term liabilities. Similarly, the quick ratio stood at 0.452, suggesting that even without accounting for inventory, the company was unable to settle its short-term obligations. The cash ratio, at just 0.306, further confirmed the company's weak cash position, reflecting financial vulnerability. However, in 2023 and 2024, there was a significant and positive surge in all indicators. The current ratio rose to 3.537 in 2023 and further to 3.645 in 2024, well above the benchmark of 2. This indicates that the company held more than enough current assets to cover its short-term liabilities. The quick ratio also increased substantially to 3.357 and 3.465, exceeding the benchmark of 1, implying that even without relying on inventory, the company was more than capable of paying its short-term obligations. Furthermore, the cash ratio jumped to 2.776 in 2023 and 2.883 in 2024, well above the 0.5 standard, reflecting a very strong cash position.

In the terms of Net Profit Margin, the company recorded very strong figures over three consecutive years: 0.329 (2022), 0.403 (2023), and 0.394 (2024). These values were not only consistently high but also far above the 0.1 standard, indicating that for every Rp1 of revenue, the company earned Rp0.3 in net profit, a sign of operational efficiency and effective cost control. Similarly, the Gross Profit Margin ranged from 0.543 to 0.653, which is well above the standard range of 0.3 to 0.4. This reflects the company's ability to maintain a strong profit margin due to lower cost of goods sold. The consistency of this margin over three years shows the company's capacity to maintain production efficiency. Next, the Return on Assets ranged from 0.051 to 0.055, indicating that the company was reasonably efficient in utilizing its assets to generate profit. Nevertheless, the slight margin above the 0.05 benchmark suggests there is room to improve asset utilization effectiveness, especially considering the high profit margins. The most notable weakness lies in the Return on Equity. Return on Equity declined over the three-year period: 0.101 (2022), 0.083 (2023), and 0.079 (2024), all below the standard of 0.15. This indicates that despite strong profitability, the return to shareholders (equity holders) was not optimal. A declining Return on Equity amidst strong profit margins may reflect inefficiencies in business operations or strategic execution.

Next, The Debt to Asset Ratio experienced a significant decrease from 0.493 in 2022 to 0.335 in 2023, and further to 0.329 in 2024. All three figures are safely below the benchmark of <0.6, indicating that the portion of assets financed through debt is declining. This trend suggests an improvement in the capital structure, where the company is becoming more self-reliant and less dependent on external debt, relying more on equity or operating income. A similar trend is seen in the Debt to Equity Ratio, which also remained within the safe range (< 2) over the three years. It dropped sharply from 0.971 in 2022 to 0.503 in 2023, and slightly to 0.492 in 2024. This shows that for every Rp1 of equity, the debt burden is relatively low. According to Hairrunisa et al. (2025), this reflects a reduced reliance on debt financing, indicating a more stable capital structure and stronger financial resilience. Meanwhile, the Long-Term Debt to Equity Ratio remained safely low throughout the period, ranging between 0.288 and 0.379, far below the standard threshold of 1. This indicates that long-term financing did not place significant strain on the company's financial stability, showing that the company maintained a balanced approach in its long-term funding structure.

For the Accounts Receivable Turnover Ratio aspect was consistently low and inefficient for three consecutive years: 0.969 (2022), 1.019 (2023), and 0.943 (2024). These figures fall far below the standard of 6–8 times per year, indicating very slow receivables collection. This suggests that the company takes too long to convert receivables into cash, potentially disrupting operational cash flow and reflecting weak receivables management. In contrast, the inventory turnover ratio showed better performance. In 2022 and 2023, the turnover ratios were 5.064 and 4.014 respectively — within the standard range of 4–6 times per year. However, it slightly declined in 2024 to 3.892, which, although not far off from the standard, indicates decreasing efficiency in inventory management. If this trend continues, it may lead to stockpiling and increased storage costs. Next, the working capital turnover ratio improved significantly year-on-year. In 2022, the negative value of -0.91 indicated that net working capital was insufficient to support operations, potentially leading to deficits. However, in 2023 and 2024, the turnover improved to 0.656 and 0.677. Although the trend is positive, these figures still fall short of the ≥ 2 standard, suggesting the company has yet to optimize its working capital to support sales activities. Lastly, the total asset turnover ratio remained very low throughout the period, at 0.158 (2022), 0.149 (2023), and 0.136 (2024). These values are well below the benchmark of ≥ 1, indicating that the company has not been efficient in utilizing its total assets to generate revenue. In other words, many of the company's assets remain idle or underutilized, pointing to weaknesses in operational efficiency.

Based on the assessment of liquidity, profitability, solvency, and activity aspects, it can be concluded that PT Pertamina Geothermal Energy Tbk has shown significant improvement in several areas of financial performance, although there are still weaknesses that need to be addressed promptly. In terms of liquidity, the company experienced a notable increase from 2022 to 2024, reflecting a strengthening of cash position and current assets in meeting short-term obligations. Regarding profitability, the company demonstrated a strong and consistent ability to generate high net and gross profit margins, indicating good operational efficiency. However, the downward trend in Return on Equity over the past three years is a concern, as it suggests low effectiveness in utilizing equity to generate profits. In the solvency aspect, the company exhibited an increasingly healthy capital structure. All debt ratios declined and remained within safe limits, reflecting reduced reliance on debt financing and enhanced resilience to long-term financial risks. Nevertheless, the activity aspect remains the most prominent weakness. The turnover of receivables, assets, and working capital is still far below standard, indicating that the company has not yet optimized its resource utilization to support revenue generation.

If these declining trends persist, they may hinder the achievement of the company's objectives and future growth. Based on these findings, the researcher proposes several recommendations for improvement. First, regarding the low effectiveness in utilizing equity to generate profit, the company should manage the balance between equity and external financing such as short or long-term debt by considering the associated risks and

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interest costs before acquiring new loans. Furthermore, underutilized equity funds should be reallocated to geothermal energy projects that have the potential to generate high returns. Second, in regard to the suboptimal use of resources to support revenue, the company is advised to implement stricter credit policies and adopt automated billing processes, such as using automated receivables management software that can remind customers to expedite payments. In addition, regular evaluations of assets and working capital are necessary to ensure that all resources are used optimally, such as reducing excessive inventory and accelerating working capital turnover.

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