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Assessing a Company's Financial Resilience: An Analysis of CR, DAR, and AKO on Profitability

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ABSTRACT

This study aims to analyze the influence of Current Ratio (CR), Debt to Asset Ratio (DAR), and Operating Cash Flow Ratio (AKO) on Return on Asset (ROA) as an indicator of profitability in PT Perkebunan Nusantara IV Medan. The research uses a descriptive method with a quantitative approach. The data used is in the form of company financial statements, with documentation techniques as a method of data collection. The results show that ROA experienced a significant decrease in 2022–2023 (9.6% and 1.9%), influenced by a decrease in net profit after tax. The Current Ratio has increased but is still below the industry standard. The Debt to Asset Ratio increased significantly from 48.7% to 66.2%, indicating a high dependence on debt. The Operating Cash Flow Ratio has decreased and is well below standard. These findings indicate liquidity pressures, suboptimal asset efficiency, and high debt burdens.

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INTRODUCTION

Financial performance constitutes the fundamental basis that determines a company's ability to survive and grow amid increasingly dynamic business competition. Within this framework, profitability is one of the most essential indicators, as it reflects how effectively a company manages its assets to generate earnings (Nainggolan & Febriansyah, 2021). One of the most widely applied measures of profitability is Return on Assets (ROA), which indicates the efficiency of a firm in utilizing its total assets to produce profits (Prakoso & Boentoro, 2011). Putri (2015) emphasized that ROA is influenced not only by managerial quality but also by structural factors such as industry characteristics, accounting policies, asset composition, and cost management strategies adopted by the company.

Beyond profitability, financial performance is also shaped by a firm's ability to manage liquidity and solvency. Liquidity is commonly reflected by the Current Ratio (CR), which measures a company's capacity to meet short-term obligations using its current assets (Chasanah, 2019). This ratio serves as an important indicator of operational stability, particularly for firms that require substantial working capital. Meanwhile, solvency is represented by the Debt to Asset Ratio (DAR), which illustrates the proportion of a company's assets financed through debt and, consequently, the level of long-term financial risk it faces (Jufrizen & Nasution, 2016). A high DAR suggests a strong dependence on debt financing and may signal increased financial vulnerability when profit-generating capabilities do not keep pace with rising liabilities.

Operating cash flow also plays a crucial role in assessing a company's financial soundness. The operating cash flow ratio reflects the firm's ability to generate cash from its core activities, which can then be used to service debt, finance investment, and sustain day-to-day operations without excessive reliance on external funding sources (Nursita, 2021). Strong and stable operating cash flows indicate a company's resilience and its capacity to withstand economic volatility.

This study focuses on PT Perkebunan Nusantara IV Medan, a company in the plantation sector that has experienced notable financial fluctuations over the past five years. An examination of its financial statements for the 2019–2023 period reveals an imbalance among asset growth, cash flow performance, and profitability. One of the most prominent phenomena occurred in 2023, when the company's total debt increased sharply while net profit declined significantly. This situation reflects mounting pressure on the company's capital structure and its ability to manage financial obligations effectively.

These conditions give rise to several critical issues. The decline in profit after tax in 2023 led to a substantial decrease in ROA, indicating reduced effectiveness in utilizing assets to generate earnings. At the same time, the sharp increase in current liabilities directly contributed to a deterioration in the current ratio and the operating cash flow ratio, signaling a weakening capacity to meet short-term obligations. Furthermore, the surge in total debt during the same period resulted in a significant rise in the Debt to Asset Ratio, highlighting increased solvency risk and a growing reliance on debt-based financing.

This discussion underscores the importance of conducting a comprehensive analysis of the relationships among liquidity, solvency, operating cash flow, and profitability in order to gain a deeper understanding of the financial condition of PT Perkebunan Nusantara IV Medan. Such an analysis is essential for providing a more accurate assessment of the company's financial management direction in responding to existing and future challenges.

LITERATUR REVIEW

Profitability

Profitability is one of the main measures in assessing a company's ability to generate profits from its investment activities. One of the most commonly used profitability ratios is Return on Assets (ROA), which is a ratio that describes a company's ability to generate profits from all its assets. ROA reflects the company's effectiveness in utilizing assets to support operations and create profits. The higher the ROA value, the better the company's profitability rate, as it shows that assets are used efficiently to generate revenue (Siregar & Farisi, 2018).

Current Ratio (CR)

Current Ratio is a liquidity ratio used to measure a company's ability to meet short-term obligations using its current assets. This ratio indicates the level of the company's ability to pay debts that are due soon. If the current ratio value is high, the company is considered to be in a liquid condition because it has sufficient current assets to cover short-term liabilities. On the other hand, if the value is low, the company tends to be categorized as illicit because it has the potential to have difficulty meeting short-term financial commitments. The Current Ratio is obtained by comparing total current assets to current liabilities as an indicator of a company's liquidity capability (et al., 2019).

Debt to Asset Ratio (DAR)

Debt-to-Asset Ratio (DAR) is a part of the solvency ratio that measures the extent to which a company's assets are financed by debt. This ratio provides an overview of the level of dependence of companies on debt-based funding sources and the financial risks that may arise. A high DAR value indicates that most of a company's assets are financed by debt, thereby increasing the risk of default and lowering the company's ability to meet long-term obligations. DAR can also be used to assess the extent to which a company's capital structure is in healthy condition, as well as how debt affects asset management and overall financial stability. This ratio is closely related to the Debt to Equity Ratio in assessing the company's capital structure (Ramaadhianti et al., 2023).

RESEARCH METHODS

This research is included in the type of quantitative descriptive research, according to (Nursita, 2021). The data used refers to the calculation of data in the form of numbers. The data source in this study is secondary data; the author takes the data source that has been processed and comes from the official website of PT Perkebunan Nusantara IV Medan. The quantitative data that will be analyzed for the financial ratio is the financial statements of PT Perkebunan Nusantara IV Medan for the period 2019 to 2023. The data collection technique is carried out through the documentation method; the author collects data by viewing and assessing the company's financial statements. The data analysis technique carried out by the author by calculating the object of research on the company's financial statement data using the financial ratio formula, followed by describing the calculation results with the set industry average standard

DISCUSSION

Profitability ratio analysis (*Return on Assets*)

Table 2. Return *on asset calculation results*

Year	Profit After Tax	Total Assets	Return on Assets
2019	117,401,223,818	17,941,799,354,311	0.007
2020	553,542,510,470	18,499,471,121,473	0.030
2021	2,117,664,453,343	21,189,385,028,896	0.100
2022	2,174,787,786,809	23,001,225,962,188	0.096
2023	1,185,282,053,212	62,661,786,248,027	0.019
Average	**1,229,735,605,530**	**28,648,733,542,979**	**0.050**

Based on the table above, the calculation of ROA in 2019-2021 was 0.007 or 0.7%, increased by 0.03 or 3%, then increased again to 0.1 or 10%. In 2022, ROA decreased by only 0.096 or 9.6% and decreased again in 2023 to 0.019 or 1.9%. This means that in 2019-2021 the use of company assets increased but decreased again in 2022 and 2023 due to an increase in profit after tax that was not proportional to the increase in total assets. If the industry average is 30%, then from the five periods, the company is considered not good because it is too far below the industry average.

Current *ratio analysis*

Table 3. Current ratio calculation results

Year	Current Assets	Current Liabilities	Current Ratio
2019	1,964,564,657,549	2,507,331,327,752	0.784
2020	2,268,379,067,331	3,009,759,904,685	0.754
2021	4,793,288,139,759	2,928,841,248,532	1.637
2022	6,149,481,205,243	3,419,977,040,797	1.798
2023	11,565,092,728,039	11,400,651,520,113	1.014
Average	**5,348,161,159,584**	**4,653,312,208,376**	**1.197**

Based on the table above, the *current ratio* in 2019 was calculated at 0.784 or 78.4%, meaning that as much as 1 rupiah of current liabilities was guaranteed by 0.784 rupiah of current assets. In 2020, a calculation of 0.754 or 75.4% was obtained, a lower ratio value than the previous year. In 2021 and 2022, the ratio increased to 1,637 or 163.7% and 1,798 or 179.8% respectively. However, it declined again in 2023 to 1,014 or 101.4%. If the industry average is 200% or 2 times, then the entire period of the year is still not good enough because it is below the industry average.

Analisis *debt to asset ratio*

Table 4. Debt-to-*asset ratio calculation results*

Year	Total Liabilities	Total Assets	Debt to Asset Ratio
2019	10,834,307,748,176	17,941,799,354,311	0.604
2020	11,321,511,103,118	18,499,471,121,473	0.612
2021	11,284,761,180,818	21,189,385,028,896	0.533
2022	11,210,563,347,524	23,001,225,962,188	0.487
2023	41,468,245,797,113	62,661,786,248,027	0.662
Average	**17,223,877,835,350**	**28,658,733,542,979**	**0.580**

Based on the calculation above, in 2019 it was 0.604, which means that the amount of the company's assets financed by debt was 0.604 or 60.4%. With this amount, it is concluded that for every Rp100.00 of the company's funding, Rp170.00 is financed by debt. This value continued to decline until 2022, but increased in 2023 to 0.662, meaning that the company's assets financed by debt increased. If the average industry of the company is 35% then this condition indicates that the company is fully financed by debt. This is considered too high so it will be difficult for the company to obtain a loan.

Analysis of operating cash flow ratio

Table 5. Results of the calculation of the operating cash flow ratio

Year	Operating Cash Flow	Current Liabilities	Operating Cash Flow Ratio
2019	38,042,099,209	2,507,331,327,752	0.152
2020	1,646,641,025,332	3,009,759,904,685	0.547
2021	2,568,829,035,231	2,928,841,248,532	0.877
2022	1,771,933,942,491	3,419,977,040,797	0.518
2023	4,027,890,187,573	11,400,651,520,113	0.353
Average	**2,010,667,257,967**	**4,653,312,208,376**	**0.489**

Based on the calculation above, it can be seen that the operating cash flow ratio in 2019 was 0.152 or 15.2%, meaning that as much as 1 rupiah of current liabilities was guaranteed by 0.152 rupiah of operating cash flow. This ratio increased in 2020 and 2021 to 0.547 and 0.877. However, it decreased in 2022 to 0.518 and decreased again to 0.353 in 2023. If the average industry of the company is 1 time, then the entire period is not good enough because it is below the industry average.

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CONCLUSIONS

The study results indicate that PT Perkebunan Nusantara IV Medan is experiencing significant financial pressure across multiple dimensions. A decline in Return on Assets (ROA) during 2022–2023 reflects insufficient asset utilization to generate profits, indicating low operational effectiveness. Although the Current Ratio temporarily improved, its subsequent decline in 2023, remaining below industry standards, highlights persistent liquidity challenges, as growth in liquid assets fails to match the rise in short-term liabilities.

Furthermore, the increase in the Debt to Asset Ratio in 2023 signals growing reliance on debt financing, which elevates long-term solvency risks if not accompanied by proportional growth in earnings and cash flow. This concern is compounded by a weakening Operating Cash Flow Ratio, where operating cash inflows are inadequate to cover the surge in current debt, thereby straining the company’s ability to meet short-term obligations and stressing its working capital structure.

Overall, the company must implement strategic measures to enhance asset management efficiency, control debt growth, and strengthen operating cash flow. Key actions should include optimizing the use of productive assets, improving working capital management to balance current assets and liabilities, and boosting cash flow through better receivables management, revenue enhancement, and operational cost control. These steps are essential to restoring profitability, ensuring liquidity, mitigating solvency risks, and sustaining the company's long-term financial health.

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