

Analysis of Financial Ratio Determinants for Increasing Operating Profit in MSMEs Service Sector: an Empirical Case Study from Barber Shop Business in Indonesia

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Abstract

This study aims to analyze the Financial Ratios of MSMEs in the haircut service sector at Raden The Barber Banda Aceh from 2015-2019. The data analysis method used in this study uses Profitability Ratios, Liquidity Ratios, Solvency Ratios and Activity Ratios to assess Financial Performance, in accordance with the regulations stipulated by the Decree of the Minister of Small and Medium Enterprises of the Republic of Indonesia No. 06/Per/M.KUKM/V/2006. From the results of data analysis, it can be seen that the Profitability Ratio of Raden The Barber Banda Aceh from 2015-2019 can be said to be good, with indicators of GPM (99.35%), NPM (56.78%) and ROA (18.26%), with an overall indicator has a value greater than 10%. The results of the analysis of the Liquidity Ratio of Raden The Barber Banda Aceh from 2015-2019 can be said to be good, with the QR (622.97%) and CR (695.41%) indicators with overall indicators having values greater than 200%. Furthermore, the results of the Solvency Ratio analysis of Raden The Barber Banda Aceh from 2015-2019 can be said to be good, with the DAR indicator (1.45%) which has a value less than 40%. Finally, the results of the analysis of Raden The Barber Banda Aceh's Activity Ratio from 2015-2019 can be said to be good, with indicators of TATO (32.11%) and RTO (15.13%), with overall indicators having values greater than 10%.

Keywords: Financial Performance, MSMEs Service Sector.

Introduction

The development of men's hair care services in Indonesia has existed since the 1910s, in the Batavia era, initially people shaved their hair because they were sad. Then it becomes a necessity to live neatly in the city. Along with the development of the urban lifestyle, appearance becomes a necessity that is considered important for some people. Appearance is not only a woman's need, now men also want to always look neat and attractive in every activity or event (Fahrezal, 2017). Haircut is a need of people every month, and men are no exception. So that haircut services for men have sprung up, one of which is a barbershop. Barbershop is an innovation or development from what used to be called a barber or barber shop (Yudiatma and Rahayu, 2015). The province of Aceh itself is a barbershop trend, especially in Banda Aceh, starting to grow very rapidly and starting to be of interest to many people so that it can provide jobs for many people, we can see the development of the barbershop trend with the number of barbershops in other Aceh cities, each barbershop has its own characteristics. and attractiveness respectively. This attraction is what distinguishes each barbershop from one another, one of which is Raden The Barber.

Raden The Barber was founded in 2011 and is located in the city of Banda Aceh. Until now, Raden The Barber has opened branches with a total of 14 (fourteen) branches in Aceh and North Sumatra. With their 1 (one) parent company and 8 (eight) branch offices located in Banda Aceh, their first branch office was located on Jl. T. Nyak Arief No 181, Banda Aceh (Front of the Aceh Lingke Police Office). However, Raden The Barber himself in managing his financial reports, is managed by his main office in Banda Aceh. Meanwhile, each branch does not have their own financial reports, only daily sales records, which then daily sales must be directly deposited to their main office in Banda Aceh city. From the results of the financial statements of Raden The Barber Banda Aceh from 2015-2019, there were fluctuations, as well as Gross Profit, Net Profit, Total Assets, Inventory, Current Debt, Receivables and Current Assets. Raden The Barber in controlling the operating expansion varies each year to increase the company's profitability. So looking at the results of Raden The Barber's financial statements that Raden The Barber's business can be said to be a potential business, so that Raden The Barber's business is a prospective business in the future, in addition to increasing company sales, it must also be accompanied by controlling operating expansion and maximizing the use of all its assets.

to generate profits and increase sales.

Literatur Review

Financial Statement Analysis

Financial reports provide relatively raw data. Financial managers need information (processed raw data). What information is needed depends on the goals to be achieved, the goals to be achieved will depend on who and when the information is needed, according to Mamdud (2017). While the purpose of financial statement analysis itself is essentially to assist users in estimating the company's future by comparing, evaluating and analyzing trends from various aspects of the company's finances, according to Wahyudiono (2014).

Financial Ratio Analysis

Ratio analysis is an analytical method to determine the relationship of certain items in the balance sheet or income statement individually or a combination of the two reports, according to Munawir (2012).

There are several forms of financial ratios according to Harahap (2010) including:

1. Liquidity Ratio
2. Solvency Ratio
3. Profitability/Profitability Ratio
4. Leverage Ratio
5. Activity Ratio
6. Growth Ratio
7. Market Valuation
8. Productivity Ratio

Profitability Ratio

Profitability is Profitability, namely the company's ability to earn profits from the capital used to generate the data, according to Martono and Agus (2014).

There are several types of profitability ratios according to Irham (2013) including:

1. Gross Profit Margin (GPM)
2. Net Profit Margin (NPM)
3. Return On Investment (ROI)
4. Return On Equity (ROE)

Liquidity Ratio

The liquidity ratio or often also referred to as the working capital ratio is a ratio used to measure how liquid a company is. The trick is to compare the components on the balance sheet, namely total current assets with total current liabilities (short-term debt), according to Kasmir (2017).

There are several types of profitability ratios according to Kasmir (2013) including:

1. Current ratio
2. Quick ratio (quick ratio or acid test ratio)
3. The cash ratio (cash ratio)
4. Turnover ratio (cash turn over)
5. Inventory to net working capital

Solvency Ratio

The solvency ratio is a ratio that shows how the company is able to manage its debts in order to gain profits and is also able to repay its debts, according to Fahmi (2014). There are several types of solvency ratios according to Hary (2015), including:

1. Debt to Asset Ratio (Debt to Asset Ratio)
2. Debt to Equity Ratio (Debt to Equity Ratio)
3. Long Term Debt to Equity Ratio (Long Term Debt to Equity Ratio)
4. Times Interest Earned Ratio
5. Operating Income to Liabilities Ratio

Activity Ratio

The activity ratio is a ratio used to measure the effectiveness of the company in utilizing existing

resources, according to Hary (2015).

There are several types of solvency ratios according to Wardiyah (2017) including:

1. Total Asset Turn Over (TATO)
2. Working Capital Turn Over (Working capital turnover ratio)
3. Fixed Assets Turnover Ratio
4. Inventory Turnover Ratio (Inventory Turnover)
5. Average age of accounts receivable
6. Accounts receivable turnover

Financial Performance

Financial performance is a description of the achievement, implementation of an activity or program or policy in realizing the goals, objectives, mission and vision of the organization, a list of what to be achieved can be stated in the formulation of an organization's strategy and in general performance is an achievement achieved by the organization within a certain period, according to Roziqon (2017).

There are several important objectives of financial performance including:

- a. To determine the level of liquidity, namely the company fulfills financial obligations when billed.
- b. To determine the level of solvency, namely the company's ability to meet its profit obligations if the company is liquidated, both short-term and long-term financial obligations.
- c. To determine the level of profitability, which is a company's ability to generate profits for a certain period.
- d. To determine business stability, namely the company's ability to carry out its business stably and consider the company to pay dividends regularly. Performance appraisals are carried out to emphasize appropriate behavior and to enforce desirable behavior through feedback on performance results at the time of the award.

Financial Soundness Level Standard

The standard level of financial soundness with financial ratios in accordance with regulations according to the Decree of the Minister of Small and Medium Enterprises Cooperatives of the Republic of Indonesia No. 06/Per/M.KUKM/V/2006. The following is a breakdown of the standard classification of financial soundness levels:

| No | Ratio | Weight |
|----|---------------|--|
| 1 | Profitability | 1. <0% = Bad 2. 0%-5% = Enough 3. 5%-9% = Good 4. >10% = Very Good |
| 2 | Activity | |
| 3 | Liquidity | 1. 200%-250% = Very Good 2. ≤200%-175% = Good 3. ≤175%-150% = Enough 4. ≤150%-125% = Bad |
| 4 | Solvency | 1. ≤40% = Very Good 2. >40%-50% = Good 3. >50%-60% = Enough 4. >60%-80% = Not So Bad 5. >80% = Bad |

Source : Keputusan Menteri KUKM Republik Indonesia No. 06/Per/M.KUKM/V/2006

Materials and Method

The location of this research was conducted on Jalan T.P Nyak Makam No.6 Lampineung, Banda Aceh. The object of research is Raden The Barber's financial report. The scope of the research is limited to the analysis of financial aspects for 5 years from 2015 to 2019. Through this Profitability Model Analysis the company can

find out whether Raden The Barber's financial performance is in good condition or not.

Data collection technique

Data collection techniques in this study used three methods of collection, including:

1. Observation according to Supriyati (2011) is a way to collect research data by having a naturalistic nature that takes place in a natural context, the perpetrator participates naturally in the interaction.
2. Documentation according to Umi Narimawati, Sri Dewi Anggadini, Lina Ismawati (2010) is data collection which is done by examining the documents contained in the company. Meanwhile, according to Arikunto (2011), documentation is written goods.
3. (interview) The definition of interview according to Subagyo (2011) is as follows: An activity is carried out to obtain information directly by expressing questions to the respondents. Interview means dealing directly between the interviewer and the respondent, and the activities are carried out orally. In this study, the data collection technique used by the researcher is the documentation technique.

Data analysis method

The data obtained in this study are quantitative data. Quantitative data analysis was conducted to determine the financial situation, especially to assess the financial performance of Raden The Barber. The analytical indicators used are Profitability Ratios, Liquidity Ratios, Solvency Ratios, Activity Ratios. Quantitative analysis is presented in the form of tabulation of data which groups and classifies data to make it easier to perform data analysis. Then in conducting data analysis, data processing is carried out with the help of a calculator and computer program Microsoft Excel.

Result and Discussion

Profitability Ratio

Gross Profit Margin (GPM)

The results of the Gross Profit Margin (GPM) analysis show that from 2015 to 2019 the average Gross Profit Margin (GPM) was 99.35%. So from these results, it shows that the Gross Profit Margin (GPM) of Raden The Barber Banda Aceh can be said to be good. Net Profit Margin (NPM). From the results of the calculation of the Net Profit Margin (NPM) fluctuated. The results of the analysis from this study from 2015 to 2019, the average gross profit margin value is 56.78%. So from these results it shows that the Net Profit Margin (NPM) of Raden The Barber Banda Aceh can be said to be good.

Return On Asset (ROA)

From the results of the calculation of Return On Assets (ROA) fluctuated. The results of the analysis of this study show that from 2015 to 2019 the average Return On Assets of Raden The Barber Banda Aceh was 18.26%, which showed good results.

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Quick Ratio (QR)

From the results of the calculation of the Quick Ratio (QR) fluctuated. The results of the analysis of this study show that from 2015 to 2019 the average value of the Quick Ratio of Raden The Barber Banda Aceh is 622.97%, which shows good results.

Current Ratio (CR)

From the results of the calculation of the Current Ratio (CR) fluctuated. The results of the analysis of this study show that from 2015 to 2019 the average value of the Current Ratio of Raden The Barber Banda Aceh is 695.41%, which shows good results.

Solvency Ratio

Debt to Asset Ratio (DAR)

From the results of the calculation of the Debt to Assets Ratio (DAR), the results of the analysis in this study from 2015 to 2019 were 1.45%, which showed good results.

Activity Ratio

Total Asset Turnover (TATO)

From the calculation of Total Asset Turnover (TATO) has increased. For 5 years from 2015 to 2019 the

average total asset turnover (TATO) was 0.32 times, which shows good results.

Receivable Turnover (RTO)

From the calculation of receivable turnover (RTO) fluctuated. The average receivable turnover in 2015 to 2019 was 15.13 times, which shows good results.

Conclusion and Suggestion

Conclusion

1. Based on the calculation of Raden The Barber's financial performance in general, seen from the profitability ratios, liquidity ratios, solvency ratios and activity ratios, the four ratios after being analyzed have increased or decreased so that Raden The Barber Shop must continue to monitor their financial performance.
2. The profitability ratio for 2015-2019 shows that Raden The Barber is good at managing profitability, this is in accordance with the Decree of the Minister of Small and Medium Enterprises Cooperatives of the Republic of Indonesia No. 06/Per/M.KUKM/V/2006, ie <1% to >10%.
 - a. The higher the gross profit margin and the net profit margin, the higher the income or profitability and vice versa. The provision of financial performance to increase company sales must be accompanied by controlling operating expenses.
3. Return on Assets in good condition due to very high net income, where the assets used are few. The liquidity ratio for 2015-2019 shows that Raden The Barber is very good at managing his liquidity, this is in accordance with the Decree of the Minister of Small and Medium Enterprises Cooperatives of the Republic of Indonesia No. 06/Per/M.KUKM/V/2006, which is 125% to 200%.
 - a. Quick Ratio (QR) dapat di katakan dalam kondisi yang baik dikarenakan kewajiban jangka pendek yang dipenuhi aset lancar dapat dibayarkan karena selisih aset lancar dengan persediaan yang tinggi.
 - b. Current Ratio (CR) menunjukkan kewajiban jangka pendek yang dipenuhi aset lancar dapat dibayarkan karena selisih aset lancar dengan persediaan yang tinggi. Sehingga dengan hasil yang berfluktuasi tersebut di katakan Quick Ratio sangat baik.
4. The solvency ratio during 2015-2019 shows that Raden The Barber is good at managing his solvency, this is in accordance with the Decree of the Minister of Small and Medium Enterprises Cooperatives of the Republic of Indonesia No. 06/Per/M.KUKM/V/2006, which is 40%<math>s/d>80\% regarding the company's financial soundness standard.
 - a. Debt to Asset Ratio (DAR) shows long-term liabilities fulfilled by current assets because the difference between current assets and current liabilities is high. So with the fluctuating results, it is said that the Debt to Asset Ratio is very good.
5. The activity ratio during 2015-2019 shows that Raden The Barber is good at managing his activities, this is in accordance with the Decree of the Minister of Small and Medium Enterprises Cooperatives of the Republic of Indonesia No. 06/Per/M.KUKM/V/2006, ie <1% to >10%.
 - a. Receivable turnover can be said to be in good condition or effective when it can increase sales followed by a decrease in average receivables.
 - b. The calculation of total asset turnover is good or effective because the company can use all its assets to generate sales.

Suggestion

1. It is hoped that Raden The Barber Banda Aceh will continue to improve his financial performance, to increase the company's sales it must be accompanied by controlling operating expenses. And maximize in using all its assets to generate or increase sales.
2. It is hoped that this research can be a reference material for further research and in future research can re-test this research by adding other variables not examined in this study. So that it can improve these studies for the future.

Future Agenda

It is hoped that future research can focus on the wider MSME sector, then it must be able to represent the state of MSME business in Aceh Region or even if it has the support and time it is recommended to research the MSME business sector which is more widespread throughout the region of Indonesia.

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