



# Profitability, Solvency, and Liquidity Ratio Analysis of PT Unilever Indonesia Tbk, 2020-2024

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## Abstract

**Purpose:** This study assesses whether PT Unilever Indonesia Tbk maintained a healthy financial condition during the 2020-2024 period by examining its profitability, solvency, and liquidity ratios.

**Methodology:** The study uses a descriptive quantitative method based on secondary data drawn from the company's annual reports for the 2020-2024 period, comparing ratio values year by year to identify trends and draw conclusions about financial health.

**Results:** The findings show that the financial performance of PT Unilever Indonesia Tbk declined over the 2020-2024 period. Net Profit Margin fell from 16.67 percent to 9.59 percent and Return on Assets fell from 34.88 percent to 20.99 percent, while Return on Equity fluctuated but ended higher, at 156.8 percent. The Debt to Equity Ratio rose sharply from 3.16 times to 6.47 times, and the Current Ratio declined from 0.66 times to 0.44 times, remaining below the conventional threshold of 1.0 throughout the period.

**Conclusions:** PT Unilever Indonesia Tbk's financial performance declined over 2020-2024, particularly in profitability, solvency, and liquidity, and the rise in Return on Equity reflects a shrinking equity base rather than genuinely stronger returns, so the company's financial condition is best categorized as unhealthy for this period.

**Limitations:** This study is limited to secondary data available for the 2020-2024 period, restricting the analysis to a five-year window and to the ratios examined here.

**Contributions:** This study offers insight for the company to consider in future financial planning and serves as a reference for investors evaluating stock investment decisions concerning PT Unilever Indonesia.

**Keywords:** Financial Performance, Financial Ratios, Liquidity, Profitability, Solvency

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## 1. Introduction

A company exists to pursue certain objectives, and those objectives are typically framed around how far the company can reach its targets while limiting the financial risks it may face further down the road (Bytyqi, 2020; Coyle-Shapiro, Doden, & Chang, 2019). The purpose of measuring financial performance is, in large part, to show how well a company is actually operating (Herawati, Tan, Lubis, & Hidayat, 2021). Retail and consumer-goods companies in particular tend to face real obstacles in controlling their financial performance, since product diversification itself becomes a

challenge when it comes to spreading out and capturing profitability, given that each product carries a different selling value. Financial performance measurement, in this sense, exists to show how a company can break down its financial reporting across each of its various product lines.

Financial performance is essentially a picture of what a company has achieved. Underlying that picture are rules the company has set for itself, rules that form the foundation for how it begins and carries out its operating procedures. Beyond this, ongoing supervision and control are carried out to capture the results of that performance, results that are commonly referred to as the company's achievements or accomplishments, all expressed in structured, data-driven reports. Every activity a company undertakes is, in effect, a target that must be met. Financial ratio analysis is one of the most widely used tools for translating raw financial statements into a form that can actually answer this question, since ratios standardize otherwise incomparable figures into measures that reveal how efficiently a company generates profit, how heavily it relies on debt, and how comfortably it can meet its short-term obligations ([Irawan, Suherman, & Hidayaty, 2022](#)).

This kind of ratio-based assessment matters more, not less, for a company as large and established as Unilever, precisely because size and brand recognition can make genuine financial weakness harder to spot from the outside. A company whose products remain on supermarket shelves nationwide, and whose brands remain household names, does not automatically communicate whether its underlying profit margins are shrinking, whether it is leaning more heavily on debt to fund operations, or whether it retains enough liquid assets to meet its obligations as they fall due. Financial ratios cut through this surface impression by translating the company's own reported figures into a form that can be tracked consistently from year to year, which is precisely the approach this study adopts. This risk of surface-level impressions masking underlying weakness has parallels in organizational research more broadly, where a company's public reputation or service quality can likewise diverge from its internal operational health unless examined through more granular indicators ([Kant, & Jaiswal, 2017](#); [Sabani, 2021](#)).

PT Unilever Indonesia Tbk is one of the companies operating in the fast-moving consumer goods sector, trading under the stock code UNVR. The company began operating in Indonesia on 5 December 1933, and its head office, known as Graha Unilever, is located in BSD City, Tangerang. Unilever carries a wide range of well-known brands, including Dove, Lifebuoy, Sunlight, Pond's, and Pepsodent, among others.

The company's management produces and markets a broad range of consumer goods across many countries, and Unilever's operations are by no means confined to Indonesia; the group operates in nearly every part of the world. PT Unilever Indonesia has also demonstrably contributed to strengthening the country's economic performance, having channeled support toward education, infrastructure, health, household welfare, and other community facilities. Behind these contributions lies a broad distribution network that helps the company extend its products widely and maintain partnerships with retail outlets ranging from supermarkets to small neighborhood stores. Beyond this, PT Unilever Indonesia Tbk maintains an organizational structure built around several layers of positions, a structure that forms the foundation on which the company pursues the objectives it sets for itself.

Even so, a company's public reputation and market presence do not automatically guarantee sound financial health, and this is precisely the gap this study sets out to examine. Although Unilever's brand recognition and distribution network remain strong, the company's underlying financial ratios over 2020-2024 tell a less reassuring story, one that a purely qualitative account of the company's market position would not by itself reveal. Prior research on Indonesian consumer-goods and retail companies has documented broadly similar patterns of margin compression amid softening consumer purchasing power, yet relatively few studies have traced how profitability, solvency, and liquidity ratios move together, rather than in isolation, across a full five-year window for a single large consumer-goods issuer. The novelty of this study lies in that integrated, multi-year trend view, which makes it possible to see how a declining profitability trend and a rising leverage trend can compound one another over

time in ways that a single-year or single-ratio analysis would miss. Building on this rationale, the purpose of this study is to analyze PT Unilever Indonesia Tbk's profitability, solvency, and liquidity ratios over the 2020-2024 period in order to determine whether the company's financial condition during this period can be classified as healthy or unhealthy.

## 2. Literature Review

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### 2.1 Financial Performance

Financial performance is essentially a picture of what a company has achieved, evaluated against rules and procedures the company itself has established as the foundation for how it operates ([Coyle-Shapiro, Doden, & Chang, 2019](#); [Marcoux, Guihur, & Leclerc, 2021](#)). Ongoing supervision and control are carried out to capture the results of that performance, results that are commonly expressed as structured, data-driven reports ([Herawati, Tan, Lubis, & Hidayat, 2021](#); [Lai, Tang, Lu, Lee, & Lin, 2020](#)). Every activity a company undertakes ultimately represents a target that needs to be met ([Bytyqi, 2020](#); [Manzoor, Wei, & Asif, 2021](#); [Kim, Vandenabeele, Wright, Andersen, Cerase, & Christensen, 2019](#)), and financial ratio analysis remains one of the most widely used tools for translating a company's raw financial statements into indicators that speak directly to that question of target achievement ([Irawan, Suherman, & Hidayaty, 2022](#)).

In the specific context of retail and consumer-goods companies, financial performance measurement carries an added layer of complexity because product diversification itself becomes a variable that must be managed. Since each product line carries a different selling value and margin structure, a company's aggregate financial performance can mask considerable variation at the level of individual product categories, which is why financial reporting needs to be broken down with enough granularity to reveal where profitability is actually being generated or lost. This concern has become more pressing in recent years as Indonesian retail and consumer-goods companies contend with softening consumer purchasing power and rising competition from both domestic and imported alternatives, making comprehensive performance measurement increasingly important for sustaining organizational competitiveness and long-term performance ([Kim, & Lee, 2021](#); [Herawati et al., 2021](#)).

### 2.2 Financial Ratio Analysis

Financial ratios are calculations that compare figures drawn from a company's financial statements in order to evaluate liquidity, solvency, profitability, and operational efficiency. Analysts, investors, and managers rely on these ratios because they translate otherwise incomparable raw figures, revenue, assets, liabilities, and equity, into standardized measures that can be tracked over time and benchmarked against industry peers ([Irawan, Suherman, & Hidayaty, 2022](#)). Comparable emphasis on structured, comparable metrics appears throughout organizational performance research more broadly, where consistent measurement is likewise treated as a precondition for meaningful evaluation over time ([Franke, & Sarstedt, 2019](#); [Andersen, & Nielsen, 2020](#)). This translation of raw figures into standardized, trackable measures mirrors similar practices in human resource and public-sector performance evaluation, where structured metrics are likewise used to render otherwise incomparable outcomes assessable over time ([Van, & De, 2020](#); [Bouwman, Nikou, & de Reuver, 2019](#); [Effendi, Sugandini, & Istanto, 2020](#)).

Profitability ratios measure a company's ability to generate earnings relative to its revenue, assets, and equity, with Net Profit Margin, Return on Assets, and Return on Equity among the most commonly used indicators. Solvency ratios, meanwhile, assess a company's capacity to sustain its operations over the long term by examining how heavily its assets and capital structure depend on debt, typically through the Debt to Asset Ratio and the Debt to Equity Ratio. Liquidity ratios, represented here through the Current Ratio, evaluate a company's ability to meet its short-term obligations using its short-term assets. Contemporary treatments of financial ratio analysis emphasize that no single ratio should be read in isolation; rather, analysts are expected to track combinations of ratios over time to identify trends, benchmark performance against peers, and flag emerging risks before they become

acute ([Kolk, van der Meer-Kooistra, & Widener, 2022](#)). This caution against single-indicator interpretation echoes similar findings in human resource and service-quality research, where isolated metrics have likewise been shown to mislead when considered apart from the broader organizational context in which they arise ([Chen, Ding, & Li, 2022](#); [Cesario, & Chambel, 2017](#)).

A substantial body of research has examined the relationship among these three ratio categories and overall financial performance across a range of industries and settings. Evidence from Indonesian manufacturing and consumer-goods companies indicates that liquidity, solvency, and activity ratios often show only modest year-to-year shifts, whereas profitability ratios, particularly Return on Assets and Return on Equity, tend to register the sharpest and most economically meaningful changes when a company's underlying business conditions shift ([Irawan et al., 2022](#)). Comparable findings from the telecommunications sector show that profitability ratios carry a stronger and more consistent relationship with stock returns than either liquidity or solvency ratios considered on their own, underscoring the particular weight profitability tends to carry in how outside stakeholders judge a company's financial condition ([Bedford, 2020](#)).

Beyond these Indonesian-specific findings, financial ratio analysis has a long track record as a diagnostic and predictive tool internationally. Ratios such as the Current Ratio and Debt to Equity Ratio have historically been used not only to describe a company's present condition but also to anticipate financial distress well before it becomes acute, since deteriorating liquidity and rising leverage often precede more visible signs of trouble such as missed payments or credit downgrades. Analysts, lenders, and investors alike rely on financial ratios precisely because raw financial statement figures, taken on their own, say little about a company's underlying health without some reference point for comparison, whether that reference point is the company's own historical performance, an industry benchmark, or a peer group of similar firms ([Kolk et al., 2022](#)). This comparative function is part of why a multi-year trend analysis, of the kind undertaken in this study, tends to offer more diagnostic value than a single-year snapshot, since a single year's ratios cannot by themselves distinguish a temporary fluctuation from the beginning of a sustained deterioration. This distinction between transient variation and genuine trend is a recurring theme in performance-measurement research generally, whether the outcome in question is financial, operational, or human-resource related ([Sitzmann, & Weinhardt, 2019](#); [Yimam, 2022](#); [Diamantidis, & Chatzoglou, 2019](#)). This diagnostic use of financial ratios parallels how trust and credit-history indicators function in informal lending relationships, where accumulated signals are similarly used to anticipate risk before it becomes acute ([Wang, 2021](#); [Mishra, Walsh, & Srivastava, 2021](#); [Fafchamps, 2020](#)).

### ***2.3 Profitability, Solvency, and Liquidity in Combination***

Although profitability, solvency, and liquidity are conventionally treated as distinct ratio categories, a growing body of research argues that they need to be interpreted jointly rather than separately, since a shift in one category frequently has knock-on consequences for the others. A company experiencing declining profitability, for instance, often finds itself drawing more heavily on debt to sustain operations, a pattern that simultaneously weakens its solvency position; if that debt is short-term in nature, the same dynamic can erode liquidity as well.

This interdependence has been documented across a range of Indonesian corporate settings. Research on liquidity, solvency, and profitability jointly finds that an unbalanced debt structure tends to undercut a company's financial performance even where profitability metrics considered in isolation might look acceptable, underscoring those metrics need to be balanced against one another rather than optimized independently. Comparable research on manufacturing companies listed on the Indonesia Stock Exchange similarly finds that liquidity and profitability jointly, rather than either alone, best explain the risk of financial distress a company faces. Within the specific context of a large, brand-heavy consumer-goods company such as Unilever, this interdependence takes on particular significance, since the company's reputation and distribution strength could otherwise mask a deteriorating underlying financial position from casual observers who focus only on brand visibility rather than on the ratios themselves. A comparable balancing logic appears in research on employee

performance, where outcomes are rarely driven by a single factor in isolation but instead emerge from the interaction of multiple organizational conditions considered together ([Riyanto, Endri, & Herlisha, 2021](#); [Maryani, Entang, & Tukiran, 2021](#); [Sina, & Sunarsi, 2021](#)).

This joint reading of profitability, solvency, and liquidity also has implications for how quickly a deteriorating trend can compound. A company whose profitability weakens gradually may still appear financially stable for several years if its solvency and liquidity positions start from a comfortable base, since a temporary dip in earnings does not necessarily translate into an immediate liquidity crunch. Over a longer horizon, however, sustained profitability weakness tends to erode the equity and cash buffers that previously kept solvency and liquidity ratios comfortable, at which point deterioration in one ratio category can accelerate deterioration in the others. This dynamic is one reason multi-year trend analysis, rather than single-year snapshots, is generally recommended when assessing whether a company's financial position is merely fluctuating or genuinely worsening over time ([Kolk, van der Meer-Kooistra, & Widener, 2022](#)). This buffered relationship between short-term fluctuation and longer-term consequence has parallels in social capital and network research, which finds that accumulated relational or financial reserves can delay, though not indefinitely prevent, the effects of a deteriorating underlying trend ([Dubey, Gunasekaran, Childe, Roubaud, & Foropon, 2019](#); [Younis, & Sundarakani, 2020](#)).

#### **2.4 Company Profile: PT Unilever Indonesia Tbk**

PT Unilever Indonesia Tbk is a company operating in the fast-moving consumer goods sector, trading under the stock code UNVR. The company began operating in Indonesia on 5 December 1933 and maintains its head office, known as Graha Unilever, in BSD City, Tangerang. Unilever's portfolio includes a wide range of well-known brands, among them Dove, Lifebuoy, Sunlight, Pond's, and Pepsodent.

The company's management produces and markets consumer goods across many countries, and its operations extend well beyond Indonesia to encompass nearly every region of the world. PT Unilever Indonesia has also demonstrably supported the country's broader economic performance, channeling assistance toward education, infrastructure, health, household welfare, and related community facilities. Behind these contributions lies an extensive distribution network that allows the company to reach consumers through retail partnerships ranging from large supermarkets to small neighborhood stores. The company additionally maintains a layered organizational structure that supports its operational objectives, a structure illustrated in Figure 1. Coordinating operations across such a wide geographic footprint places considerable demands on internal governance and reporting structures, a challenge documented in research on large organizations managing complex, multi-country resource allocation ([Boselie, & Veld, 2021](#); [Turner, Prasajo, & Sumarwono, 2022](#)). Layered organizational structures of this kind have been shown to shape how effectively strategic decisions, including financial ones, are communicated and implemented across an organization, since responsibility for executing a turnaround strategy typically rests with multiple levels of management rather than any single decision-maker ([Noe, Clarke, & Klein, 2014](#); [Curado, & Santos, 2022](#)).

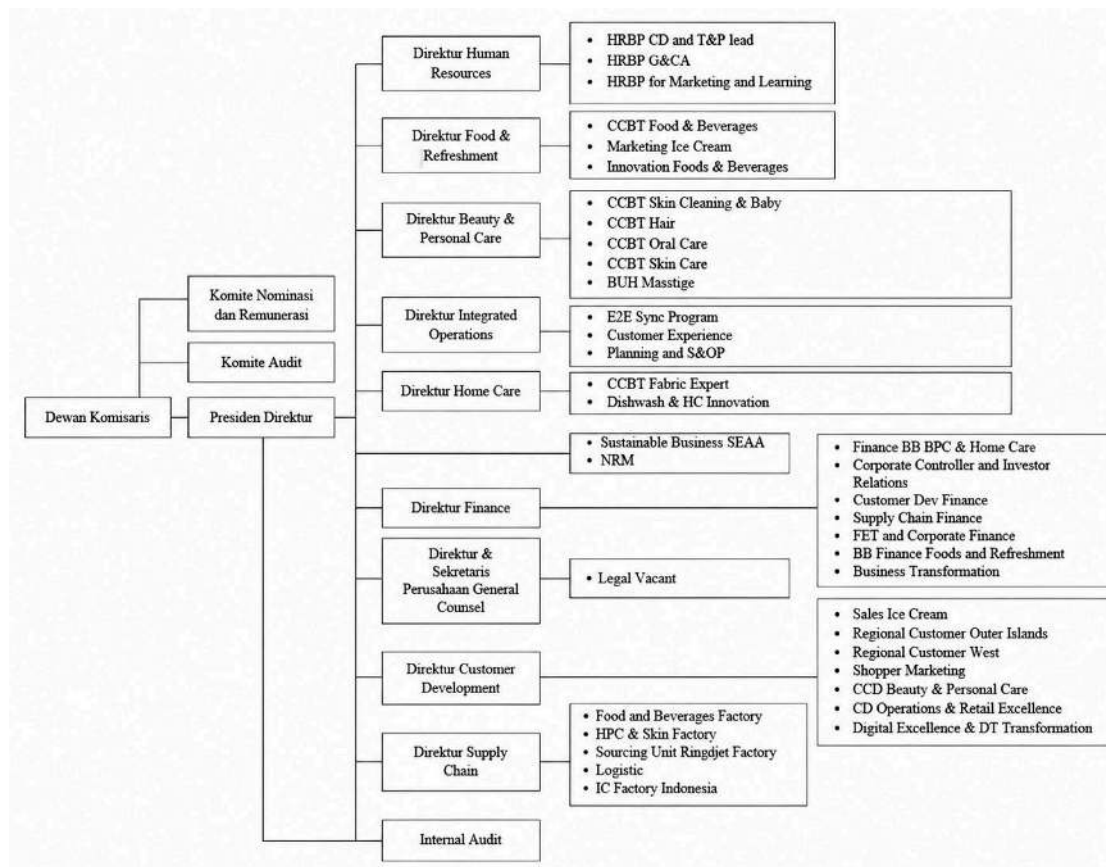


Figure 1. Organizational structure of PT Unilever Indonesia Tbk

Figure 1 shows the layered management hierarchy through which PT Unilever Indonesia Tbk organizes its operations, spanning executive leadership down through divisional and functional management roles. This structure provides the administrative foundation through which the financial planning, budgeting, and reporting activities examined in this study are carried out, and it is the same structure through which any corrective strategy arising from the ratio analysis in Section 4 would need to be implemented.

### 3. Research Methodology

This study uses a descriptive quantitative method. The descriptive quantitative approach is used to analyze PT Unilever Indonesia's financial performance and financial statement ratios, with the aim of determining whether the company's financial ratios are healthy or unhealthy. The research proceeds by comparing variables across the study period and drawing a definitive conclusion from that comparison (Sari, Rachman, Astuti, Afgani, & Abdullah, 2022).

The research was conducted on 15 June 2026 at Universitas Muhammadiyah Makassar, drawing on annual report data accessed through PT Unilever Indonesia Tbk's official website. This data was subsequently processed and compared to assess the health of the company's financial performance across the 2020-2024 period. The data used in this study is secondary data consisting of the numerical financial figures contained in the company's financial statements, sourced from PT Unilever Indonesia Tbk's Annual Report for the 2020 to 2024 period, obtained from the company's official investor relations website. Data collection relied on documentation, meaning the secondary annual report data for PT Unilever Indonesia Tbk across the 2020 to 2024 period was systematically compiled for subsequent analysis.

The focus of this research centers on financial ratio indicators grouped into three categories. Profitability ratios, used to measure the company's ability to generate profit, are represented here by Net Profit Margin, Return on Assets, and Return on Equity. Solvency ratios, used to measure the company's ability to meet its long-term obligations, are represented by the Debt to Asset Ratio and the Debt to Equity Ratio. Liquidity ratios, used to measure the company's ability to meet its short-term obligations, are represented by the Current Ratio.

Data analysis proceeded through four stages. The first stage involved collecting secondary data, namely PT Unilever Indonesia's financial statements for the 2020-2024 period. The second stage involved calculating the financial ratios described above for profitability, solvency, and liquidity. The third stage involved a five-year trend analysis, comparing the development of the company's financial ratios from year to year to identify patterns of increase, decrease, or fluctuation. The fourth and final stage involved interpreting the ratio results and drawing conclusions regarding the company's financial performance over the study period, supported by a comparative examination of tables and charts spanning 2020 to 2024.

Each variable examined in this study was operationalized through a specific measurement approach, summarized in Table 1. Net Profit Margin is a profitability ratio used to calculate a company's ability to generate net profit from each unit of sales revenue. Return on Assets is a profitability ratio used to measure a company's ability to generate profit from its total assets, while Return on Equity measures the company's ability to generate net profit relative to shareholders' capital or equity. The Debt to Assets Ratio is a solvency ratio indicating how much of a company's total assets are financed through debt, while the Debt to Equity Ratio measures the proportion of total debt relative to total company equity. Finally, the Current Ratio is a liquidity ratio that measures a company's ability to meet its short-term obligations using its current assets.

Choosing a five-year window for this analysis reflects a deliberate methodological trade-off. A shorter window risks mistaking ordinary year-to-year fluctuation for a genuine trend, while a substantially longer window would extend beyond the most recent, and arguably most decision-relevant, period for current investors and company management. Five years is long enough to distinguish a sustained trend from a single anomalous year, while remaining short enough that the underlying business conditions, competitive environment, and reporting standards can reasonably be assumed to be broadly comparable across the period, an assumption that becomes harder to sustain over longer horizons spanning a decade or more.

Table 1. Variable measurement

| Variable      | Indicator     | Measurement    |
|---------------|---------------|----------------|
| Profitability | NPM, ROA, ROE | Percentage (%) |
| Solvency      | DAR, DER      | Ratio (x)      |
| Liquidity     | CR            | Ratio (x)      |

Table 1 shows the three ratio categories examined in this study together with the specific indicators and measurement units used for each. Profitability is captured through Net Profit Margin, Return on Assets, and Return on Equity, each expressed as a percentage; solvency is captured through the Debt to Asset Ratio and the Debt to Equity Ratio, each expressed as a multiple; and liquidity is captured through the Current Ratio, also expressed as a multiple. This operational structure provides the basis for the ratio calculations reported in Section 4.

## 4. Results and Discussions

### 4.1 Result

Annual data for PT Unilever Indonesia Tbk were obtained from the company's annual reports, accessed through its official website. All figures reported in the tables that follow are stated in billions of Indonesian rupiah.

Table 2. Financial ratio trend of PT Unilever Indonesia Tbk, 2020-2024

| Year               | NPM (%)  | ROA (%)   | ROE (%)   | DAR (x) | DER (x) | CR (x) |
|--------------------|----------|-----------|-----------|---------|---------|--------|
| 2020               | 16.67    | 34.88     | 145.1     | 0.76    | 3.16    | 0.66   |
| 2021               | 14.57    | 30.19     | 133.2     | 0.77    | 3.41    | 0.61   |
| 2022               | 13.01    | 29.29     | 134.2     | 0.78    | 3.58    | 0.60   |
| 2023               | 12.43    | 28.79     | 142.0     | 0.80    | 3.93    | 0.55   |
| 2024               | 9.59     | 20.99     | 156.8     | 0.87    | 6.47    | 0.44   |
| Change (2020-2024) | -7.08 pp | -13.89 pp | +11.70 pp | +0.11x  | +3.31x  | -0.22x |
| Average            | 13.25    | 28.83     | 142.26    | 0.80    | 4.11    | 0.57   |

Table 2 consolidates the year-by-year ratio calculations reported in the subsections above into a single five-year trend view. Reading across the profitability columns, Net Profit Margin and Return on Assets both decline steadily from 2020 to 2024, while Return on Equity fluctuates before ending higher than it began. Reading across the solvency columns, both the Debt to Asset Ratio and the Debt to Equity Ratio rise across the period, with the Debt to Equity Ratio increasing especially sharply in 2024. The liquidity column shows the Current Ratio falling in every year of the period and remaining below 1.0 throughout, meaning current assets never fully covered current liabilities at any point in the five years under review. Presented this way, the table makes visible a pattern that would be difficult to detect from any single year's figures alone: profitability weakening, leverage rising, and liquidity tightening within the same five-year window.

#### 4.2 Profitability Ratios

Net Profit Margin fell steadily across the five-year period, from 16.67 percent in 2020 to 9.59 percent in 2024, a decline of 7.08 percentage points that points to a meaningful weakening in the company's ability to convert sales into profit. This decline was driven by falling sales alongside an even steeper decline in net profit, compounded by rising liabilities and shrinking equity, conditions that together placed increasing financial pressure on the company's earnings capacity. Addressing this trend would likely require the company to focus on product efficiency, sales growth, and a stronger financial structure going forward. Beyond these general directions, two more specific strategies could plausibly help: first, expanding from a pure brand-seller model toward a broader platform ecosystem, in which Unilever moves beyond household-goods manufacturing to invest in digital lifestyle applications, consumer tracking tools, consumer education content, product recommendation systems, and direct online purchasing channels; and second, developing integrated retail-manufacturing hubs, combining environmentally friendly production facilities, centralized inventory, and supermarket-style retail supported by automated display and travel systems, an approach intended to reduce distribution costs and thereby support a stronger Net Profit Margin over time.

Return on Assets followed a similar downward path, falling from 34.88 percent in 2020 to 20.99 percent in 2024, indicating that the company's assets were generating less profit each year, a pattern consistent with weakening operational efficiency rather than a one-off shock. This decline in Return on Assets can be traced to the same weakening profitability already visible in the Net Profit Margin trend, compounded by operating costs that continued to rise even as net sales fell. The company's assets are, in effect, no longer generating profit as efficiently as before, a pattern that also affects the return generated on invested assets and, by extension, the attractiveness of those assets as an investment. Left unaddressed, this trend risks eroding investor confidence in the company over time. Two responses seem particularly relevant here: optimizing underused assets, whether through disposal or reinvestment, so that unproductive assets are not simply left idle, and pursuing profit growth directly by controlling operating costs and prioritizing higher-margin product lines.

Return on Equity, in contrast, moved erratically across the period, declining from 145.1 percent in 2020 to a low of 133.2 percent in 2021 before climbing back up to 156.8 percent by 2024. This apparent improvement in Return on Equity should be read with caution: it reflects a rapidly shrinking equity base at least as much as it reflects any genuine strengthening of net profit, since Return on Equity mechanically rises whenever the denominator, shareholders' equity, falls faster than the

numerator, net profit, declines. The fluctuation itself stems from an unstable combination of declining net profit and continuously shrinking equity year over year, so that changes in these two components do not settle into any single, consistent pattern. Left unmanaged, this volatility carries its own risks, including growing uncertainty about the company's underlying performance, weakening investor confidence, heightened financial risk, and management decisions that may be made on a less solid footing than the headline Return on Equity figure would suggest. Addressing this would call for a sharper focus on profitability itself, discontinuing low-margin product lines in favor of raising profit rather than chasing revenue alone, alongside a renewed marketing strategy, including brand repositioning and stronger investment in digital marketing.

#### **4.3 Solvency Ratios**

The Debt to Asset Ratio rose steadily across the five-year period, from 0.76 times in 2020 to 0.87 times in 2024, an average annual increase of roughly 3.48 percent, indicating that an increasing share of the company's assets was being financed through debt rather than equity or retained earnings. This is not a healthy pattern, since it points to declining assets, declining profit, and rising debt occurring together, conditions that leave the company increasingly dependent on debt for its financing needs. As financial risk increases under these conditions, assets financed continuously by debt make the company more vulnerable to broader economic pressure, a vulnerability that would be felt especially strongly if revenue were to decline further, since the company would then struggle to meet its obligations; in addition, whatever modest profit remains would largely be absorbed by debt repayment rather than reinvestment. In response, the company could reduce its dependence on debt while strengthening equity, aiming to boost internal funding and slow the rise in its debt ratio, alongside maintaining a consistent strategy for improving profitability; a debt swap, converting company debt into equity, is one further option worth considering.

The Debt to Equity Ratio showed an even more pronounced upward trend, climbing from 3.16 times in 2020 to 3.41 times in 2021, 3.58 times in 2022, and 3.93 times in 2023, before jumping sharply to 6.47 times in 2024. This sharp final-year increase reflects the compounding effect of a shrinking equity base combined with liabilities that, while themselves declining slightly in absolute terms in some years, fell far more slowly than equity did, so that the ratio of debt to equity rose even in years when total debt did not. As company leverage rises gradually in this fashion, the company's capital becomes increasingly shaped by debt, and greater dependence on debt in turn affects the broader financial cycle the company operates within. A combined strategy addressing cash position, profit growth, and equity strength together would seem most appropriate here, for instance financing operational costs from profit rather than from additional debt, reducing excess stock and inventory while tightening production control, and cutting non-essential fixed costs.

#### **4.4 Discussion**

Taken together, the trends reported in Section 4.1 point to a broadly consistent and mutually reinforcing pattern of financial deterioration at PT Unilever Indonesia Tbk over the 2020-2024 period, a pattern that becomes clearer when the three ratio categories are read jointly rather than in isolation. Declining profitability, evidenced by falling Net Profit Margin and Return on Assets, appears to have pushed the company toward greater reliance on debt financing, reflected in the steadily rising Debt to Asset Ratio and the sharply rising Debt to Equity Ratio, while a persistently sub-1.0 Current Ratio throughout the period indicates that this growing reliance on debt was not accompanied by a corresponding strengthening of short-term liquidity. This mutually reinforcing pattern is consistent with research finding that an unbalanced debt structure tends to undercut financial performance even where individual profitability metrics might look acceptable in isolation, and that liquidity and solvency need to be read together with profitability rather than as independent, freestanding indicators ([Kolk & Widener, 2022](#)).

The pattern observed in Return on Equity deserves particular attention because it illustrates a common interpretive trap in ratio analysis. Read on its own, a Return on Equity that climbs from 133.2 percent in 2021 to 156.8 percent in 2024 might appear to signal improving shareholder returns. Read

alongside the sharp contraction in the company's equity base over the same period, however, the increase looks considerably less reassuring, since it is arithmetically consistent with a company whose absolute profit is falling but whose equity is shrinking even faster. This finding echoes broader guidance in the financial-ratio literature cautioning that ratios expressed relative to a shrinking denominator can send a misleadingly positive signal unless examined alongside the absolute values driving them ([Irawan, Suherman, & Hidayaty, 2022](#)).

The steep rise in the Debt to Equity Ratio, and to a lesser extent the Debt to Asset Ratio, signals a company increasingly dependent on debt financing relative to its own capital base. This pattern is consistent with broader evidence on Indonesian consumer-goods and retail companies navigating softer consumer purchasing power, which similarly finds that companies facing margin pressure often turn to debt financing to sustain operations, a strategy that can provide short-term breathing room but tends to compound financial risk over a multi-year horizon if profitability does not simultaneously recover. The scale of the increase observed here, particularly the jump in the Debt to Equity Ratio from 3.93 times in 2023 to 6.47 times in 2024, suggests that this dynamic accelerated meaningfully in the final year of the study period, likely reflecting the compounding effect of continued equity erosion layered on top of already-elevated debt levels.

The persistently low Current Ratio observed throughout the study period is consistent with evidence that liquidity constraints often accompany, and can themselves be a consequence of, declining profitability and rising leverage, since a company channeling an increasing share of its incoming cash toward servicing debt has correspondingly less capacity to build up the current assets needed to comfortably cover current liabilities ([Bedford, 2020](#)). For PT Unilever Indonesia Tbk specifically, this suggests that the liquidity shortfall observed here is unlikely to resolve on its own without a deliberate strategy to rebuild current assets, restructure short-term liabilities, or both.

Considered together, these findings carry a clear practical implication for the company. Reversing the pattern documented here would likely require action on more than one front simultaneously, since improving profitability alone, without also addressing the underlying debt structure, would only partially resolve the deterioration described above. Sharpening sales efficiency and shifting toward higher-margin products could help arrest the profitability decline, but the substantial reliance on debt observed by 2024 suggests that a parallel effort to strengthen equity, whether through retained earnings, reduced dividend distributions, or other means of capital reinforcement, would likely be needed for the company's financial position to genuinely stabilize rather than merely appear to improve through the arithmetic of a shrinking equity base. Comparable Indonesian consumer-goods research on the relationship between company size, leverage, and profitability similarly finds that highly leveraged companies face a narrower path back to financial health, since a larger share of any operational improvement is absorbed by debt-servicing costs before it reaches the bottom line. This kind of structural constraint on how quickly a company can recover has parallels in workforce-development research, where training and capability-building investments likewise yield proportionally smaller returns for organizations already stretched thin by existing obligations ([Bhatti, Soomro, & Shah, 2021](#)), a constraint that similarly applies to digital and administrative capacity building more broadly ([Fernanda & Nav, 2020](#)).

These findings should also be read against the broader competitive and macroeconomic backdrop facing Indonesian retail and consumer-goods companies over this period, including softening consumer purchasing power and intensifying competition, both domestic and international, for market share in everyday consumer categories. Viewed in this light, the deterioration documented here for PT Unilever Indonesia Tbk is unlikely to be an isolated, company-specific anomaly; it more plausibly reflects a broader set of pressures facing large, established consumer-goods companies operating in a market where private-label and smaller domestic competitors have grown increasingly price-competitive.

Finally, it is worth emphasizing what this five-year trend analysis adds beyond what any single annual report could show on its own. Each individual annual report for PT Unilever Indonesia Tbk presents a snapshot that, viewed alone, might not appear especially alarming; a modest year-on-year decline in

Net Profit Margin, for instance, could plausibly be dismissed as ordinary business fluctuation. It is only when the five years are placed side by side, as done in Table 2, that the cumulative scale of the decline, and its consistency across profitability, solvency, and liquidity simultaneously, becomes clear. This is the core methodological argument for trend-based ratio analysis over single-period assessment, and it is the argument this study has sought to demonstrate concretely through the case of PT Unilever Indonesia Tbk.

#### **4.5 Liquidity Ratio**

The Current Ratio declined steadily across the five-year period, from 0.66 times in 2020 to 0.44 times in 2024, a decline of roughly 33 percent. Every year in the study period recorded a Current Ratio below the conventional benchmark of 1.0, indicating that the company's current assets were insufficient to cover its current liabilities throughout the entire period under review, a persistent rather than episodic shortfall. Current assets fell continuously over the period even as current liabilities climbed, a pattern reinforced by the declining Net Profit Margin and net profit already described above. As current assets continue to shrink relative to current liabilities, the company's capacity to cover its obligations weakens further each year, raising the possibility of short-term repayment risk. Two responses seem particularly relevant here: accelerating cash inflow by strengthening operational cash generation while reducing short-term debt, and improving inventory efficiency through just-in-time practices that avoid excess stock accumulation, ensuring goods are distributed promptly and thereby also supporting a stronger Net Profit Margin.

### **5. Conclusions**

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Based on the financial ratio analysis conducted in this study, examined across the indicators of profitability, solvency, and liquidity, PT Unilever Indonesia Tbk's financial performance shows a significant decline in profitability and liquidity over the 2020-2024 period, even as its solvency ratios exhibited a somewhat more fluctuating pattern before ultimately deteriorating sharply by the end of the period. The liquidity ratio reflects the company's ability to meet its short-term obligations, the solvency ratio reflects the level of long-term debt risk the company carries, and the profitability ratio reflects the company's ability to generate profit. Taken together, these indicators suggest that the company can generally be categorized as being in an unhealthy financial condition, given the significant decline observed across several of its financial ratio indicators. Even so, the company retains the possibility of improving its position in future periods, and the findings presented here may serve as a useful benchmark for investors weighing future investment decisions. This possibility of recovery is consistent with broader organizational research showing that even companies facing multiple simultaneous performance pressures can improve when corrective strategies are paired with sustained follow-through, echoing similar dynamics observed in employee-level and public-sector performance turnaround research.

This conclusion rests on a specific, integrated reading of the six ratios examined here, rather than on any single indicator taken in isolation. A reader focused solely on Return on Equity, for instance, might reasonably conclude that Unilever's shareholder returns strengthened over the period, given the rise from 133.2 percent in 2021 to 156.8 percent in 2024. It is only by placing that figure alongside the parallel decline in Net Profit Margin, Return on Assets, and the Current Ratio, together with the sharp rise in the Debt to Equity Ratio, that the more troubling underlying picture becomes visible: a company generating less profit from a shrinking capital base, increasingly dependent on debt, and persistently unable to cover its short-term obligations from its current assets alone. This integrated reading is precisely the contribution this study set out to make, and it underscores why multi-ratio, multi-year analysis remains indispensable even for companies whose brand strength and market presence might otherwise suggest financial stability.

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## Author Contributions

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MAA conceived the research problem, collected and analyzed the financial data, and drafted the manuscript. WOR supervised the research process, contributed to the literature review, and reviewed and edited the final manuscript.

## Conflict of Interest

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The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

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