



Analysis of Profitability Ratio to Business Risk at Toko Sunrises After Pandemic Covid-19

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Abstract

This study aims to determine the profitability risk at Sunrises Stores based on the ratio of profitability to sales value after the covid 19 pandemic. The research method used in this research is the mixed method. The data analysis technique used is explanatory *sequential mixed methods*, namely the combination method data analysis technique is carried out in two stages. The first stage was carried out qualitatively using data analysis carried out at the time the data collection took place. The second stage of data analysis was carried out quantitatively, namely the process of analyzing the data using descriptive statistics, which was carried out to find the strength of the relationship between variables to understand the phenomenon of what was experienced holistically, and using descriptions in the form of words and language, in a context. specifically, to provide solutions or input for problems that are appropriate and related to the problem. The results of the research are Sunrises Shop, the risk of profitability is quite fluctuating from 2019-2021 which experienced ups and downs in sales value by Sunrises Shop owners during the post-covid-19 pandemic, but with good sales management so it can provide good results on profitability ratios with a GPM value in 2021 of 0.14 from the previous year's GPM value of 0.09

Keywords: Profitability Rasio, Profitability of Sunrice Store, Business Risk Analysis

Introduction

The real thing from economic growth due to the globalization of the world economy is the increasing need for capital companies and this need requires a more complex capital structure. One of the breakthroughs made by business people is informal capital participation, namely the development of the *profitability* of a business. The current economic position has also been greatly affected due to the COVID-19 virus pandemic, which has been increasing in number in Indonesia since February 2020.

Many economic activities have stopped all over the world, and this impact has been felt in Indonesia, both large companies and start-ups, as well as companies with a stockist business model.

Currently, the outbreak of a virus called COVID-19 has disrupted the global economy (McKibbin & Fernando, 2020) and has had an impact on Indonesia which has affected the economic sector. The COVID-19 pandemic has an impact on the threat of a major economic crisis marked by the cessation of activities production in various countries, declining levels of public consumption, loss of consumer confidence, and a crash in the stock market which ultimately leads to uncertainty. The COVID-19 pandemic situation provides challenges and opportunities for the Government of Indonesia to maintain the existence of community businesses.

Therefore, there is a need for a short-term solution for SMEs and workers who are members of it. Sunrises Store is one of the businesses engaged in wholesale which is located at Tabongo Barat Village, Tabongo District, Gorontalo Regency. To run a post-pandemic business like this, risk management is needed to achieve its goals.

This condition is indeed different when compared to large companies because in terms of information resources and human resources, these businesses still have weaknesses, namely limited information regarding knowledge in dealing with a pandemic when connected to *Profitability* before and after Covid-19. Risk management is an attempt to find out, analyze, and control risk to obtain high effectiveness and efficiency for every activity in a company (Darmawi, 2016). Risk management will assist business owners in identifying risks that can occur when running their business so that they can remain competitive, especially during the current COVID-19 pandemic. The implementation of well-managed risk management can contribute.

Based on initial observations made at the Sunrises Store Business, several risks affect business profitability, namely, the first is the risk of purchasing where the presence of the Covid-19 pandemic has a significant effect on purchasing activities in 2020 which causes a lack of purchasing stock of goods due to the availability of previous stock of goods, which second is the risk of price fluctuations caused by the covid-19 pandemic so that supply is not elastic and causes a lack of demand from customers, the third is the risk of profit arising due to purchase risk and risk of

fluctuation so that the potential benefits generated have a very drastic reduction during a pandemic.

In addition, some risks also affect business profitability after the COVID-19 pandemic, namely technical risks and risks, where the Sunrises Shop business experiences termination of employment with third parties who are also large customers to market merchandise.

Therefore this business needs a more in-depth analysis related to profitability risk, while the profitability ratio used for that is first Gross Profit Margin this ratio shows the relative value of gross profit to sales value, the second profitability ratio is Net Profit Margin this margin measures the level of profit that can be achieved by a business in connection with sales, the third profitability ratio is Return On Assets this ratio shows the return on the total assets used by the business, the last profitability ratio is Return On Equity to measure net profit after tax with own capital.

It can be seen that there is a significant difference in sales at the Sunrises Store between 2019 - 2021, where at the beginning of 2019 sales were Rp. 1,130. 949,864 assets at the Sunrises' Store are still in normal condition so a large amount of income is earned. In 2020, sales decreased by Rp. 613,116,974 of the total sales of Rp. 1. 130,189,864 in 2019 compared to 2020. This is because the implementation of activity restrictions is still in effect, but in 2021 the government has been intensively carrying out COVID-19 vaccinations so that activities can still be carried out, and this of course has a positive impact on sales in stores Sunrises. It can be seen at the beginning of 2021 that the turnover has reached Rp. 844,749,464, if the Sunrises Store succeeds in maintaining its sales target, it is certain that sales turnover at the end of 2022 will increase compared to 2020 and 2021. This is because the imposition of restrictions on community activities is no longer as strict as in previous years so sales activity continues.

Financial Management

Management has been defined in many ways "*Finance can be defined as the science and art of managing money*" means "Finance can be defined as the art and science of managing money". From this definition, it can be developed that finance as an art means involving expertise and experience, while as a science means involving principles, concepts, theories, proportions, and models that exist in science finance (Rosita & Nilasari, 2022).

Financial Management can be interpreted as good fund management related to allocating funds in various forms of investment effectively as well as collecting efforts to finance investment or learning efficiently (Sartono, 2015).

Financial management is one of the management functions of all company activities related to the activities of obtaining sources of funds, using funds, and managing assets to achieve company goals, in other words, financial management is

the art and science of managing company funds, both obtaining funds and allocating company funds (Musthafa, 2017).

Profitability

Ratios Profitability ratios are ratios used to measure a company's efficiency in utilizing assets and managing its operations. Profitability ratios are a group of ratios that show the combined effect of liquidity, asset management, and debt on operating results. This ratio is also used to determine the company's ability to generate profits (Riyanto, 2018).

The profitability ratio is a ratio to assesses the company's ability to make a profit. This ratio also provides a measure of the effectiveness of a company's management. This is indicated by the profit generated from sales and investment income (Kasmir, 2017).

Based on some of the definitions above, it can be concluded that the profitability ratio is the ratio used to assess a company's ability to earn profits at the level of sales, assets, and capital.

Business

Risk is a hazard, result or consequence that may occur as a result of an ongoing or future process. Risk can be interpreted as a state of uncertainty, where if an unwanted condition occurs it can result in a loss (Sutrisno, 2017).

Risk is a situation where the possibility of loss or harm can be predicted in advance by using reliable or relevant data or information available. Risk has two meanings, namely:

- a. Business risk, is the risk of not being able to pay the company's operating costs.
- b. Financial risk, is the risk of not being able to pay maturing fixed obligations associated with debt, leasing, and preferred stock financing.

Financial

Risk is an uncertainty experienced by a company as a result of ongoing business activities (Dewi, 2019). If the company is unable to overcome the various risks that exist, the company will certainly experience bankruptcy risk. Risk is the possibility of a loss, or the variability of income associated with certain assets [10]. In general, everything has a risk, but the size of the risk depends on the results we expect, the greater the results to be obtained, the greater the risk that must be faced, therefore the success or failure of the risk is faced depending on how we manage existing risks to generate profitable opportunities.

Business

Risk Business risk can be interpreted as uncertainty in the estimated profit or loss of the company's operations in the future. The company's business risk affects the survival of the company and where the company is able to pay its debts.

Companies that have high business risk tend to be less able to use large amounts of debt in corporate funding because they avoid non-payment of debt in the future.

Business risk is a risk for the company because it cannot cover its operational costs. In general, the greater the company's operating leverage, the use of fixed operating costs, the higher the business risk (Gitman, 2015).

Methods

The research method used in this study is the mix methods method. The data analysis technique used is explanatory *sequential mixed methods*, namely the combination method data analysis technique is carried out in two stages. The first stage was carried out qualitatively with the Miles and Huberman model, namely data analysis was carried out when data collection took place and was carried out interactively by Huberman by means of data reduction, data display and conclusions or verification (Sugiyono, 2017).

While the second stage of data analysis was carried out quantitatively, namely the process of analyzing the data using descriptive statistics, namely statistics used to analyze data by describing or describing the data that has been collected (Sugiyono, 2017). In statistical analysis *descriptive* is also carried out to find the strength of the relationship between variables. The quantitative data obtained will be calculated using this ratio analysis technique used to measure or assess the effectiveness of business working capital over a certain period. This means how much the company's working capital rotates in a certain period or in a period.

The profitability ratios used in this study are as follows:

1) *Gross Profit Margin (GPM)*

$$\mathbf{GPM} = \frac{\mathbf{Sales - HPP}}{\mathbf{Sales}}$$

2) *Net Profit Margin (NPM)*

$$\mathbf{NPM} = \frac{\mathbf{Net Profit}}{\mathbf{Berth Sales}}$$

3) *Return On Assets (ROA)*

$$\mathbf{ROA} = \frac{\mathbf{Net Income}}{\mathbf{Total Assets}}$$

4) *Return Of Equity (ROE)*

$$\mathbf{ROE} = \frac{\mathbf{Bersth Profit}}{\mathbf{Capital}}$$

Results

- 1) Descriptive Analysis of Research Selection of Sunrises Store due to several risks which affect the profitability of the business at the Sunrises Store, namely, the first is the purchase risk where the co-19 pandemic has a significant effect on purchasing activity where in this study analyzes financial reports from 2019 to 2021 to be able to determine the profitability of the Sunrises Store business. Based on the annual financial report, it will be analyzed using the Profitability risk formula, financial risk and business risk.
- 2) Profitability Ratio Analysis
 - a. Analysis *Gross Profit Margin (GPM)* *Gross Profit Margin (GPM)* or gross profit is used to determine a company's gross profit that comes from the sale of each of its products. This ratio is strongly influenced by the value of cost of goods sold Sunrises Store. *gross profit margin* is an indication that the greater the return on gross profit earned by Sunrises Stores on its net sales. The more efficient the costs incurred by the company to support sales activities so that the income earned increases. By using the formula:

$$GPM = \frac{\text{Sales} - \text{HPP}}{\text{Sales}}$$

Table 1. Gross Profit Margin (GPM) Toko Sunrises

No	Period	Gross Profit (Rp)	Income (Rp)	GP M (%)
1	2019	266,103,47 0.00	1,130,499, 464.00	0.24
2	2020	115,720,98 0.00	612,716,9 74.00	0.19
3	2021	188,563,47 0.00	844,199,4 64.00	0.22

Source: Processed Data 2022

Based on the table above, it can be seen that the Sunrises Store in 2019 earned a gross profit of IDR 266,103,470.00 and revenue of IDR 1,130,499,464.00 with a GMP of 0.24, in 2020 it earned a gross profit of IDR 115,720,980.00 and

revenue of IDR 612,716,974.00 with a GMP of 0.19 and in 2021 a gross profit of Rp. 188,563,470.00 and a revenue of Rp. 844,199,464.00 with a GMP of 0.21.

It can be seen that in 2020 revenue has decreased quite drastically from the previous year due to the Covid-19 period but income can be increased again in 2021 even though it is not as high as in 2019 but can be higher than 2020 sales.

Results of interviews with the owner of the Sunrises Store (KR) related d with GPM working as follows:

"In 2020 was a very tough year, because the profits obtained have decreased quite drastically, the lack of buyers making purchases at our stores as well as the lack of sales we make, which is where we usually distribute to shops. small, we didn't do it because of the limitations of activities in accordance with government regulations during the Covid-19 pandemic.

The results of this study are supported by the results of interviews conducted by researchers with shop owners who explained that the *Profit Margin* (NPM) of the Sunrises Store was like that in 2020, indeed a very hard year for the Sunrises Store, even for all business people and traders that year.

From the results of the research above, it can be concluded that the Sunrises Store, seen from *Gross Profit Margin* (GPM), has good financial development after post-covid-19, by having a gross profit that is not large but has an increase in 2021 after 2020 experienced a decrease in revenue which was affected by the covid-19 pandemic.

b. Analysis *Net Profit Margin* (NPM)

Net profit margin is sales profit after calculating all costs and income taxes. This margin shows the ratio of net profit after tax to sales. by using the formula:

$$NPM = \frac{\text{Net Profit}}{\text{Net Sales}}$$

Table 2. Net Profit Margin (NPM) Toko Sunrises

No	Period	Net Profit (Rp)	Income (Rp)	NPM (%)
1	2019	190,803,470.00	1,130,499,464.00	0.17
2	2020	56,130,980.00	612,716,974.00	0.09
3	2021	114,962,470.00	844,199,464.00	0.14

Source: Processed Data 2022

Based on the table above, it can be seen that the Sunrises Store in 2019 earned a net profit of Rp. 190,803,470.00 and revenue of Rp. 1,130,499,464.00 with an NPM of 0.17, in 2020 earned a net profit of Rp. IDR 56,130,980.00 and revenue of IDR 612,716,974.00 with an NPM of 0.09 and in 2021 gross profit of IDR 114,962,470.00 and revenue of IDR 844,199,464.00 with an NPM of 0.14

Profit Margin (NPM), in 2020 the Sunrises Store experienced a decrease in net profit due to the covid-19 period but in 2021 it has increased again because in 2021 the covid-19 period has improved so that the Sunrises Store has experienced a recovery in sales made.

The results of an interview with the owner of the Sunrises Store (KR) related to work NPM are as follows:

"Indeed, at that time we were experiencing sales problems caused by Covid-19 where the government issued a policy of limited activities, so the sales we felt were very disproportionate"

From the results of the research above, it can be concluded that *Profit Margin* (NPM) has significant good results, seen from the results of the analysis of financial statements, sales profits during the Covid-19 pandemic greatly influenced sales that owned by the Sunrises Store, where the sales obtained experienced a decrease in the limited activity pressure factor owned by the owner of the Sunrises Store and customers when making sales or purchases.

c. Analysis Return on Assets (ROA)

Return on Assets (ROA) is used to measure the financial performance of multinational companies, especially from the point of view of profitability and investment opportunities. ROA is often used by management to measure a company's financial performance and assess operational performance in utilizing

the company's resources, besides the need to consider financing issues for these assets. Using the formula:

$$ROA = \frac{\text{Laba Bersih}}{\text{Total Aktiva}}$$

Table 3. *Return On Assets (ROA) Toko Sunrises*

No	Period	Net Profit (Rp)	Total Assets (Rp)	ROA (%)
1	2019	190,803,470.00	300,000,000.00	0.64
2	2020	56,130,980.00	269,000,000.00	0.21
3	2021	114,962,470.00	284,000,000.00	0.40

Source: Processed Data 2022

Based on the table above, it can be seen that the Sunrises Store in 2019 earned a net profit of Rp. 190,803,470.00 and total assets of Rp. 300,000,000.00 with an ROA of 0.64, in 2020 earned a profit net of IDR 56,130,980.00 and total assets of IDR 268,000,000.00 with an ROA of 0.21 and in 2021 earn a gross profit of IDR 114,962,470.00 and total assets of IDR 284,000,000.00 with an NPM of 0.40

Return on Assets (ROA) Sunrises stores have fluctuating total assets went down due to the covid-19 pandemic, but in the third year the sunrises shop experienced an increase, namely in 2021 from 2020 which experienced a decline, this increase was due to good financial management carried out by the sunrises shop owner to be able to overcome the problem of decreasing profits due to there is a covid-19 pandemic.

The results of interviews with the owner of the Sunrises Store (KR) related to work ROA are as follows:

"Right now, I only depend on what I have, always develop the business to be more advanced, as well as always improve in financial management."

The results of this research are supported by the results of interviews conducted by researchers to the shop owner explaining that the *Return on Assets (ROA)* of the Sunrises Store, the total assets they own are in accordance with what is the result of the research, because the assets currently owned are based on the results of the financial statements provided, but for now the shop owner Sunrises will develop a business that is still in the planning stage.

From the results of the research above, it can be concluded that the *Return on Assets* (ROA) at the Sunrises Store was not in good condition during Covid-19, this was due to the lack of buyers buying drinks at the Sunrises Store and the lack of sales made to small shops that had been cooperation with Sunrises Stores, at that time the stores that collaborated with Sunrises Stores also experienced sales problems which impacted sales at Sunrises Stores.

Discussion

Gross Profit Margin (GPM) The results showed that Sunrises Stores in 2019 earned a gross profit of Rp. 266,103,470.00 and revenue of Rp. 1,130,499,464.00 with a GMP of 0.24, in 2020 earned a gross profit of Rp. 115,720,980.00 and revenue of Rp. 612,716,974.00 profit of Rp. 188,563,470.00 and revenue of Rp. 844,199,464.00 with a GMP of 0.21.

It can be seen that in 2020 revenue has decreased quite drastically from the previous year due to the Covid-19 period but income can be increased again in 2021 even though it is not as high as in 2019 but can be higher than 2020 sales. The results of this study are supported by the results of interviews carried out by researchers to shop owners who explained that the *Gross Profit Margin* (GPM) results were in accordance with the financial statements owned by Sunrises Stores, because at that time the biggest obstacle faced was the sudden pandemic that affected sales made every day. The COVID-19 pandemic has had a negative impact on the financial performance of retail companies in Indonesia. This is evident in the decline in profitability, as shown by the decline in ROA and ROE, although GPM may not experience a significant decrease (Pratama dan Sherly, 2021).

Net profit margin ratio is also called the sales ratio. The stability of the entity to generate gains at a given level of sales by examining the profit margins and industry norms of a company in previous years, we can judge the efficiency of operations and pricing strategies as well as the competitive status of the company with other companies in the industry. A company will be considered good if the net profit margin is high or close to the sales value they are targeting.

Net Profit Margin (NPM)

The results show that Sunrises Stores in 2019 earned a net profit of IDR 190,803,470.00 and revenue of IDR 1,130,499,464.00 with an NPM of 0.17, in 2020 earn a net profit of IDR 56,130,980.00 and revenue of IDR 612,716,974.00 with an NPM of 0.09 and in 2021 earn a gross profit of IDR 114,962,470.00 and revenue of IDR 844,199,464.00 with an NPM of 0.14

Profit Margin (NPM) an increase during the pandemic period, in 2020 the Sunrises Store experienced a decrease in net profit due to the covid-19 period but in

2021 it experienced another increase because in 2021 the covid-19 period had improved so that the Sunrises Store experienced a recovery in sales made.

The results of this study were supported by the results of interviews conducted by researchers with shop owners who explained that the *Profit Margin* (NPM) of Sunrises Stores was like that in 2020, indeed a very hard year for Sunrises Stores, even for all businessmen and traders in that year.

Net profit margin (NPM) is a ratio that calculates the extent to which a company's ability to generate net profit at a certain level of sales. To measure this ratio is to compare net profit after tax with net sales. Net profit margin (NPM) plays a key role in driving the growth of SME businesses. The findings of this research can help SME managers formulate strategies that can improve NPM and drive the growth of their businesses. (Wang & Chen, 2018).

The net profit margin ratio is a ratio that describes how a company can generate maximum net profit or expected profit when viewed from the level of sales made by the company. The greater the Net Profit Margin, the more efficient the company is in incurring costs related to its operations.

Gross Profit Margin (GPM)

The results showed that the Sunrises Store in 2019 earned a net profit of Rp. 190,803,470.00 and total assets of Rp. 300,000,000.00 with an ROA of 0.64, in 2020 earned a net profit of Rp. 56,130,980.00 and total assets of Rp. 268,000,000.00 with ROA amounted to 0.21 and in 2021 earned a gross profit of IDR 114,962,470.00 and total assets of IDR 284,000,000.00 with an NPM of 0.40.

Sunrises have increased, namely in 2021 from 2020 which has decreased, this increase is due to good financial management carried out by sunrises shop owners to be able to overcome the problem of decreasing profits obtained due to the co-19 pandemic.

The results of this study are supported by the results of interviews conducted by researchers with shop owners who explained that the *Return on Assets* (ROA) of the Sunrises Store's total assets are in accordance with what is the result of the research, because the assets currently owned are based on the results of the financial statements. given, but for now the owner of the Sunrises store will develop his business which is still in the planning stage.

Return On Assets (ROA) is a form of profitability ratios that are intended to be able to measure a company's ability to generate profits with all the funds used for its operations. The greater the value of return on assets, the more efficient the company uses assets in generating profits. This is demonstrated by the profit generated from sales and investment income. The goal is to see the development of the company within a certain time span, either decreasing or increasing profits.

The research by (Sengupta & Bhattacharya, 2017) provides strong evidence that ROA plays a key role in driving the growth of manufacturing firms. The findings of

this research can help company managers to formulate strategies to improve ROA and drive the growth of their businesses. ROA is able to measure a company's ability to generate profits in the past to then be projected in the future. The assets or assets in question are all of the company's assets, obtained from its own capital or from foreign capital that the company has converted into company assets that are used for the company's survival.

Conclusion and Recommendation

From the results of this study, the researcher can conclude that the risk of profitability for Sunrise shops has fluctuated quite a bit from 2019-2021, which experienced ups and downs in the sales value experienced by Sunrise shop owners during the post-covid-19 pandemic, but with good sales management so that it can produce results. a good profitability ratio with a GPM value in 2021 of 0.09% from the previous year's GPM value of 0.09%, NPM value in 2021 of 0.17% from the previous year 0.09% and ROA value in 2021 of 0.64% from the previous year 0.21 % but if assessed by standard profitability ratios do not meet the significant level.

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