



Article info : *Received* : June 2025 ; *Revised* : July 2025 ; *Accepted* : August 2025

Analysis of Liquidity Ratios, Solvency Ratios, and Profitability Ratios to Assess the Financial Performance of PT X for the Period 2014-2023

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Abstract. This study aims to analyze the financial performance of PT Adaro Energy Indonesia Tbk for the 2014-2023 period using liquidity ratios, solvency ratios, and profitability ratios. This analysis is conducted to understand the company's overall financial condition and observe its performance trends over time. Methodology/approach – This research uses a quantitative descriptive method with a case study approach at PT Adaro Energy Indonesia Tbk. The data used are secondary data in the form of the company's annual financial reports for the period 2014-2023 obtained from the official website of the Indonesia Stock Exchange (IDX) and the company's website. Findings – It was found that PT Adaro Energy Indonesia Tbk's liquidity ratio was at a healthy and stable level throughout the study period. The solvency ratio demonstrates the company's ability to adequately meet its long-term obligations, despite fluctuations in its debt-to-equity ratio. Meanwhile, the company's profitability ratio was below the industry average, indicating suboptimal profit performance compared to competitors. Novelty/value – This study is novel in that it uses a long analysis periode (2014-2023) to assess financial performance trends following changes in PT Adaro Energy Indonesia Tbk's business strategy, including energy transition efforts. Furthermode, this study compares financial ratio results directly with relevant energy sector industry standards, a practice rarely used in previous studies.

Keywords: Financial Performance; Liquidity Ratio; Solvency Ratio; Profitability Ratio

A. INTRODUCTION

PT Adaro Energy Indonesia Tbk is one of the largest coal mining companies in Indonesia, engaged in the exploration, mining, processing, and marketing of coal for domestic and international needs. The company plays a vital role in supporting energy supply, particularly for coal-fired power plants (PLTU), and is a major coal exporter to various countries. With an extensive operational network and a strong customer base, PT Adaro Energy Indonesia Tbk has successfully maintained its position in the mining industry as one of the most cost competitive coal producers.

However, despite its strong production performance, the company faces challenges that impact its financial stability. Fluctuations in global coal prices, government policies related to the environment and energy, and changes in market demand are external factors that can significantly impact the company's revenue and profits. The 2014-2023 period shows variations in PT Adaro Energy Indonesia Tbk's financial performance, both in terms of total assets, equity, debt, and cash flow. Some years saw a decline in revenue due to weakening coal prices, while other years saw significant performance improvements in line with rising commodity prices.

To understand the company's financial condition more comprehensively, an analysis of financial ratios is required, covering aspects of liquidity, solvency, and profitability. Liquidity ratios provide an overview of the company's ability to meet its short-term obligations, solvency ratios measure the company's effectiveness in generating profits from its assets and capital. This analysis is expected to provide a clear picture of PT Adaro Energy Indonesia Tbk's financial strengths and weakness during the 2014-2023 period, as well as serve as a references for management and stakeholders in making strategic decisions in the future.

The financial ratio report for the last 10 years at PT Adaro Energy Indonesia Tbk is as follows:

Tabel 1 Financial Data of PT Adaro Energy Indonesia Tbk for The Period 2014-2023

Years	Liquidity Ratio		Solvency Ratio		Profitability Ratio	
	Quick Ratio	Cash Ratio	DAR	DER	ROI	ROE
2014	151,68%	96,21%	49,20%	96,85%	2,86%	5,63%
2015	224,38%	154,56%	43,73%	77,71%	2,53%	4,50%
2016	235,71%	167,08%	41,95%	72,28%	5,22%	9%
2017	244,89%	156,06%	39,95%	66,54%	7,87%	13,11%
2018	182,29%	113,65%	39,06%	64,10%	6,76%	11,10%
2019	161,36%	127,88%	44,81%	81,18%	6,03%	10,92%
2020	142,06%	102,51%	38,08%	61,49%	2,48%	4,01%
2021	199,21%	133,02%	41,24%	70,17%	13,56%	23,07%
2022	209,20%	166,18%	39,46%	65,19%	26,26%	43,37%
2023	193,47%	155,08%	29,26%	41,36%	17,71%	25,04%

Source: Data Obtained From the Financial Report of PT Adaro Energy Indonesia Tbk

It can be seen that every year the numbers always fluctuate, based on the six ratio variables the Quick Ratio experienced problems in 2020, namely 142,06%. The Cash Ratio experienced problems in 2014, namely 96,21%. The Debt to Asset Ratio experienced problems in 2014, namely 96,85%. Return on Investment experienced problems in 2020, namely 2,48%. Return on Equity experienced problems in 2020, namely 4,01%.

PT Adaro Energy Indonesia Tbk is one of Indonesia's leading energy companies, focusing on metallurgical coal mining and renewable energy. The company plays a vital role

in the national economy. Therefore, analyzing its financial performance is crucial in understanding how the company adapts and survives in a competitive business environment.

B. LITERATURE REVIEW

Liquidity Ratio

According to Abd'rachim (2021:11), "liquidity ratios are assets that can be traded in active markets and can be easily converted into cash". A company's liquidity position indicates the company's ability to meet its short-term obligations, such as paying off debts that are due in the short term.

Solvency Ratio

According to Hutabarat & Puspitasari (2020:22) "the solvency ratio is a ratio used to measure a company's ability to meet financial obligations in the form of debt".

Profitability Ratio

According to Abd'rachim (2021:16) "profitability is the company's ability to generate profits in carrying out its business operations during a certain period".

Financial Performance

Financial performance according to Hutabarat & Puspitasari (2020:2) "refers to an analysis process used to evaluate the extent to which a company has carried out its financial activities in accordance with applicable reporting principles and standards appropriately".

C. RESEARCH METHODOLOGY

The type of research used is a case study, namely research on a specific object at PT Adaro Energy Indonesia Tbk. The research method used in this research is the quantitative analysis method.

For conceptual or literature-based studies, it is not necessary to include detailed research procedures. In such cases, the article can proceed directly from the introduction to the presentation of results and discussion.

Tabel 2 Operational Variables

Variabel	Definition	Indicator	Measurement Scale
Liquidity Ratio (X1)	A ratio that measures a company's ability to repay its short-term debt.	1. Quick Ratio 2. Cash Ratio	Ratio
Solvency Ratio (X2)	A ratio that measures a company's ability to repay its short-term and long-term debt.	1. Debt to Assets Ratio 2. Debt to Equity Ratio	Ratio
Profitability Ratio (X3)	This ratio measures a company's ability to generate profits from sales, assets, and equity during a specific period.	1. Return on Investment 2. Return on Equity	Ratio
Financial Performance (Y)	This is a financial ratio commonly used to measure a company's performance.	Liquidity Ratio (X1), Solvency Ratio (X2), and Profitability Ratio (X3)	Comparison

This study uses one of the energy industry companies listed on the Indonesia Stock Exchange (IDX). The population in this study refers to the entire financial statements of PT Adaro Energy Indonesia Tbk for the period 2014-2023. The sample used in this study is the financial statements, which are the balance sheet and profit and loss of PT Adaro Energy Indonesia Tbk for the periode 2014-2023. The data collection technique used was a literature review, comprising previous books and journals available in the library that were relevant to the analysis being conducted, obtained from various sources. Internet research was also used for references or materials owned or borrowed from libraries, including the internet, to ensure faster data updating. The data used and collected are the company's financial reports, namely the statement of financial position and profit and loss statement for the last 10 years (2014-2023), issued by PT Adaro Energy Indonesia Tbk (<https://www.alamtri.com>) and published directly on the official website of PT Adaro Energy Indonesia Tbk. The data analysis technique used in this study is financial ratio analysis of liquidity, solvency, and profitability ratios.

D. RESULTS AND DISCUSSION

Result of Liquidity Ratio Analysis

Quick Ratio

Tabel 3 Result of The Quick Ratio Calculation for PT Adaro Energy Indonesia Tbk

Years	Quick Ratio (%)	Industry Standards (%)	Information
2014	151,68	112,86	Good
2015	224,38	145,66	Good
2016	235,71	152,72	Good
2017	244,89	151,34	Good
2018	182,29	133,17	Good
2019	161,36	185,77	Not Good
2020	142,06	198,12	Not Good
2021	199,21	164,36	Good
2022	209,20	167,84	Good
2023	193,47	144,72	Good
Average	194,42	155,67	Good

Source: Data From the Financial Report of PT Adaro Energy Indonesia Tbk

The results of the liquidity ratio analysis, measured by the quick ratio at PT Adaro Energy Indonesia Tbk for the period 2014-2023, show that the quick ratio at PT Adaro Energy Indonesia Tbk averaged 194,42%, above the industry average standard for similiar subsectors, indicating that the company is in good health.

Cash Ratio

Tabel 4 Result of The Cash Ratio Calculation of PT Adaro Energy Indonesia Tbk

Years	Cash Ratio (%)	Industry Standards (%)	Information
2014	96,21	63,24	Good
2015	154,56	101,30	Good
2016	167,08	102,58	Good
2017	156,06	110,55	Good
2018	113,65	84,98	Good
2019	127,88	109,71	Good

2020	102,51	130,73	Not Good
2021	133,02	86,67	Good
2022	166,18	93,39	Good
2023	155,08	79,82	Good
Average	137,22	96,30	Good

Source: Data From the Financial Report of PT Adaro Energy Indonesia Tbk

The results of the liquidity ratio analysis, measured by the cash ratio at PT Adaro Energy Indonesia Tbk for the period 2014-2023, show that the cash ratio at PT Adaro Energy Indonesia Tbk averaged 137,22%, above the industry average standard for similar subsectors, indicating that the company is in good health.

Result of Solvency Ratio Analysis

Debt to Asset Ratio

Tabel 5 Result of The Debt to Asset Ratio Calculation of PT Adaro Energy Indonesia Tbk

Years	Debt to Asset Ratio (%)	Industry Standards (%)	Information
2014	49,20	44,27	Not Good
2015	41,95	41,74	Not Good
2016	39,95	40,25	Not Good
2017	39,06	41,71	Good
2018	44,81	43,33	Good
2019	38,08	42,30	Not Good
2020	41,24	42,43	Good
2021	39,46	44,19	Good
2022	29,26	43,44	Good
2023	19,86	43,32	Good
Average	40,67	42,70	Good

Source: Data From the Financial Report of PT Adaro Energy Indonesia Tbk

The results of the solvency ratio analysis, measured by the debt to asset ratio at PT Adaro Energy Indonesia Tbk for the period 2014-2023, show that the debt to asset ratio at PT Adaro Energy Indonesia Tbk averaged 40,67%, below the industry average standard for similar subsectors, indicating that the company is in good health.

Debt to Equity Ratio

Tabel 6 Result of The Debt to Equity Ratio Calculation of PT Adaro Energy Indonesia Tbk

Years	Debt to Equity Ratio (%)	Industry Standards (%)	Information
2014	96,85	114,70	Good
2015	77,71	127,42	Good
2016	72,28	135,71	Good
2017	66,54	156,49	Good
2018	64,10	379,03	Good
2019	81,18	135,84	Good
2020	61,49	192,20	Good
2021	70,17	147,36	Good

2022	65,19	117	Good
2023	41,36	128,65	Good
Average	69,69	163,44	Good

Source: Data From the Financial Report of PT Adaro Energy Indonesia Tbk

The results of the solvency ratio analysis, measured by the debt to equity ratio at PT Adaro Energy Indonesia Tbk for the period 2014-2023, show that the debt to equity ratio at PT Adaro Energy Indonesia Tbk averaged 69,69%, below the industry average standard for similiar subsectors, indicating that the company is in good health.

Result of Profitability Ratio Analysis

Return on Investment

Tabel 7 Result of The Return on Investment Calculation of PT Adaro Energy Indonesia Tbk

Years	Return on Investment (%)	Industry Standards (%)	Information
2014	2,86	3,55	Not Good
2015	2,53	3,02	Not Good
2016	5,22	5,33	Not Good
2017	7,87	13	Not Good
2018	6,76	11,78	Not Good
2019	6,03	6,01	Good
2020	2,48	4,38	Not Good
2021	13,56	17,03	Not Good
2022	26,26	26,07	Good
2023	17,71	12,87	Good
Average	9,13	10,31	Not Good

Source: Data From the Financial Report of PT Adaro Energy Indonesia Tbk

The results of the profitability ratio analysis, measured by the return on investment ratio at PT Adaro Energy Indonesia Tbk for the period 2014-2023, show that the return on investment ratio at PT Adaro Energy Indonesia Tbk averaged 9,13%, below the industry average standard for similiar subsectors, indicating that the company is in not good health.

Return on Equity

Tabel 8 Result of The Return on Investment Calculation of PT Adaro Energy Indonesia Tbk

Years	Return on Equity (%)	Industry Standards (%)	Information
2014	5,63	2,03	Good
2015	4,50	2,64	Good
2016	9	5,18	Good
2017	13,11	15,90	Not Good
2018	11,10	(4,74)	Good
2019	10,92	8,42	Good
2020	4,01	0,04	Good
2021	23,07	28,65	Not Good
2022	43,37	44,60	Not Good
2023	25,04	20,47	Good
Average	14,97	12,32	Good

Source: Data From the Financial Report of PT Adaro Energy Indonesia Tbk

The results of the profitability ratio analysis, measured by the return on equity ratio at PT Adaro Energy Indonesia Tbk for the period 2014-2023, show that the return on equity ratio at PT Adaro Energy Indonesia Tbk averaged 14,97%, above the industry average standard for similiar subsectors, indicating that the company is in good health.

Tabel 9 10 Year Average of Similar Industries in the Energy Subsector of PT Adaro Energy Indonesia Tbk

Ratio	Average Ratio (10 Years)	Average Industry Standard (10 Years)	Information
Liquidity:			
Quick Ratio	194,42%	155,65%	Good
Cash Ratio	137,22%	96,30%	Good
Solvency:			
Debt to Asset Ratio	40,67%	42,70%	Good
Debt to Equity Ratio	69,75%	163,44%	Good
Profitability:			
Return on Investment	9,13%	10,31%	Not Good
Return on Equity	14,97%	12,32%	Good

Source: Processed Data

The average liquidity ratio over the past 10 years has been in a healthy condition. This indicates a favorable situation, as the liquidity ratio has increased, indicating the company's ability to pay its short-term liabilities with current assets.

The average solvency ratio over the past 10 years has been in a healthy condition. This indicates a positive situation, as the solvency ratio has decreased, indicating the company's ability to reduce its debt-financed activities.

The average profitability ratio for return on investment over the past 10 years falls into the unhealthy category. This indicates that the company's efficiency in generating profits from its total assets is still less than optimal compared to competitors. Conversely, the return on equity over the past 10 years fall into the healthy category. This indicates the company's ability to generate profits from its equity is considered good.

E. CONCLUSION AND SUGGESTIONS

The liquidity ratios, including the quick ratio and cash ratio, were healthy and above the industry average for the period 2014-2023. The solvency ratios, including the debt to assets ratio and debt to equity ratio, were healthy and below the industry average for the 10 year period 2014-2023. The profitability ratio performance for the 10 year period 2014-2023, based on return on investment, is unhealthy and below the industry average. Return on equity is healthy and above the industry average.

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