

## Analysis of Financial Ratio to Profitability in PT. Pegadaian Indonesia 2008-2022



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**ABSTRACT:** This article aims to know and analyze the effect of liquidity ratios, solvency ratios, and activity ratios on profitability ratios at PT Pegadaian Indonesia. The population of this research is PT Pegadaian Indonesia. The sample used in this study is the 2008-2022 financial statements of PT Pegadaian Indonesia. The type of data used in this study is secondary data in the form of PT Pegadaian's annual financial reports for the 2008-2022 period. Sources of data were obtained through the website [www.pegadaian.co.id/ Reports-Performance/ Report- Annual](http://www.pegadaian.co.id/Reports-Performance/Report-Annual). The data analysis method used is multiple linear regression analysis. The results showed that the liquidity ratio had a significant positive effect on profitability; PT Pegadaian Indonesia had sufficient assets to pay off its short-term obligations so that the company's operational activities were not disrupted. The solvency ratio has a significant positive effect on profitability; the increasing company debt used for operational financing will generate profits so that the company is still able to fulfill its obligations. The activity ratio does not have a significant negative effect on profitability; PT Pegadaian Indonesia is likely to be more concerned with repaying creditors than using cash to pay returns to shareholders so that no matter how much the value of income received by utilizing assets owned does not affect the profitability obtained.

**KEYWORDS:** Activity Ratio, Liquidity Ratio, Profitability Ratio, Solvency Ratio

### I. INTRODUCTION

The Indonesian economy in 2020 will experience deflation because economic development in Indonesia has an unstable movement. The changes that occurred were influenced by the Covid-19 pandemic. Regulations regarding the PPKM (Implementation of Restrictions on Community Activities) policy causing a lockdown aimed at breaking the spread of Covid-19. The government previously implemented the PSBB (Large-Scale Social Restrictions) policy which took place in several regions of Indonesia. This policy led to an increase in economic decline in formal and non-formal companies. The economic downturn has led to layoffs (PHK) caused by companies not being able to pay the wages they should have.

The PPKM policy on the economy has had a huge impact on business people at the micro or small business level; of course, during the Covid-19 pandemic, the financial institution PT. Pegadaian is in great demand by the public because of the easy and fast way of borrowing [10]. Pegadaian is the only business entity in Indonesia that officially has permission to carry out financial institution activities in the form of payments in the form of channelling funds to the public based on pawn law [12]. Pegadaian, according to Kasmir (2016: 231) [6], is a financial institution that officially has permission to carry out its operational activities in the form of credit financing to the public in the form of channelling funds with relatively small or large amounts of funds on a pawn basis, as deposit services, and as appraisal services [6]. The pawned item must have economic value so that it can be used as an estimated value by the pawning party.

PT. Pegadaian has a program that aims to help the community in increasing economic resilience during a pandemic. Credit restructuring and relaxation as well as distribution of MSME subsidies, meaning that Pegadaian provides flexibility in the form of relaxation of exemption from late instalment fines such as loan restructuring to MSMEs and people who use micro products so that the business continues to run. Pawns care about 0% or pawn without interest, PT. Pegadaian provides loans to customers up to IDR 1,000,000.00 and provides an extension of the auction maturity period from 15 days to 30 days. PT Pegadaian recorded a 21.4% increase in customers from 15 million people on 30 June 2020 to 18 million people on 30 June 2021. The addition of these customers had an impact on increasing the turnover of the pawn business, growing 6.1 % from

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Rp.75.57 trillion to Rp. .80.18 trillion. The increase in turnover consisted of conventional pawnshops increasing 5.9% from Rp.64.21 trillion to Rp.67.98 trillion and Islamic pawnshops rising 7.4% from Rp.11.36 trillion to Rp.12.2 trillion. Main Director of Pegadaian Kuswiyoto stated the Covid-19 pandemic was sufficient to pose a challenge to Pegadaian's business performance, resulting in a slowdown in financial performance. However, in the midst of current economic difficulties, Pegadaian continues to provide the best financial solutions for the community ([www.pegadaian.co.id](http://www.pegadaian.co.id)).

**Table 1. Financial data from PT. Pegadaian Indonesia from 2008 to 2022**

Tahun	Total Aktiva (dalam jutaan rupiah)	Pendapatan (dalam jutaan rupiah)	Beban (dalam jutaan rupiah)
2008	10.772.086	2.930.594	2.045.976
2009	15.859.464	4.036.386	2.949.438
2010	20.283.042	5.378.292	3.827.785
2011	26.219.352	6.600.927	4.674.268
2012	29.331.898	5.833.074	3.967.111
2013	33.469.356	7.864.767	5.327.788
2014	35.344.988	7.800.893	5.556.650
2015	39.157.959	8.897.166	6.323.991
2016	46.873.892	9.708.058	6.707.875
2017	48.687.094	10.522.797	7.184.828
2018	52.791.188	11.464.462	7.829.860
2019	65.324.177	17.693.653	13.485.100
2020	71.468.960	21.964.403	19.173.144
2021	65.775.938	20.639.861	17.403.139
2022	73.329.790	22.876.587	18.551.282

Source: [pegadaian.co.id](http://pegadaian.co.id)

Based on Table 1 above, it can be seen that total assets and income from 2008 to 2022 have increased, but in 2012 and 2021 they have decreased. Likewise operating expenses have increased from 2008 to 2022 and decreased in 2012 and 2021. PT. Pegadaian Indonesia recorded a net profit in the first half of 2013 of IDR 718 billion, a decrease of 22.71 percent compared to 2012 of IDR 929 billion. Pegadaian Indonesia's finance director said that the decline in net profit was triggered by the decline in gold prices on the international market. The decrease in net profit at PT Pegadaian Indonesia in 2013 had no impact on revenue, assets and number of customers. The gold pawnshop business until June 2013 was able to generate revenue of IDR 46 trillion, increasing rapidly from the previous IDR 43 trillion, and at the same time, sharia-based gold pawning income reached IDR 6 trillion, up 8.6% from the previous IDR 5.5 trillion. The pawnshop business as a whole is still increasing due to the declining gold price, which affects net profit. The number of Pegadaian customers still increased by around 15% to 14.4 million in the first half of 2013 from the previous 13.7 million customers ([www.antaraneews.com/berita/388591/laba-pegadaian-turun-2271-persen](http://www.antaraneews.com/berita/388591/laba-pegadaian-turun-2271-persen)). Pegadaian Secretary R. Sumono Amoeng Widodo, the performance of pawnshop financing has decreased in 2021. Based on OJK data as of October 2021, financing and loans disbursed by PT. Pegadaian reached IDR 52.77 trillion, down 7.95% year on year (yoy). This decline in performance was due to a decline in gold prices which began to occur in the third quarter of 2020. According to R. Sumono Amoeng Widodo, if, as of August 2020, the average gold price reaches the highest point of Rp. 935,000, then as of August 2021, it will only reach Rp. 826,000, or a decrease of 12% year on year (financial Bisnis.com).

The decline in gold prices had an impact on Pegadaian's business performance, especially the pawn business, where more than 90% of the collateral used as collateral was gold jewelry. The decline in gold prices also affected customer behavior, one of which was not making mortgage redemptions or giving up collateral for auction because the selling value had decreased. Other factors causing a slowdown in the company's business include the declining ability of customers to repay non-mortgages or micro credit due to the impact of the pandemic and the existence of social assistance and credit from the government so that the community's financial needs are relatively fulfilled without having to mortgage their assets.

Eid al-Fitr during the pandemic has also affected the pawn business because the trend of redemption of pawns will be massive ahead of the Eid al-Fitr holiday and will generally be followed by the trend of pawning again after Eid. Eid al-Fitr 2021 is different from previous years because the decline in people's purchasing power during the pandemic also contributed to the slowdown of the repeat order process after Eid. The results of an internal survey also state that the majority of these customers have sold collateral that is usually mortgaged.

Assessment of PT. Pegadaian on financial performance is very important to do to find out how the financial condition of a company and how the company's activities are carried out, and in which direction the company's condition tends to move. To determine the condition and financial performance of a company, the variables analyzed in this financial performance assessment are the company's financial statement. According to Hasan and Gusnadi (2018:02) [5], financial statements are a structured presentation of the financial position and financial performance of an entity. The objective of financial reports is to provide information about the financial position, financial performance, and cash flows of an entity that is useful to a wide range of report users in making economic decisions. One of the analytical tools for financial statements is to use financial ratio analysis. According to Dawam et al. (2018) [4], financial ratios are the main tool in financial analysis, while the purpose of financial ratio analysis is to assess and can be used as a framework for financial planning and control for the benefit of financial

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performance. Financial ratio analysis, according to Darmawan (2020: 2) [3], is a quantitative analysis of the information contained in the company's financial statements used to evaluate various aspects of the company's operations and financial performance, such as liquidity ratios, activity ratios, solvency ratios, and profitability ratios. Based on this opinion, by knowing the level of a company's financial ratios, it can be known the condition of the company so that it can measure the level of financial performance in the company.

The liquidity ratio is a ratio that describes a company's ability to meet short-term obligations. Another function of the liquidity ratio is to show or measure a company's ability to meet its maturing obligations, both its obligations to parties outside the company and within the company (Kasmir, 2019: 110) [6]. The solvency ratio is the ratio used to measure the extent to which a company's assets are financed by debt. In a broad sense, it is said that the solvency ratio is used to measure a company's ability to pay all of its obligations, both short-term and long term, if the company is dissolved (Kasmir, 2019: 151) [6]. The activity ratio is the ratio used to measure the company's effectiveness in using its assets, or it can also be said that the activity ratio is used to measure the level of efficiency (effectiveness) in the utilization of company resources. efficiencies carried out, for example, are in the areas of sales, inventory, collection of accounts receivable, and efficiency in other fields. The activity ratio is also used to assess the company's ability to carry out daily activities. From the measurement results with the activity ratio, it will be seen whether the company is more efficient and effective in managing its assets (Kasmir, 2019: 172) [6]. The profitability ratio is the ratio to assess the company's ability to make a profit. The profitability ratio provides a measure of the effectiveness of the management of a company; this is shown by the profit generated from sales and investment income (Kasmir, 2019: 196) [6].

Empirical studies show that liquidity has a significant negative effect on profitability [1,9]. Furthermore, empirical studies show that solvency has a positive effect on profitability [7,2]. And an empirical study which showed that activity had no significant negative effect on profitability [11,7].

Based on the theoretical review and empirical studies above, the hypotheses in this study are as follows (H1) Liquidity has a significant negative effect on profitability at PT Pegadaian Indonesia in 2008 - 2022 (H2) 2022.

The objectives of this study include (1) Knowing and analyzing the influence of the liquidity ratio on profitability at PT Pegadaian Indonesia in 2008 – 2022, (2) Knowing and analyzing the effect of the solvency ratio on profitability at PT Pegadaian Indonesia in 2008 – 2022 (3) Knowing and analyzing the effect of the activity ratio on profitability at PT Pegadaian Indonesia in 2008 – 2022.

## II. RESEARCH METHOD

### A. Research Design

This study uses explanatory research, which is a type of research that aims to analyze the relationships between liquidity ratios, solvency and activity on profitability at PT Pegadaian Indonesia in 2008 – 2022.

### B. Population and Sample

The population in this study is PT Pegadaian Indonesia. The sample used in this study is the financial statements of PT Pegadaian Indonesia for 2008-2022.

### C. Data Types and Sources

The type of data used in this study is secondary data in the form of PT Pegadaian's annual financial reports for the 2008-2022 period. Sources of data were obtained through the website [www.pegadaian.co.id/Reports-Performance/ Report-Annual](http://www.pegadaian.co.id/Reports-Performance/Report-Annual).

### D. Data Analysis Method

The data analysis method used in this study is multiple linear regression analysis.

## III. RESULTS AND DISCUSSION

### A. Description of Statistics

Table 2 shows a description of each research variable, namely liquidity (X1), solvency (X2), activity (X3) and profitability (Y). The minimum value shows the lowest value of the data collected. The maximum value shows the highest value of the data collected. The mean value describes the average of the data collected. The standard deviation value is the fluctuation of the average value for each research variable.

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Table 2. Statistical Description

	N	Minimum	Maximum	Mean	Std. Deviation
Likuiditas	15	1,253	1,675	1,46850	0,120649
Solvabilitas	15	1,505	5,432	3,02018	1,477294
Aktivitas	15	0,199	0,314	0,25294	0,037325
Profitabilitas	15	2,830	5,833	4,90913	0,804798
Valid N (listwise)	15				

Source: processed data, 2023

Liquidity (X1) which in this study is proxied by CR is a ratio that compares short-term liabilities with short-term resources (current assets) available to fulfill these short-term obligations. Based on Table 2, it can be seen that the minimum value of the liquidity variable is 1.253 occurring in 2020, while the maximum value of the liquidity variable is 1.675 occurring in 2014. The liquidity variable in the period 2008 – 2022 shows a mean of 1.46850 with a standard deviation of 0.120649 which means that the data on the liquidity variable has a narrow distribution because the standard deviation value is smaller than the average value. This shows that the level of liquidity from year-to-year PT Pegadaian Indonesia is relatively the same.

PT Pegadaian Indonesia's liquidity for 2008-2022 is above 1; as a general guideline, the level of liquidity proxied with a CR above 1 is considered good. Based on fluctuations in financial data, PT. Pegadaian Indonesia was downloaded via the padawan.co.id website. In 2012, there was a decrease in revenue, and in 2021, there was a decrease in net profit. Because in 2012, it only excelled in gold sales when compared to 2013, when there was a decline in gold prices but was superior in terms of income and customers. In 2021 there will be a decline in the price of gold resulting in the financial performance of PT. Pegadaian Indonesia experienced a decline, but this did not impact the liquidity of PT Pegadaian Indonesia.

Solvency (X2), which in this study is proxied by DER is a ratio that describes its financial obligations if the company is liquidated, both short-term and long-term financial obligations. Based on Table 2, it can be seen that the minimum value of the solvency variable is 1.505 in 2021, while the maximum value of the solvency variable is 5.432 in 2011. The solvency variable in the period 2008 – 2022 shows a mean of 3.020184 with a standard deviation of 1,47729 which means that the data on the solvency variable has a narrow distribution because the standard deviation value is smaller than the average value. This shows that the level of solvency from year-to-year PT Pegadaian Indonesia is relatively the same.

PT Pegadaian Indonesia's 2008-2022 solvency is below 2 for 2016-2022; the proxied solvency level with a DER below 2 is considered good. Based on these financial data for 2008-2015, the solvency level of PT Pegadaian Indonesia was above 2; this shows that PT Pegadaian Indonesia did not utilize the available funds efficiently. The higher the DER value, the higher the risk to PT Pegadaian Indonesia's liquidity. Based on fluctuations in financial data, PT. Pegadaian Indonesia was downloaded via the padawan.co.id website. In 2012, there was a decrease in revenue, and in 2021, there was a decrease in net profit. Because in 2012, it only excelled in gold sales when compared to 2013, when there was a decline in gold prices but was superior in terms of income and customers. In 2021 there will be a decline in the price of gold resulting in the financial performance of PT. Pegadaian Indonesia experienced a decline, but this had an impact on solvency in 2012 for PT Pegadaian Indonesia.

Activity (X3) which in this study is proxied by TATO is the ratio that shows how resources have been used optimally; then, by comparing activity ratios, it can be seen the level of efficiency of companies in the industry. Based on Table 2, it can be seen that the minimum value of the activity variable is 0.199 occurring in 2012, while the maximum value of the activity variable is 0.314 occurring in 2022. The activity variable in the period 2008 – 2022 shows a mean of 0.25294 with a standard deviation of 0.037325 which means that the data on the activity variable has a narrow distribution because the standard deviation value is smaller than the average value. This shows that the level of activity from year-to-year PT Pegadaian Indonesia is relatively the same.

PT Pegadaian Indonesia's 2008-2022 activity is above 5% (0.05), the level of activity proxied by TATO above 0.05 is said to be good. Based on fluctuations in financial data, PT. Pegadaian Indonesia was downloaded via the padawan.co.id website. In 2012, there was a decrease in revenue, and in 2021, there was a decrease in net profit. Because in 2012, it only excelled in gold sales when compared to 2013, when there was a decline in gold prices but was superior in terms of income and customers. In 2021 there will be a decline in the price of gold resulting in the financial performance of PT. Pegadaian Indonesia has decreased, but this has no impact on the activity ratio at PT Pegadaian Indonesia.

Profitability (Y) which in this study, is proxied by ROA, which is the profit ratio or profitability ratio, namely the ratio that shows the company's ability to make profits. Based on Table 2, it can be seen that the minimum value of the profitability variable is 2.830 occurring in 2020, while the maximum value of the profitability variable is 5.833 occurring in 2008. The profitability variable in the period 2008 – 2022 shows a mean of 4.90913 with a standard deviation of 0.804798 which means

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that the data on the profitability variable has a narrow distribution because the standard deviation value is smaller than the average value. This shows that the level of profitability from year to year of PT Pegadaian Indonesia is relatively the same.

Profitability for PT Pegadaian Indonesia for 2008-2022 is not all above 5%, the level of profitability proxied by TATO above 5% is said to be good, and vice versa, namely below 5% is said to be bad. Based on fluctuations in financial data, PT. Pegadaian Indonesia was downloaded via the padawan.co.id website. In 2012, there was a decrease in revenue, and in 2021, there was a decrease in net profit. Because in 2012, it only excelled in gold sales when compared to 2013, when there was a decline in gold prices but was superior in terms of income and customers. In 2021 there will be a decline in the price of gold resulting in the financial performance of PT. Pegadaian Indonesia experienced a decline, but this had an impact on the profitability ratio at PT Pegadaian Indonesia that year.

### B. Multiple Linear Regression Analysis

**Table 3. Result of Multiple Linear Regression Analysis**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	-.450	2,679		-.168	.870
Likuiditas	3,621	1,348	,543	2,687	,021
Solvabilitas	,437	,110	,803	3,972	,002
Aktivitas	-5,059	3,883	-.235	-1,303	,219

Source: processed data, 2023

Table 3 is the result of multiple linear regression analysis which forms the following equation.

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

$$Y = -0.450 + 3.621X_1 + 0.437 X_2 - 5.059 X_3 + e$$

The results of the equation of multiple linear regression analysis can be explained as follows.

A constant value of negative 0.450 indicates that if liquidity (X1), solvency (X2), and activity (X3) are 0, then profitability (Y) is -0.450.

The regression coefficient value of the liquidity variable (X1) is positive 3.621 with a significance value of 0.021, indicating that if there is an increase in the liquidity variable (X1), then the profitability (Y) at PT Pegadaian Indonesia will increase by 3.621.

The regression coefficient value of the solvency variable (X2) is positive 0.437 with a significance value of 0.000, indicating that if there is an increase in the solvency variable (X2), then the profitability (Y) at PT Pegadaian Indonesia will increase by 0.437.

The regression coefficient value of the activity variable (X3) is negative 5.059 with a significance value of 0.219, indicating that if there is an increase in the activity variable (X2), then the profitability (Y) at PT Pegadaian Indonesia will not change.

### C. Hypothesis Testing

After the classic assumption test was carried out, which showed that the data used in this study were normally distributed and there were no symptoms of multicollinearity, heteroscedasticity, and autocorrelation, a hypothesis test was carried out with the t-test. The t-test is used to prove whether there is a significant influence between the variable liquidity ratio (X1), solvency ratio (X2), and activity ratio (X3) to profitability (Y). The results of the t-test are presented as follows.

**Table 4. T-Test Results**

Variabel	Sig	Keterangan
Likuiditas	0,021	H <sub>1</sub> diterima
Solvabilitas	0,000	H <sub>2</sub> diterima
Aktivitas	0,219	H <sub>3</sub> ditolak

Source: processed data, 2023

Table 4 is the result of the t-test for each dependent variable on the independent variable, which shows the following results.

1. Liquidity variable t-test results (X1) proxied by CR to profitability (Y) proxied by ROA shows a significance value of 0.021 which is smaller than the specified significance level of 0.05, so that H<sub>0</sub> is rejected and H<sub>1</sub> is accepted, which indicates that



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- liquidity (X1) partially has a significant profitability positive effect on (Y) at PT Pegadaian Indonesia for the period 2008 – 2022.
2. Solvability variable t-test results (X2) proxied by DER on profitability (Y) proxied by ROA shows a significance value of 0.000 which is smaller than the specified significance level of 0.05 so that  $H_0$  is rejected and  $H_2$  is accepted, which indicates that solvency (X2) partially has a significant profitability positive effect on (Y) at PT Pegadaian Indonesia for the period 2008 – 2022.
  3. Activity variable t-test results (X3), which is proxied by TATO on profitability (Y) which is proxied by ROA, shows a significance value of 0.219 which is greater than the specified significance level of 0.05 so that  $H_0$  is accepted, and  $H_3$  is rejected which indicates that activity (X3) partially has no significant negative effect on profitability (Y) at PT Pegadaian Indonesia for the period 2008 – 2022.

### D. Discussion

#### 1) Effect of Liquidity on Profitability

The results of the t-test for the effect of liquidity on profitability show a significance value that is smaller than the specified significance level ( $0.021 > 0.05$ ) so that  $H_0$  is rejected and  $H_1$  is accepted, which indicates that liquidity (X1) partially has a significant positive effect on profitability (Y) at PT Pegadaian Indonesia for the period 2008 – 2022. The relationship shown by the regression coefficient value is positive, indicating that the better the liquidity, the profitability will increase. The liquidity ratio is a ratio that measures a company's ability to meet short-term obligations. The liquidity ratio is important because failure to pay short-term obligations can lead to the bankruptcy of the company. This ratio measures the company's short-term liquidity capacity by looking at the company's current assets against its current debt or company liabilities. The purpose of the analysis of the liquidity ratio is to see the company's ability to pay short-term obligations in a timely manner [8].

Liquidity proxied through CR (Current Ratio) has a positive effect on the profitability of PT Pegadaian Indonesia for the period 2008 – 2022, where during the study period, PT Pegadaian Indonesia had a liquidity value that was above the average, namely 1.46850 and had high profitability above the average namely 4.90913 occurred 4 times, namely in 2013, 2015, 2017 and 2018. The most ideal number that companies always look for in CR is 2. The company gets a CR (Current Ratio) value below 1, indicating that the company may be experiencing problems and having difficulty paying its debts. The company's financial condition is indicated to be unhealthy. Based on the research results, it can be seen that PT Pegadaian Indonesia's CR (Current Ratio) value for the period 2008 to 2022 did not reach 2 but more than 1; this indicates that PT Pegadaian Indonesia is able to pay debts that must be met immediately with current assets which are owned.

The results of this study indicate that liquidity has a significant positive effect on profitability; this indicates that a company with a high CR (Current Ratio) value indicates that the company has sufficient assets to pay off its short-term obligations so that the company's operations are not disrupted. A high level of capital will reduce the amount of debt owned by the company. Thus, the interest expense that must be paid by the company will be smaller, which causes the greater profit the company will get. The results of this study are in line with previous studies conducted by Diah Ika Murtizannah and Kirwani (2013), R. Cheppy Safei Jumaha (2017), Viviyanti Sukoco (2021).

#### 2) Effect of Solvency on Profitability

The results of the t-test for the effect of solvency on profitability show a significance value that is smaller than the specified significance level ( $0.000 > 0.05$ ) so that  $H_0$  is rejected and  $H_2$  is accepted, which indicates that solvency (X2) partially has a significant positive effect on profitability (Y) at PT Pegadaian Indonesia for the period 2008 – 2022. The relationship indicated by the positive value of the regression coefficient indicates that the better the solvency, the profitability will increase. The solvency ratio is a ratio to measure how much a company is financed by debt. The solvency ratio is used to measure the extent to which a company's assets are financed by debt. In other words, the ratio is used to measure how much debt the company must bear in order to fulfill its assets. The lower the solvency ratio level of the company's industry standard, the greater the debt financed by the company's assets, or the company is in an unhealthy condition.

Solvency proxied through DER (Debt to Equity Ratio) has a positive effect on the profitability of PT Pegadaian Indonesia for the period 2008 - 2022 where during the study period, PT Pegadaian Indonesia's solvency value was above the average, namely 3.02018 and has a high profitability above average – the average is 4.90913 occurred for 1 time, namely in 2012. Most investors actually avoid a DER (Debt to Equity Ratio) value of more than 2; this is because the company is indicated to have greater debt than the amount of equity. In fact, it is necessary to carry out further analysis because a large DER (Debt to Equity Ratio) can show the ability to use debt to generate company profits. PT Pegadaian Indonesia, for the last few years, has had a DER (Debt to Equity Ratio) below 2 which indicates the company has made efforts to reduce the use of its equity in paying debts that are due.

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The results of this study indicate that solvency has a significant positive effect on profitability; this indicates that the greater the solvency, the greater the trust from outsiders because it allows the company's performance to increase. With large capital, the greater the opportunity to achieve large profits. The increasing corporate debt used for operational financing will generate profits so that the company is still able to fulfill its obligations. The results of this study are in line with previous studies conducted by Budiyanto and Sefty Setyafani Sansalia (2015), R. Cheppy Safei Jumaha (2017) and Viviyanti Sukoco (2021).

### 3) *Effect of Activity on Profitability*

The results of the t-test for the effect of activity on profitability show a significance value greater than the specified significance level ( $0.219 > 0.05$ ) so that  $H_0$  is accepted and  $H_3$  is rejected, which indicates that activity (X3) partially does not have a significant negative effect on profitability (Y) at PT Pegadaian Indonesia for the period 2008 – 2022. The relationship shown by the regression coefficient value is negative, indicating that an increase or decrease in the value of the activity ratio will not affect the company's profitability. The activity ratio is the ratio that describes the activities carried out by the company in carrying out its operations both in sales, purchases, and other activities. The liquidity ratio can be said to be the ratio used to assess how efficiently a company can utilize and manage the company's resources in carrying out daily activities such as sales, collection of accounts receivable, inventory management, working capital management, and management of all assets. Low activity at a certain level of sales will result in greater excess funds being embedded in these assets (Rina et al., 2019).

Activities that are proxied through TATO do not negatively affect the profitability of PT Pegadaian Indonesia for the period 2008 – 2022, where during the study period, PT Pegadaian Indonesia has an activity value that is above the average of 0.25294 and has a high profitability above the average of 4,90913 does not occur in any year. This supports the research that no matter how big the value of TATO will not increase or decrease the size of the company's profitability. The expected TATO value for BUMN is based on the BUMN standard No. Kep 100/MBU/2002 is 120. Based on the research results, it can be seen that PT Pegadaian Indonesia has not been able to achieve these criteria, which indicates that the company is less effective in managing its assets, so it has an impact on the company's income.

The results of this study indicate that activity does not have a significant negative effect on profitability; this indicates that the greater the value of the activity ratio, the greater the profitability obtained by the company. PT Pegadaian Indonesia is likely to be more concerned with paying off creditors than using cash to pay returns to shareholders so that whatever amount of income is received by utilizing the assets it owns, it does not affect the profitability obtained. The results of this study are in line with previous research conducted by I Dewa Gd Gina Sanjaya, I Md Surya Negara Sudirman, M. Rusmala Dewi (2015) and Firman Ali, Hamida Hasan, Mulyana Machmud (2022) [11,7].

## IV. CONCLUSION

Based on this study's results, the conclusions can be drawn include the following.

1. The liquidity ratio has a significant positive effect on profitability; this indicates that a company with a high CR value indicates that the company has sufficient assets to pay off its short-term obligations so that the company's operational activities are not disrupted. A high level of capital will reduce the amount of debt the company owns. Thus, the interest expense that the company must pay will be more minor, which causes the more significant profit the company will get.
2. The solvency ratio has a significant positive effect on profitability; this indicates that the greater the solvency, the greater the trust from outsiders because it enables an increase in company performance. With large capital, the greater the opportunity to achieve large profits. The increasing corporate debt used for operational financing will generate profits so that the company is still able to fulfill its obligations.
3. The activity ratio does not have a significant negative effect on profitability; this indicates that the greater the activity ratio value, the greater the profitability obtained by the company. PT Pegadaian Indonesia is likely to be more concerned with paying off creditors than using cash to pay returns to shareholders so that whatever amount of income is received by utilizing the assets it owns, it does not affect the profitability obtained.

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