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FINANCIAL STATEMENT ANALYSIS TO ASSESS FINANCIAL PERFORMANCE OF RAYZ UMM HOTEL

Assyifa Vidi Satrio[1], Wuryan Andayani[2]
[1,2]*Accounting Department, Faculty of Economics and Business, University of Brawijaya, Indonesia*

Abstract. This research seeks to provide information Financial Statement of Rayz UMM Hotel and assessment of the financial performance 2021-2023 period. This research uses the Quantitative Descriptive Method. This study used data obtained directly in the research area by conducting interviews with the authorities, the Chief Accounting of Rayz UMM Hotel. The data was collected through the documentation by tracking relevant studies and also carried out through a literature study, The variable data uses financial ratio analysis including, Liquidity, Solvency, Activity, and Profitability based on the Financial Statements for the period 2021-2023. This study found a less optimistic picture of activity ratios. Companies need to consider The downward trend in the company's total asset turnover rate for several consecutive years indicates suboptimal asset utilization and challenges in converting assets into revenue. This finding is also supported by the downward trend of other aspects of the ratio. However, the financial performance is still considered good because the performance is still above the industry standard. In addition, this study recommends that the company should improve its performance from an activity point of view, as well as maintain its good financial performance.

Keywords: Financial Performance, Financial Ratio, Financial Statement

I. INTRODUCTION

Financial performance reflects a company's financial condition and serves as an important indicator for evaluating its ability to manage resources efficiently and create value. Efficient capital allocation enables companies to reduce operational costs, strengthen competitiveness, and improve long-term sustainability. Therefore, financial performance analysis is essential for management and stakeholders in assessing a company's financial health and supporting strategic decision-making.

One of the most widely used approaches to evaluating financial performance is financial ratio analysis. Financial ratios provide information regarding a company's liquidity, solvency, profitability, and activity, allowing management and investors to assess financial strengths and weaknesses over time. The analysis of financial statements also facilitates the evaluation of operational efficiency and provides a basis for improving future business performance.

Previous studies have demonstrated the usefulness of financial ratio analysis in evaluating corporate financial performance. Maith (2013) found that financial ratio analysis provides valuable information for assessing a company's financial condition and supporting managerial decision-making. Similarly, Pongoh (2013) concluded that financial ratios assist companies in evaluating financial strengths and weaknesses through liquidity, solvency, activity, and profitability indicators, thereby supporting more effective financial planning and policy formulation.

Maintaining stable financial performance became increasingly important during the COVID-19 pandemic, which significantly disrupted the global economy and adversely affected many business sectors. While numerous companies experienced financial distress, some organizations were able to maintain their operations despite the challenging business environment. In the hospitality industry, the pandemic severely reduced tourism activities and hotel occupancy rates, creating substantial pressure on financial performance.

Rayz UMM Hotel, a four-star hotel operated under the University of Muhammadiyah Malang, is one of the hospitality businesses that continued operating during the pandemic period. Located strategically between Malang and Batu City, the hotel relies heavily on tourism activities, making its financial performance vulnerable to fluctuations in the tourism sector. Consequently, evaluating the hotel's financial performance through financial ratio analysis is important to determine its financial condition during the pandemic and to identify areas requiring managerial improvement. Based on this background, this study aims to assess the financial performance of Rayz UMM Hotel using financial ratio analysis.

II. LITERATURE REVIEW

A. Signaling Theory

Signaling theory explains that company management possesses more complete information regarding the firm's condition and future prospects than external stakeholders. To reduce information asymmetry, management communicates credible information through financial reporting, enabling investors and creditors to evaluate the company's financial condition and future performance (Brigham & Gapenski, 2006; Sari & Zuhrotun, 2006). Financial statements therefore function as an important signal that influences stakeholders' assessment of the company's value and financial prospects.

B. Financial Statements

Financial statements are the primary output of the accounting process and provide information regarding a company's financial position, operating performance, cash flows, and changes in equity for decision-making purposes (Hery, 2016; Fahmi, 2014). Financial reports generally consist of the statement of financial position, income statement, statement of changes in equity, statement of cash flows, and notes to the financial statements (Prastowo, 2015). Their primary objective is to provide relevant financial information that assists users in evaluating the company's financial condition, predicting future performance, and supporting economic decision-making (Harahap, 2013; Fahmi, 2011).

C. Financial Ratio Analysis

Financial ratio analysis is a widely used technique for evaluating financial performance by comparing information contained in financial statements. The analysis provides indicators of a company's liquidity, solvency, activity, and profitability, enabling management and external stakeholders to assess financial performance, operational efficiency, and potential financial risks (Kasmir, 2015; Fahmi, 2011; Fahmi, 2014). In this study, financial performance is evaluated using four groups of financial ratios, namely liquidity, solvency, activity, and profitability ratios.

D. Liquidity Ration

Liquidity ratios measure a company's ability to fulfill its short-term obligations and reflect the adequacy of working capital in supporting business operations. This study employs the Current Ratio (CR) and Quick Ratio (QR) as indicators of liquidity (Munawir, 2011; Kasmir, 2015).

E. Solvency Ratio

Solvency ratios evaluate a company's ability to meet both short-term and long-term obligations. This study measures solvency using the Debt Ratio (DR) and Debt to Equity Ratio (DER), which indicate the proportion of assets financed through debt and the relationship between total liabilities and shareholders' equity (Prastowo, 2011; Kasmir, 2015).

F. Activity Ratio

Activity ratios assess how efficiently a company utilizes its assets to generate revenue. This research employs Total Asset Turnover (TATO) and Fixed Asset Turnover (FATO) to evaluate operational efficiency in utilizing company assets (Kasmir, 2012; Kasmir, 2015).

G. Profitability Ratio

Profitability ratios measure a company's ability to generate earnings from its operational activities and invested resources. In this study, profitability is evaluated using Gross Profit Margin (GPM), Net Profit Margin (NPM), Return on Assets (ROA), and Return on Equity (ROE), which collectively reflect operational efficiency and overall financial performance (Fahmi, 2011; Kasmir, 2012; Munawir, 2011; Prastowo, 2011).

H. Financial Performance

Financial performance reflects a company's achievement in managing its financial resources effectively and is commonly assessed through financial statement analysis. Financial performance evaluation assists management and stakeholders in understanding the company's liquidity, solvency, profitability, and operational stability, thereby supporting strategic decision-making and future business improvement (Beaver, 1967; Callahan, 2007; Munawir, 2010).

I. Research Framework

This research focuses on the scrutiny of financial statements and financial performance within the context of corporate analysis. Financial statements function as instruments employed to assess the validity of events that may lack definitive clarity. Concurrently, a company's financial performance serves as a reflection of its competency in managing financial affairs during the execution of its operational endeavors. The evaluation of a company's financial standing necessitates a comprehensive analysis of its financial statements. Various analytical tools, such as ratio analysis, are utilized for this purpose. Notably, the liquidity ratio ascertains the company's capability to meet enduring liabilities, while solvency indicators gauge the proportion of activities funded through debt. Activity ratios elucidate the efficiency and effectiveness of resource utilization, and profitability ratios quantify the company's capacity to generate earnings.

The overarching objective of ratio analysis is to gauge the efficacy of decisions made by companies in the course of their business operations. This endeavor encompasses the utilization of distinct ratios, including liquidity, leverage (solvency), activity, and profitability ratios, aimed at evaluating a company's financial position and performance. The interpretation of liquidity ratio analysis provides insights into the company's liquidity status, involving the assessment of pertinent indicators.

Financial performance analysis encompasses a meticulous review process that involves data scrutiny, computation, quantification, interpretation, and the provision of resolutions pertaining to a company's financial status over a specified timeframe. A positive financial performance augments the company's enterprise value, consequently attracting investor interest and capital infusion. This deduction underscores the rationale behind the company's ability to successfully fulfill short-term obligations when they fall due. Ultimately, the comprehensive assessment of financial performance serves to shed light on the company's accomplishments or setbacks, spanning both financial and non-financial dimensions.

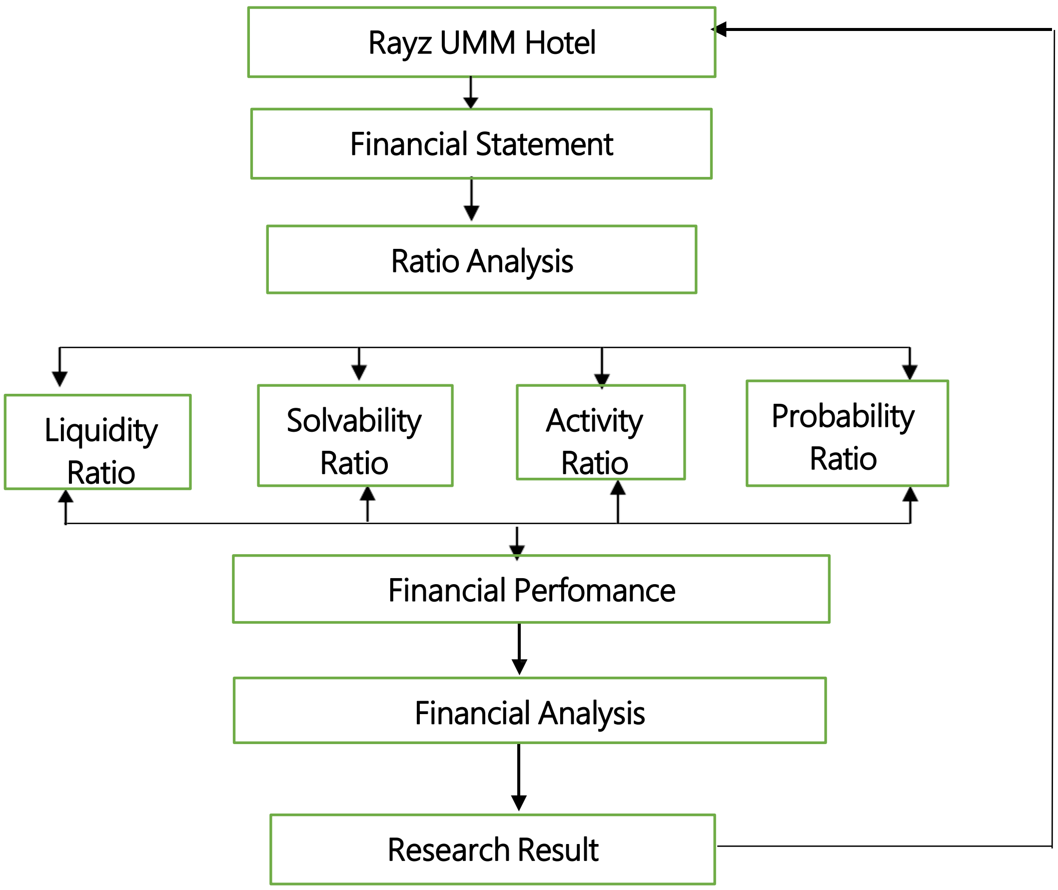

Figure 1 Research Framework

III. RESEARCH METHODOLOGY

A. Research Design

This study employed a descriptive quantitative approach to evaluate the financial performance of Rayz UMM Hotel using financial statement analysis. The analysis was conducted by calculating and interpreting financial ratios derived from the company's financial statements for the 2021–2023 period.

B. Research Object and Data Source

The object of this research was Rayz UMM Hotel, located in Malang Regency, East Java. The study utilized both primary and secondary data. Primary data were obtained through interviews with the Chief Accounting of Rayz UMM Hotel, while secondary data consisted of the company's financial statements and supporting literature related to financial statement analysis.

C. Data Collection Method

Data were collected using documentation and literature review techniques. Documentation included the collection of the company's financial statements for the 2021–2023 period, while the literature review was conducted using scientific books, journal articles, research reports, and other academic references related to financial performance analysis.

D. Variable Measurement

Financial performance was evaluated using four groups of financial ratios, namely liquidity, solvency, activity, and profitability ratios. The indicators employed in this study are presented in Table 1.

Tabel 1. Financial Ratio Indicators

Ratio Category	Indicator	Formula	Reference
Liquidity	Current Ratio (CR)	Current Assets / Current Liabilities × 100%	Munawir (2011)
	Quick Ratio (QR)	(Current Assets − Inventories) / Current Liabilities × 100%	Munawir (2011)
Solvency	Debt Ratio (DR)	Total Liabilities / Total Assets × 100%	Prastowo (2011)
	Debt to Equity Ratio (DER)	Total Liabilities / Total Equity × 100%	Prastowo (2011)
Activity	Total Asset Turnover (TATO)	Net Sales / Total Assets × 100%	Kasmir (2012)
	Fixed Asset Turnover (FATO)	Sales / Fixed Assets × 100%	Kasmir (2012)
Profitability	Gross Profit Margin (GPM)	(Sales − COGS) / Net Sales × 100%	Kasmir (2012)
	Net Profit Margin (NPM)	Net Profit After Tax / Net Sales × 100%	Kasmir (2012)
	Return on Assets (ROA)	Net Profit After Tax / Total Assets × 100%	Munawir (2011)
	Return on Equity (ROE)	Net Profit After Tax / Total Equity × 100%	Prastowo (2011)

E. Data Analysis Technique

The collected data were analyzed descriptively by calculating each financial ratio and comparing the results across the 2021–2023 period. The analysis focused on evaluating the company's liquidity, solvency, activity, and profitability to assess the overall financial performance of Rayz UMM Hotel.

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IV. RESULT AND DISCUSSION

A. Financial Statement Analysis

Statement of Financial Position Analysis

Table 2 presents the summary of Rayz UMM Hotel's statement of financial position and income statement for the 2021–2023 period. Overall, the company experienced continuous growth in total assets, sales, gross profit, and earnings after tax. Total assets increased from Rp8.65 billion in 2021 to Rp27.91 billion in 2023, while sales rose from Rp13.59 billion to Rp30.83 billion during the same period. The increase in retained earnings and net income indicates an improvement in the company's financial position following the recovery of the hospitality industry after the COVID-19 pandemic.

Tabel 2. Balance Sheet

Account	2021	2022	2023
Assets:			
Current Asset	8,585,550,668	22,172,641,166	27,448,284,385
Fixed Asset	69,139,000	231,273,549	513,048,735
Total Assets	*8,654,689,668*	*22,338,723,751*	*27,910,833,003*
Liabilities:			
Current Liabilities	339,782,398	5,147,549,928	6,792,581,983
Long-Term Liabilities	-	-	-
Total Liabilities	339,782,398	5,147,549,928	6,792,581,983
Equity:			
Capital	3,758,349,882	1,492,405,013	1,492,405,013
Retained Earnings	4,556,557,389	15,698,768,810	19,625,846,007
Total Equity	8,314,907,270	17,191,173,823	21,118,251,020
Total Liabilities Capital	*8,654,689,668*	*22,338,723,751*	*27,910,833,003*

Source: Rayz UMM Hotel (processed)

Income Statement Analysis

The provided data on table 3 illustrates key financial indicators related to Sales, Cost of Sales, Gross Profit, Expenses, Operating Income, Taxes, and Earnings-After Tax (EAT) for three consecutive years. Notably, Sales experienced consistent growth over the studied period, beginning at Rp13,589,069,448 in 2021, surging to Rp26,800,011,350 in 2022, and further advancing to Rp30,829,092,735 in 2023. Correspondingly, the Cost of Sales also increased, rising from Rp1,878,227,518 in 2021 to Rp3,409,678,935 in 2022, and subsequently to Rp3,698,227,694 in 2023. It resulted in Gross Profit expanding from Rp11,710,841,930 in 2021 to Rp23,390,332,415 in 2022, and further to Rp27,130,865,041 in 2023.

Simultaneously, expenses exhibited growth, escalating from Rp4,158,642,140 in 2021 to Rp8,796,337,077 in 2022, and subsequently to Rp9,956,665,325 in 2023. As a consequence, Operating Income showed an upward trajectory, increasing from Rp7,552,199,789 in 2021 to Rp14,593,995,338 in 2022, and further to Rp17,174,199,717 in 2023. In the realm of Taxes, there was a consistent increase, with figures rising from Rp2,358,433,541 in 2021 to Rp4,651,241,639 in 2022, and subsequently to Rp5,350,503,698 in 2023. Consequently, Earnings-After Tax (EAT) displayed notable growth, ascending from Rp5,193,766,249 in 2021 to Rp9,942,753,699 in 2022, and further to Rp11,823,696,019 in 2023. This data analysis provides valuable insights into the company's revenue generation, cost management, gross profitability, operating efficiency, tax implications, and net earnings over the specified time frame.

Table 3. Income Statement

Account	2021	2022	2023
Sales	13,589,069,448	26,800,011,350	30,829,092,735
Cost of Sales	- 1,878,227,518	- 3,409,678,935	- 3,698,227,694
Gross Profit	11,710,841,930	23,390,332,415	27,130,865,041
Expenses	- 4,158,642,140	- 8,796,337,077	- 9,956,665,325
Operating Income	7,552,199,789	14,593,995,338	17,174,199,717
Taxes	- 2,358,433,541	- 4,651,241,639	- 5,350,503,698
EAT	5,193,766,249	9,942,753,699	11,823,696,019

Source: Rayz UMM Hotel (processed)

B. Liquidity Ratio Analysis

Current Ratio

The current ratio measures the company's ability to meet its short-term obligations using its current assets. It is calculated as follows:

$$Current\ Ratio\ in\ 2021 = \frac{8{,}585{,}550{,}668}{339{,}782{,}398} x100\% = 2526\%$$

$$Current\ Ratio\ in\ 2022 = \frac{22{,}172{,}641{,}166}{5{,}147{,}549{,}928} x100\% = 431\%$$

$$Current\ Ratio\ in\ 2023 = \frac{27{,}448{,}284{,}385}{6{,}792{,}581{,}983} x100\% = 404\%$$

Based on the calculation, Rayz UMM Hotel maintained a strong liquidity position throughout the study period. The current ratio decreased from 2526% in 2021 to 431% in 2022 and further to 404% in 2023. This downward trend indicates that current liabilities grew at a faster rate than current assets over the three-year period.

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Despite the decline, the current ratio remained substantially above the generally accepted benchmark of 200%, indicating that the company had more than sufficient current assets to cover its short-term liabilities. Therefore, Rayz UMM Hotel demonstrated a sound liquidity position and maintained strong short-term solvency throughout the observation period.

Quick Ratio

The quick ratio measures the company's ability to meet its short-term obligations using its most liquid current assets, excluding inventories. It is calculated as follows:

$$Quick\ Ratio\ in\ 2021 = \frac{8{,}585{,}550{,}668 - 304{,}064{,}010}{339{,}782{,}398} x100\% = 2437\%$$

$$Quick\ Ratio\ in\ 2022 = \frac{22{,}172{,}641{,}166 - 1{,}165{,}990{,}169}{5{,}147{,}549{,}928} x100\% = 408\%$$

$$Quick\ Ratio\ in\ 2023 = \frac{27{,}448{,}284{,}385 - 1{,}764{,}167{,}130}{6{,}792{,}581{,}983} x100\% = 378\%$$

Based on the calculation, the quick ratio followed a similar trend to the current ratio, decreasing from 2437% in 2021 to 408% in 2022 and 378% in 2023. The decline indicates that the increase in current liabilities outpaced the growth of the company's liquid current assets after inventories were excluded from the calculation.

Nevertheless, the quick ratio remained significantly higher than the recommended benchmark, indicating that the company possessed sufficient liquid assets to settle its short-term obligations without relying on inventory liquidation. Overall, the results suggest that Rayz UMM Hotel maintained a healthy liquidity position throughout the study period, despite the gradual decline in both liquidity indicators.

C. Solvency Ratio Analysis

Debt Ratio

The debt ratio measures the proportion of total assets financed through liabilities and reflects the company's overall financial leverage. It is calculated using the following formula:

$$Debt\ Ratio\ in\ 2021 = \frac{339{,}782{,}398}{8{,}654{,}689{,}668} x100\% = 3.93\%$$

$$Debt\ Ratio\ in\ 2022 = \frac{5{,}147{,}549{,}928}{22{,}338{,}723{,}751} x100\% = 23.04\%$$

$$Debt\ Ratio\ in\ 2023 = \frac{6{,}792{,}581{,}983}{27{,}448{,}284{,}385} x100\% = 24.34\%$$

As calculated above, the debt ratio increased considerably during the study period, rising from 3.93% in 2021 to 23.04% in 2022 and 24.34% in 2023. This trend indicates that a greater proportion of the company's assets was financed through liabilities over time.

Although the debt ratio increased substantially, the values remained relatively low, indicating that most of the company's assets continued to be financed through equity rather than debt. Consequently, Rayz UMM Hotel maintained a relatively low financial risk and a sound long-term solvency position throughout the observation period.

Debt to Equity Ratio

The Debt to Equity Ratio (DER) measures the proportion of total liabilities relative to shareholders' equity and indicates the extent to which the company utilizes debt financing compared to its own capital. The ratio is calculated using the following formula:

$$Debt\ to\ Equity\ Ratio\ in\ 2021 = \frac{339{,}782{,}398}{8{,}314{,}907{,}270} x100\% = 4.09\%$$

$$Debt\ to\ Equity\ Ratio\ in\ 2022 = \frac{5{,}147{,}549{,}928}{17{,}191{,}173{,}823} x100\% = 29.94\%$$

$$Debt\ to\ Equity\ Ratio\ in\ 2023 = \frac{6{,}792{,}581{,}983}{21{,}118{,}251{,}020} x100\% = 32.16\%$$

The calculations above show that the Debt to Equity Ratio increased from 4.09% in 2021 to 29.94% in 2022 and further to 32.16% in 2023. The increase indicates that the company relied more heavily on liabilities as a source of financing relative to shareholders' equity during the study period.

Despite the upward trend, the DER remained below 100%, indicating that shareholders' equity continued to exceed total liabilities. This finding suggests that Rayz UMM Hotel maintained a conservative capital structure and possessed sufficient equity to support its financial obligations, thereby reflecting a healthy level of long-term solvency.

D. Activity Ratio Analysis

Total Asset Turnover (TATO)

Total Asset Turnover (TATO) measures the efficiency of a company in utilizing its total assets to generate sales revenue. The ratio is calculated using the following formula:

$$TATO\ in\ 2021 = \frac{13{,}589{,}069{,}448}{8{,}654{,}689{,}668} x100\% = 1.57\%$$

$$TATO\ in\ 2022 = \frac{26{,}800{,}011{,}350}{22{,}338{,}723{,}751} x100\% = 1.20\%$$

$$TATO\ in\ 2023 = \frac{30{,}829{,}092{,}735}{27{,}448{,}284{,}385} x100\% = 1.12\%$$

The calculations above show that the Total Asset Turnover decreased consistently during the observation period, from 1.57 times in 2021 to 1.20 times in 2022 and 1.12 times in 2023. The declining trend indicates that the company's efficiency in utilizing its total assets to generate sales gradually weakened over the three-year period.

Although net sales continued to increase annually, total assets grew at a faster rate, resulting in a lower asset turnover ratio. This finding suggests that the expansion of the company's asset base was not accompanied by a proportional increase in sales revenue, indicating that asset utilization became relatively less efficient over time.

Fixed Asset Turnover

Fixed Asset Turnover measures the efficiency of a company in generating sales from its investment in fixed assets. The ratio is calculated using the following formula:

$$Fixed\ Asset\ Turnover\ in\ 2021 = \frac{13{,}589{,}069{,}448}{69{,}139{,}000} x100\% = \ 196.55\%$$

$$Fixed\ Asset\ Turnover\ in\ 2022 = \frac{26{,}800{,}011{,}350}{231{,}273{,}549} x100\% = \ 115.88\%$$

$$Fixed\ Asset\ Turnover\ in\ 2023 = \frac{30{,}829{,}092{,}735}{513{,}048{,}735} x100\% = \ 60.08\%$$

As presented from the calculations aboev, the Fixed Asset Turnover ratio declined substantially from 196.55 times in 2021 to 115.88 times in 2022 and further to 60.08 times in 2023. This downward trend indicates a reduction in the company's efficiency in utilizing its fixed assets to generate sales.

The decline occurred because the value of fixed assets increased at a considerably faster rate than sales revenue during the study period. Although sales continued to grow, the expansion of fixed assets was proportionally greater, leading to a lower turnover ratio. Nevertheless, the ratio remained positive, indicating that the company's fixed assets continued to contribute to revenue generation, albeit with decreasing efficiency.

E. Profitability Ratio Analysis

Gross Profit Margin

Gross Profit Margin (GPM) measures the proportion of gross profit generated from net sales after deducting the cost of goods sold. The ratio is calculated using the following formula:

$$GPM\ in\ 2021 = \frac{13{,}589{,}069{,}448 - 1{,}878{,}227{,}518}{13{,}589{,}069{,}448} x100\% = \ 86.18\%$$

$$GPM\ in\ 2022 = \frac{26{,}800{,}011{,}350\ -\ 3{,}409{,}678{,}935}{26{,}800{,}011{,}350} x100\% = \ 87.28\%$$

$$GPM\ in\ 2023 = \frac{30{,}829{,}092{,}735\ -\ 3{,}698{,}227{,}694}{30{,}829{,}092{,}735} x100\% = \ 88.00\%$$

Based on the calculation above, the Gross Profit Margin increased gradually from 86.18% in 2021 to 87.28% in 2022 and further to 88.00% in 2023. The upward trend indicates that the company became more efficient in controlling the cost of goods sold relative to its sales, resulting in a higher proportion of gross profit generated from each unit of revenue.

Net Profit Margin

Net Profit Margin (NPM) measures the proportion of net profit earned from net sales after all operating and non-operating expenses have been deducted. The ratio is calculated using the following formula:

$$NPM\ in\ 2021 = \frac{5{,}193{,}766{,}249}{13{,}589{,}069{,}448} x100\% = 38.22\%$$

$$NPM\ in\ 2022 = \frac{9{,}942{,}753{,}699}{26{,}800{,}011{,}350} x100\% = 37.10\%$$

$$NPM\ in\ 2023 = \frac{11{,}823{,}696{,}019}{30{,}829{,}092{,}735} x100\% = 38.35\%$$

As presented on the calculation above, the Net Profit Margin fluctuated during the study period. The ratio declined slightly from 38.22% in 2021 to 37.10% in 2022 before increasing to 38.35% in 2023. Despite these fluctuations, the ratio remained relatively stable, indicating that the company consistently generated a high level of net profit from its sales throughout the observation period.

Return on Asset

Return on Assets (ROA) measures the company's ability to generate net profit from its total assets. The ratio is calculated using the following formula:

$$ROA\ in\ 2021 = \frac{5{,}193{,}766{,}249}{8{,}654{,}689{,}668} x100\% = 60.01\%$$

$$ROA\ in\ 2022 = \frac{9{,}942{,}753{,}699}{22{,}338{,}723{,}751} x100\% = 44.51\%$$

$$ROA\ in\ 2023 = \frac{11{,}823{,}696{,}019}{27{,}910{,}833{,}003} x100\% = 42.36\%$$

The calculations above show that the Return on Assets declined continuously during the study period, from 60.01% in 2021 to 44.51% in 2022 and 42.36% in 2023. Although net profit increased over the three-year period, total assets expanded at a faster rate, resulting in a lower return generated from each unit of assets employed. Nevertheless, the company continued to record positive returns on its asset base throughout the observation period.

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Return on Equity

Return on Equity (ROE) measures the company's ability to generate net profit from shareholders' equity. The ratio is calculated using the following formula:

$$ROE\ in\ 2021 = \frac{5{,}193{,}766{,}249}{8{,}314{,}907{,}270} x100\% = 62.46\%$$

$$ROE\ in\ 2022 = \frac{9{,}942{,}753{,}699}{17{,}191{,}173{,}823} x100\% = 57.84\%$$

$$ROE\ in\ 2023 = \frac{11{,}823{,}696{,}019}{21{,}118{,}251{,}020} x100\% = 55.98\%$$

As shown in the calculations above, the Return on Equity decreased gradually from 62.46% in 2021 to 57.84% in 2022 and 55.98% in 2023. The decline suggests that shareholders' equity increased more rapidly than net profit during the study period, reducing the rate of return generated on the company's equity. Despite this downward trend, the ROE remained relatively high, indicating that the company continued to utilize shareholders' equity effectively in generating net profit.

F. Financial Performance Assessment

To provide a comprehensive evaluation of Rayz UMM Hotel's financial performance, the results of liquidity, solvency, activity, and profitability ratio analyses are summarized in Table 4.

Table 4. Financial Performance of Rayz UMM Hotel (2021-2023)

Ratio Analysis	2021	2022	2023	Industry Standard
Liquidity Ratio				
Current Ratio	2526%	431%	404%	200%
Quick Ratio	2437%	408%	378%	150%
Solvency Ratio				
Debt Ratio	3.93%	23.04%	24.34%	35%
Debt to Equity Ratio	4.09%	29.94%	32.16%	90%
Activity Ratio				
Total Asset Turnover	1.57x	1.20x	1.12x	2.00x
Fixed Asset Turnover	196.55x	115.88x	60.08x	5.00x
Profitability Ratio				
Gross Profit Margin	86.18%	87.28%	88.00%	24.90%
Net Profit Margin	38.22%	37.10%	38.35%	20.00%
Return on Assets	60.01%	44.51%	42.36%	30.00%
Return on Equity	62.46%	57.84%	55.98%	40.00%

Source: Processed financial statements (2021–2023)

Table 4 indicates that Rayz UMM Hotel maintained a generally favorable financial performance throughout the 2021–2023 period. The liquidity ratios remained substantially above the industry benchmarks despite a gradual decline, indicating that the company consistently possessed sufficient current and liquid assets to meet its short-term obligations.

Likewise, the debt ratio and debt-to-equity ratio increased during the study period but remained below the industry standards, suggesting that the company's capital structure continued to be relatively conservative and that long-term financial risk was well controlled.

From an operational perspective, the activity ratios showed a downward trend. Both the Total Asset Turnover and Fixed Asset Turnover declined over the three-year period, indicating that the growth in the company's asset base outpaced the increase in sales revenue. These findings suggest that asset utilization became less efficient, highlighting an area that requires managerial attention to improve operational effectiveness.

The profitability analysis demonstrates mixed results. Gross Profit Margin increased steadily, reflecting improved control over the cost of goods sold. Net Profit Margin remained relatively stable despite minor fluctuations, while both Return on Assets and Return on Equity declined gradually as total assets and shareholders' equity expanded faster than net profit. Nevertheless, all profitability indicators remained above the selected industry benchmarks, indicating that the company continued to generate satisfactory financial returns.

Overall, the financial ratio analysis suggests that Rayz UMM Hotel maintained a healthy financial condition during the 2021–2023 period. Strong liquidity, prudent leverage, and consistently high profitability indicate solid financial performance, although declining asset turnover signals the need to improve the efficiency of asset utilization to support sustainable growth in future periods.

V. CONCLUSION

Based on the results of the financial ratio analysis, which comprises liquidity, solvency, activity, and profitability ratios, the financial performance of Rayz UMM Hotel during the 2021–2023 period can be summarized as follows.

From the liquidity perspective, Rayz UMM Hotel maintained a strong liquidity position throughout the study period despite a gradual decline in both the Current Ratio and Quick Ratio. The liquidity ratios consistently exceeded the industry benchmarks, indicating that the company possessed sufficient liquid resources to meet its short-term obligations.

From the solvency perspective, the Debt Ratio and Debt-to-Equity Ratio increased over the three-year period, indicating a greater reliance on liabilities as a source of financing. Nevertheless, both ratios remained below the industry benchmarks, suggesting that the company maintained a relatively conservative capital structure with manageable financial risk and adequate long-term solvency.

From the activity perspective, the company's performance showed a declining trend. Both Total Asset Turnover and Fixed Asset Turnover decreased throughout the observation period, indicating that asset growth outpaced the increase in sales revenue. Consequently, the company became less efficient in utilizing its assets to generate sales, particularly with respect to total asset utilization.

From the profitability perspective, the company demonstrated generally favorable performance. Gross Profit Margin increased consistently, while Net Profit Margin remained relatively stable despite slight fluctuations. Although Return on Assets and Return on Equity declined over the study period, both ratios remained above the industry benchmarks, indicating that the company continued to generate satisfactory returns from its assets and shareholders' equity.

Overall, the financial ratio analysis indicates that Rayz UMM Hotel maintained a healthy financial condition during the 2021–2023 period. Strong liquidity, prudent leverage, and favorable profitability reflect sound financial performance, while the declining activity ratios suggest that improving asset utilization efficiency should become a strategic priority to support sustainable business growth.

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