

Analysis of Company Financial Performance Through Financial Ratios in MSMEs in Malang City and West Manggarai Regency

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INDEXING	ABSTRACT
Keywords: Keyword 1; Work Productivity Keyword 2; Recruitment Keyword 3; Salary Provision Keyword 4; Incentives Keyword 5; MSMEs	This study analyzes the financial performance of MSMEs in Malang City (represented by Aurel Caffe MSME) and West Manggarai Regency (represented by Taka Caffe MSME) through financial ratios of liquidity, solvency, profitability, and activity based on the balance sheet and profit and loss statements in 2025. Using a quantitative descriptive approach with primary data from the financial statements of selected MSMEs via purposive sampling (a total of 2 MSME samples from two regions), the analysis was carried out with standard formulas such as quick ratio, debt to equity ratio, ROA, ROE, and inventory turnover. The results show that Aurel Caffe MSME (Malang) has good liquidity (quick ratio 188.99; cash ratio 3.71) but less than optimal solvency and profitability (debt ratio 0.578; ROA 0.915), while Taka Caffe MSME (West Manggarai) excels in profitability (profit margin 1.163; ROE 1.42) but lower liquidity (quick ratio 171.99). Overall, the financial performance of both MSMEs is quite good with significant differences due to location factors, where Malang is stronger in liquidity and West Manggarai in asset activity.

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INTRODUCTION

Indonesia's economy is projected to grow by around 5% in 2023. This achievement is driven by a stable increase in goods prices of around 2.6% to 3%, as well as trade profits of USD 36.9 billion thanks to exports of superior products abroad and a decline in the open unemployment rate (BPS, 2024). Going forward, growth is expected to remain in the range of 5.0% to 5.2% until 2026, although it still faces risks from a global economic slowdown, commodity price fluctuations, and geopolitical tensions (MF Staff Country Reports, 2024). MSMEs are one of the driving factors of Indonesia's economic growth, and the poverty ratio has continued to decline since 2014, and its economic growth has been recognized as one of the fastest (Mutuari & Yudiantara, 2021). Although MSMEs play a very important role in the national economy, they still face many problems in terms of financial management and are still not integrated (Gunawan et al., 2024). Many MSMEs fail to properly prepare their financial reports. They even mix personal finances with their business finances. The difference between this study and previous research is that most previous studies were conducted on MSMEs in cities and in a single location, resulting in a more representative picture of urban business conditions. My research, however, was conducted in two locations with very different characteristics: Malang City and West Manggarai Regency. As is known, MSMEs in Malang City have relatively easy access to capital, a large market, and better

financial record keeping. MSMEs in West Manggarai Regency, on the other hand, have rarely been studied. Many small businesses there have very limited capital and simple financial record keeping systems, so financial ratio analysis can provide a different picture than MSMEs in Malang City. In addition to the location, this study was also conducted more recently, allowing it to demonstrate the current development of MSME financial performance.

MSMEs are a driving factor in Indonesia's economic growth, and the poverty rate has steadily declined since 2014, and its economic growth has been recognized as one of the fastest (Mutuari & Yudiantara, 2021). They stated that increased MSME growth can become a pillar of the national economy.

LITERATURE REVIEW

1. Definition of MSMEs

Micro businesses are productive businesses owned by individuals and/or individual business entities that meet the criteria for Micro Businesses as stipulated in this Law. Small businesses are businesses or business entities that may be subsidiaries or not branches of companies that are owned, controlled, or are part of either directly or indirectly a medium-sized business or large business that meets the criteria for small businesses as referred to in this Law.

2. MSME Criteria

The criteria for MSMEs based on Law of the Republic of Indonesia Number 20 of 2008 are as follows: have a maximum net worth of IDR 50,000,000.00 (fifty million rupiah) excluding land and buildings for business premises; or

a. The criteria for Micro Enterprises are as follows:

have a maximum net worth of IDR 50,000,000.00 (fifty million rupiah) excluding land and buildings for business premises; or

b. The criteria for small businesses are:

Have net assets of more than IDR 50,000,000.00 00 (fifty million rupiah) except for land and buildings used for business, or

c. The criteria for medium-sized businesses are:

Having net assets of more than IDR 500,000,000.00 (five hundred million rupiah) to IDR 10,000,000,000.00 (ten billion rupiah) without including land and buildings used for business, or

3. Understanding Financial Reports

According to Kasmir (2013), as quoted by Zuhroh et al. (2025), financial reports are reports that show the financial condition of a company at the present time or within a certain period. This means that financial reports that show the financial condition of a company are the current condition, which is represented by the company's financial condition on a certain date (for the balance sheet) and a certain period (for the profit and loss statement).

4. Objectives of Financial Reports

The objective of financial reports according to PSAK 1 2015 is to provide information regarding the financial position, performance, and changes in the financial position of an entity that is useful for a large number of users in making economic decisions (Arista & Nurlaila, 2022).

5. Types of Financial Reports

- a. Balance Sheet
- b. Income statement
- c. Statement of changes in capital

6. Understanding Financial Performance

Financial performance can be defined as a description of the level of achievement in implementing an activity, plan, or policy to achieve goals, vision, and mission.

RESEARCH METHOD

1. Research location

The research location is the place where the research is conducted in the background of the research and the place where the research subjects are located, making it easier for researchers to obtain the necessary data from Aurel Caffè which is located on Jl. Simpang Gajahyana No. 69, Malang City, Lowokwaru District. UMKM Taka Caffè Located Jln. Bidadari Labuan Bajo, Kec. commodious, Cap. West Fork.

2. Research time

This research is planned to be conducted for one month, from October 1 to October 30. The research stages include preparation, data collection, data analysis, and preparation of the final report.

3. Types of research

This study employs a quantitative research design using a survey method. In this study, data will be collected through questionnaires distributed to a sample of employees from the SME Aurel Cafe, located at Jl. Simpang Gajayana No. 69, Malang City, Lowokwaru District, and the SME Taka Cafe, located at Jl. Bidadari, Labuan Bajo, Komodo District, West Manggarai Regency.

4. Data Source Type

The types of data sources used in the research are primary data and secondary data:

a. From Primary Data

Primary data is data obtained directly from the first source or the researcher themselves through various methods such as interviews, observation and documentation.

b. Data Seconds

Secondary data is data that has been collected by other people or institutions and is usually readily available in the form of reports, statistics, and documents. Researchers use secondary data to support or supplement the primary data they have collected.

5. Population and Sample

a. Population

A population is a generalizable group consisting of objects or subjects with specific quantities and characteristics defined by the researcher for study, from which conclusions are subsequently drawn. The population in this study consists of all MSME operators in Malang City and West Manggarai Regency, specifically the 30 respondents from the MSME UD Kerupuk Nusantara Putra. Aurel Cafe, located at Jl. Simpang Gajayana No. 69, Malang City, Lowokwaru District; and the SME Taka Cafe, located at Jl. Bidadari, Labuan Bajo, Komodo District, West Manggarai Regency.

b. Sample

A sample is a subset of the population's size and characteristics (Sugiono, 2010). If the population is large and researchers lack the funds, manpower, or time to study all aspects, they can use a sample of the population. Findings from the sample will be applied to the population. Therefore, the sample must be truly representative.

6. Data Collection Techniques

Data collection techniques are the most strategic steps in research, Data Collection Techniques using Questionnaire, Observation and Documentation Methods.

7. Data analysis

In conducting data analysis, researchers used descriptive analysis that compares existing data with various supporting theories and is of a descriptive and explanatory nature. This analysis uses formulas and interprets clear images through collection and compilation, so that a general picture of the company being studied can be known. The results of data collection through questionnaires were carried out by analyzing the frequency distribution of respondents' answers related to several variables that influence the increase in work productivity of MSME employees in Malang City and MSMEs in West Manggarai Regency.

RESULT AND DISCUSSION

1. Balance Sheet Analysis

Table 1 Financial Statements for Aurel Cafe and Taka Caffè

Nraca Saldo	Keterangan Neraca UMKM Aurel Caffè	Keterangan Neraca UMKM Taka Caffè
Aktiva lancar	189.000.000	172.000.000
Hutang usaha	45.000.000	49.000.000
Persediaan	78.000.000	73.000.000
Kas	167.000.000	163.000.000
Modal kerja bersih	64.000.000	61.000.000
Total aktiva	83.000.000	78.000.000
modal	110.000.000	100.000.000
Modal sendiri	43.000.000	50.000.000
Aset tetap bersih	45.000.000	55.000.000
Piutang bersih	27.000.000	28.500.000
Rata-rata modal kerja	58.000.00	49.000.000
Total utang	48.000.000	47.500.000

Source: Primary data processed by SPSS 26. (2025)

From Table 1 above, the total for Allure Cafe is 189,000,000, while for Taka Cafe it is 172,000,000. Trade payables for Allure Cafe are 45,000,000, while for Taka Cafe they are 49,000, 000, while for Taka Cafe it is 73,000,000. Cash on hand for Aurel Cafe is 167,000,000, while for Taka Cafe it is 163,000, 000; working capital for Aurel Cafe SME is 64,000,000, while for Taka Cafe it is 61,000,000; total assets for Aurel Cafe SME are

83,000,000, while for Taka Cafe SME they are 78,000, 000; capital for Aurel Cafe SME is 110,000,000, while for Taka Cafe SME it is 100,000; equity for Aurel Cafe SME is 43,000,000, while for Taka Cafe SME it is 50,000. 000 in net fixed assets for Aurel Cafe 45,000,000 while for Taka Cafe 55,000, 000 Net receivables for Aurel Cafe SME: 27,000,000, while for Taka Cafe SME: 28,500,000. Average working capital: 58,000,000, while for Taka Cafe SME: 49,000,000.

2. Income statement

Table 2 Income statement

Laporan Laba Rugi	Keterangan Laporan Laba Rugi Aurel Caffé	Ketrangan Laopran Laba Rugi Taka Caffé
Penjualan bersih	143.000.000	140.000.000
Penjualan	68.000.000	61.000.000
EBIT	76.000.000	87.000.00
EAT	65.850.000	71.000.00

Source: Processed primary data (2025)

From Table 2 above, it can be seen that net sales for the Aurel Cafe SME are 43,000,000, while for the Taka Cafe SME they are 39,000,000; total sales for Aurel Cafe are 68,000,000, while for Taka Cafe they are 61,000, EBIT for Aurel Cafe is 76,000,000, while for Taka Cafe it is 87,000,000. EAT for Aurel Cafe is 68,850,000, while for Taka Cafe it is 71,000,000.

3. Analysis of the research results of the financial reports of Aurel Caffé MSMEs and Taka Caffé MSMEs

• Liquidity ratio analysis

In the Liquidity ratio of Aurel Caffé and Taka Caffé MSMEs, you can measure their ability to meet short-term obligations as shown below:

$$Qucik\ ratio = \frac{aktiva\ lancar - persediaan}{hutang\ lancar} \times 100\%$$

$$Aurel\ caffe\ Qucik\ ratio = \frac{189.000.000 - 78.000.00}{45.000.000} \times 100\% \\ = 188,999,998\%$$

$$Taka\ caffe\ Qucik\ ratio = \frac{172.000.000 - 73.000.000}{49.000.000} \times 100\% \\ = 171.999.998\%$$

Aurel caffe shows the ability of current assets that can the current liabilities at the end of the year were Rp188,999,998%, which is a good condition for MSMEs. Meanwhile, for MSMEs, Taka Caffé was Rp171,999,998%.

• Solvency Ratio Analysis

In the solvency ratio of Aurel Caffé MSME and Taka Caffé MSME to measure the financial capabilities of MSMEs both in the short and long term at the time of liquidation.

$$\text{Debt ratio} = \frac{\text{total hutang}}{\text{total aktiva}} \times 100\%$$

$$\text{Aurel coffe debt ratio} = \frac{48.000.000}{83.000.000} \times 100\% \\ = 0,578\%$$

$$\text{Taka coffe debt ratio} = \frac{47.500.000}{78.000.000} \times 100\% \\ = 0,608\%$$

The result of total debt divided by total assets multiplied by (x) one hundred percent (%) for Aurel Caffe is 0.578% while for UMKM Taka Caffe it is 0.608%.

- **Profitability Ratio Analysis**

Profitability is a measuring tool used to determine how much profit a company has achieved.

$$\text{Profit marit} = \frac{\text{EAT}}{\text{penjualan}} \times 100\%$$

$$\text{Aurel coffe profit marit} = \frac{65.850.000}{68.000.000} \times 100\% \\ = 0,968\%$$

$$\text{Taka coffe profit marit} = \frac{71.000.0000}{61.000.000} \times 100\% \\ = 1,163\%$$

From the results of EAT divided by sales multiplied by (x) one hundred percent (100%) for Aurel Caffe 0.968% while for UMKM Taka Caffe 1.163%

$$\text{Return on asset} = \frac{\text{EBIT}}{\text{total aktiva}} \times 100\%$$

$$\text{Aurel coffe retum on asset} = \frac{76.000.000}{83.000.00} \times 100\% \\ = 0,915\%$$

$$\text{Taka coffe retum on asset} = \frac{71.000.000}{78.000.00} \times 100\% \\ = 0,910\%$$

From the EBIT results divided by total assets multiplied by (x) one hundred percent (100%) for UMKM Aurel Caffe is 0.915% while for UMKM Taka Caffe 0.910%

$$\text{Retur on equity} = \frac{\text{EAT}}{\text{modal sendiri}} \times 100\%$$

$$\text{Aurel coffe retur on equity} = \frac{65.850.000}{43.000.00} \times 100\% \\ = 1,531\%$$

$$\text{Taka coffe retur on equity} = \frac{71.000.000}{50.000.000} \times 100\% \\ = 1,42\%$$

From the results of EAT divided by own capital times (x) one hundred percent (100%) for UMKM Aurel Caffe 1.531% while for UMKM Taka Caffe 1.42%

- **Activity ratio analysis**

The activity ratio can be interpreted as a ratio that assesses the extent to which a company is able to utilize its resources effectively in carrying out and demonstrating the activities of Aurel Caffe and Taka Caffe MSMEs.

$$\text{Inventory tureover} = \frac{\text{penjualan}}{\text{persedian}}$$

$$\begin{aligned} \text{Aurel caffe inventory tureover} &= \frac{68.000.000}{78.000.000} \\ &= 0,87\% \end{aligned}$$

$$\begin{aligned} \text{Taka caffe inventre tureover} &= \frac{61.000.000}{73.000.000} \\ &= 0,835\% \end{aligned}$$

From the sales results, the inventory for Aurel Caffe MSMEs is 0.871%, while for Taka Caffe MSMEs it is 0.835%.

4. Statement of changes in capital

capital change report, namely the achievement of maximum activity results for MSMEs, the amount of funds used to meet financing needs.

Table 3 Report on Changes in Capital of Aurel Caffe MSME and Taka Caffe MSME

Rasio	UMKM Aurel Caffe	UMKM Taka Caffe
Likuiditas		
<i>Quick Ratio</i>	<i>188,999.980%</i>	<i>171,999,998%</i>
<i>Cash Ratio</i>	<i>3,771%</i>	<i>3,326%</i>
<i>Rtk</i>	<i>2,234.375%</i>	<i>2,295.081%</i>
Solvabilitas		
<i>Debt Ratio</i>	<i>0,578%</i>	<i>0,608%</i>
<i>Debt To Equity</i>	<i>0,436%</i>	<i>0,475%</i>
Profitabilitas		
<i>Profi Margit</i>	<i>0,968%</i>	<i>1,163%</i>
<i>Return On Asset</i>	<i>0,915%</i>	<i>0,910%</i>
<i>Retur On Equity</i>	<i>1,531%</i>	<i>1,41%</i>
Aktivitas		
<i>Inventory Turnover</i>	<i>0,871%</i>	<i>0,835%</i>
<i>Fixed Asset Turnover</i>	<i>1,511%</i>	<i>1,109%</i>
<i>Receivabels Turnover</i>	<i>5,286%</i>	<i>5%</i>
<i>Receivables Turnover</i>	<i>2,465%</i>	<i>2,857%</i>

Source: primary data for 2025

After conducting a financial performance analysis of the financial statements for the SMEs Aurel Cafe and Taka Cafe using liquidity ratios (quick ratio, cash ratio, and RTK), solvency ratios (debt ratio and debt-to-equity ratio), profitability ratios (profit margin, return on assets, and return on equity), and activity ratios (inventory turnover and accounts

receivable turnover)—as shown in the table above it can be concluded that the financial performance of the SMEs Aurel Cafe and Taka Cafe is as follows.

1. Liquidity

The financial performance of Aurel Caffe's SME in 2025 was excellent in terms of liquidity as measured by the quick ratio, cash ratio, and RTK indicating an increase in the SME's ability to settle its obligations smoothly, thereby ensuring timely debt repayment. Meanwhile, the financial performance of Taka Caffe in 2025 shows a decline in terms of liquidity as measured by the quick ratio, cash ratio, and RTK indicated by a decrease in the SME's ability to settle debts on time.

2. Solvency

The financial performance of the two SMEs, Aurel Cafe and Taka Affe, is less than ideal in terms of solvency specifically, the debt-to-equity ratio and the debt-to-asset ratio. This is due to the increasing reliance of these SMEs on loans, which has led to a decline in their ability to meet their financial obligations.

3. Profitability

Financial performance is not good from a profitability perspective; there has been a decline in the profit margin for the Aurel Caffe SME. This is due to the SME's very low gross profit, which has impacted its operating costs. Meanwhile, for Taka Cafe, there was an increase in profitability and profit margin because the gross profit generated by the business was very high, leading to a decrease in operational costs. However, the financial performance in terms of return on assets for both businesses declined, resulting in very low profits. The financial performance regarding return on equity for both Aurel Cafe and Taka Cafe was very good due to an increase, leading to higher profits. This aligns with the research conducted by Mukoffi et al. (2018).

4. Activity

Financial performance of activities inventory turnover this is not good because there is a decrease in fixed assets so that it can have a negative impact on the finances of MSMEs. The financial performance of activities is very good, this can be seen from receivables turnover, fixed asset turnover, receivables turnover This increase shows that both MSMEs were successful in generating net profit. From the description above, the researcher shows that the financial condition of the Aurel Caffe and Taka Caffe MSMEs is quite good and is expected to help companies in evaluating financial performance.

CONCLUSION

Based on research results for financial performance using liquidity ratio analysis Solvency, Profitability, Activity in UMKM Aurel Caffe and Taka Caffe which are samples of the research, the conclusion of the research is

1. Based on the liquidity ratio analysis, Aurel Caffe's MSME performance can be said to be quite good because it is able to repay its debts within the appropriate timeframe. Meanwhile, Taka Caffe's MSME performance is less good because it will experience difficulties in paying off current liabilities.
2. The performance of Aurel Caffe and Taka Caffe MSMEs, based on solvency ratio analysis, is also quite good, consistently improving each year. This is due to lower company spending and increased efficiency and effectiveness.
3. The performance of Aurel Caffe's MSMEs, based on profitability ratio analysis, is quite poor. This is because the gross profit generated by the MSME is very low, which

- impacts the MSME's operational costs. Meanwhile, Taka Kaffe's MSMEs have increased from a profitability perspective because the gross profit generated by the MSME has increased significantly, so the MSME's operational costs have decreased.
4. The performance of Aurel Caffè's MSME, based on calculations using activity ratio analysis, is poor. This occurs due to a decrease in fixed assets, which can have a negative impact on the MSME's finances. Meanwhile, the activity ratio analysis for Taka Caffè's MSME is very good, this occurs due to an increase in fixed assets, which can have a positive impact on the MSME's finances

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