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Analysis of financial statements in measuring the performance of UMKM in Mamuju Regency (Case Study on the AL-KAHFI FOOD Business Group)

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ABSTRACT

Financial reports provide an overview of the company's financial position, operational performance and cash flow. Financial statement analysis helps MSME owners identify their business strengths and weaknesses, and evaluate their financial performance objectively. The Al Khafi Food Business Group is a business group formed by the government in an effort to drive the community's economy in post-earthquake areas in Mamuju Regency. Based on the discussion of the performance of the AL-KAHFI FOOD Business Group's UMKM, it has shown good performance as measured by the financial reports from 2021-2022. The value of each measurement (NPM, ROE, GPM) shows an increasing trend. However, along with this increase, the AL-KAHFI FOOD business group also needs to consider a long-term strategy to maintain and improve their financial performance in a sustainable manner, including product diversification, increasing operational efficiency, innovation and developing new markets.

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1. INTRODUCTION

Along with rapid economic growth, micro, small and medium enterprises (UMKM) have become one of the main drivers of economic development in Indonesia. UMKM have an important role in creating jobs, reducing poverty, and improving people's welfare. However, to be able to survive and thrive in the midst of increasingly fierce competition, UMKM need to be able to measure and monitor their performance effectively. Financial reports are one of the important instruments in measuring the performance of UMKM. Financial reports provide an overview of the company's financial position, operational performance and cash flow. Financial statement analysis helps MSME owners identify their business strengths and weaknesses, and evaluate their financial performance objectively. Experts have recognized the importance of financial statement analysis in measuring the performance of UMKM. John Tracy (2014) a financial expert, says, "Financial reports are a window that provides a clear view of the health of your business. They provide information about how well your business is generating profits, utilizing resources, and meeting financial obligations." By understanding the information contained in financial statements, MSME owners can identify the strengths and weaknesses of their business, and take appropriate actions to improve performance.

In addition, Michael Gerber (1995), an entrepreneur expert, emphasizes the importance of understanding financial statements in managing a business. He said, "Successful business owners understand financial statements and use them as a guide for their decisions will have a significant advantage in achieving growth and success." In a complex business environment, MSME owners need to go beyond looking at the numbers in financial statements and dig deeper to gain a deep understanding of their financial condition. Performing financial statement analysis properly requires an understanding of the proper analytical methods and tools. Quoting William Pollard, a business expert, "Financial statement analysis provides a solid foundation for measuring your business performance and identifying areas of improvement. Using the right analytical methods, you can understand financial trends, identify opportunities, and reduce risks associated with business operations." You." It is important for MSME owners to master relevant analytical techniques and use the right tools to understand their financial reports better.

The Al Kahfi Food Business Group is a business group formed by the government in an effort to drive the community's economy in post-earthquake areas in Mamuju Regency. This business group is engaged in the business of making fish balls. By utilizing abundant resources in the field of marine fisheries, this business group makes fish-based meatballs originating from Mamuju Regency. The main objective of this research is to determine the position and financial condition of the company which will be useful for management and other interested parties such as company owners, managers, creditors, investors and the government. Through analysis of profitability ratios, management can find out changes in the position and performance of the company in several periods so that management knows the position of increasing or decreasing the company's finances. For this reason, this study will discuss the development of a system to automatically analyze company financial statements using the Gross Profit Margin, Net Profit Margin, Return On Equity, and Return On Sales methods. Having an information system can make it easier for companies to calculate company profitability ratios (lestari et.al, 2019)

2. RESEARCH METHODS

2.1 Types of research

The type of research used by the author is descriptive research, which is carried out by collecting data related to the problems faced. Creswell, JW (2014). Qualitative Research and Research Design: Choosing Among Five Approaches". His opinion is that descriptive research is an approach that is useful in objectively describing the characteristics and circumstances of a population or a particular phenomenon. Sugiyono. (2016) Descriptive research is used to provide a clear and detailed picture about a phenomenon, whether in the form of a population or observed situation.

2.2 Data Types and Sources

The data used in this study consists of, Primary Data is data obtained directly from the company that is the place (object) of research in this case the report on the AL-KAHFI FOOD Business Group which consists of balance reports and income statements for 2021 to 2022 .Secondary data, namely data obtained from outside the company, in this case the literature that has anything to do with this research.

3. ESULTS AND DISCUSSIONS

3.1 Net Profit Margin (NPM)

AL-KAHFI FOOD Performance Based on Net Profit Margin (NPM) Net Profit Margin is sales profit after calculating costs and income tax. The higher this ratio the better because the company's ability to earn sufficient profits
tall. The calculation of the net profit margin expressed as a percentage for 24 months (2021-2022) in the AL-KAHFI FOOD business group is as follows:

Table 1. Performance of AL-KAHFI FOOD Based on Net Profit Margin (NPM)

Year	NPM (%)
2021	3.67
2022	5.89

Source: Reprocessed

An increase in NPM indicates the company's efficiency in managing operational costs and obtaining a profit that is greater than revenue. Following are some of the positive implications associated with increasing NPM values:

a. Cost Efficiency: The increase in NPM reflects the company's efforts in controlling operational and production costs. By managing costs more efficiently, companies can increase net profit margins which results in greater profits.
b. Good Operational Management: A high NPM value can indicate that the company has effective operational management in optimizing the use of resources. This could include controlling production costs, efficient use of raw materials, increasing productivity, or improving operational processes.

3.2 Return on Equity (ROE)

AL-KAHFI FOOD's performance based on Return on Equity (ROE) is one of the financial ratios used to measure the level of profit generated by a company relative to the capital invested by the owner. The calculation of ROE expressed as a percentage for 24 months (2021-2022) in the AL-KAHFI FOOD business group is as follows

Table 2. Performance of AL-KAHFI FOOD Based on Return on Equity (ROE)

Year	ROE (%)
2021	4,27
2022	9.98

Source: reprocessed

The data above shows an increasing ROE value. There are several positive implications associated with increasing the value of ROE:

a. Operational Efficiency: An increase in ROE can show that the company has managed to manage its operational costs well. This can reflect a more efficient use of resources, increased productivity, or better control of costs.
b. Growth Potential: An increase in ROE can indicate a company's ability to generate sustainable profits. This can strengthen the company's position in seeking external funding to support business growth and development

3.3 Gross Profit Margin (GPM)

AL-KAHFI FOOD's performance based on GPM This ratio shows what percentage of net profit is obtained measured from the owner's capital. This ratio is also influenced by the size of the company's debt.

Table 3. Performance of AL-KAHFI FOOD Based on **Gross Profit Margin (GPM)**

Year	ROE (%)
2021	4.55
2022	8.59

Source: reprocessed

If the Gross Profit Margin (GPM) value is getting higher from year to year, it shows an increase in the company's gross profit margin over time. GPM is a financial ratio that measures a company's efficiency in generating gross profit from the sale of products or services before calculating other operational costs. The increase in GPM from year to year has several positive meanings and implications, including:

a. Operational Efficiency: A higher GPM value indicates that the company manages production costs, raw materials and labor more efficiently. This could reflect increased productivity, cost control, or better selection of procurement strategies.
b. Competitiveness and Higher Selling Price: With increasing GPM, companies have more room to set the selling price of their products or services. This provides a competitive advantage as companies can offer more competitive prices or provide added value to customers.
c. Greater Profit Potential: An increase in GPM indicates a greater profit potential a company can earn from selling products or services. This can increase its attractiveness to investors and shareholders looking for growth and good returns.

4. CONCLUSION

Based on the discussion of the performance of the AL-KAHFI FOOD Business Group's SMEs, it has shown good performance as measured by the financial reports for 2021-2022. The value of each measurement (NPM, ROE, GPM) shows an increasing trend. However, along with this increase, the AL-KAHFI FOOD business group also needs to consider a long-term strategy to maintain and improve their financial performance in a sustainable manner, including product diversification, increasing operational efficiency, innovation and developing new markets.

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