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ANALYSIS OF PROFITABILITY AND LIQUIDITY AT XYZ INSURANCE BROKER IN THE PERIOD OF 2019-2020

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This study aims to analyze the liquidity and profitability of XYZ Insurance Broker during the 2019-2020 period. By assessing the company's financial performance through key financial ratios such as the Current Ratio, Quick Ratio, Cash Ratio, Profit Margin, Return on Investment (ROI), and Return on Equity (ROE), this research provides insight into the company's ability to meet short-term obligations and generate profits. The research utilized both primary and secondary data, gathered through interviews with the company's finance department and documentation in the form of financial reports. The findings indicate that XYZ Insurance Broker has made improvements in its liquidity and profitability, although the results are still below industry standards. While the Current and Quick Ratios have shown some improvement, the Cash Ratio and Cash Turnover Ratio have significantly declined, indicating the need for better cash and receivables management. Profitability has also improved, with increases in the Net Profit Margin and ROE, but the figures remain below industry expectations. To achieve optimal financial performance, XYZ Insurance Broker needs to implement more aggressive strategies, including enhancing operational efficiency, improving working capital management, and diversifying products and services. These efforts are expected to improve the company's liquidity and profitability in the future, aligning it with industry standards.

Keywords: Profitability, Liquidity, Insurance Broker

1. Introduction

Every company that runs a business has several goals it aims to achieve. Generally, company owners expect optimal profits from the business they operate because they hope that the capital invested will be returned promptly. Additionally, the profits obtained are used to expand investment, increase working capital, and support the welfare of the owner and all employees. Beyond short-term profits, business owners also hope that the company can survive in the long term. A sustainable business is crucial for owners because long-term stability ensures that the company can continue operating in the future. This also supports the company's growth in an increasingly competitive market [1][2].

In addition to generating profits for the owner, the company also aims to provide goods and services to the community. The availability of goods and services not only benefits consumers but also positively impacts the welfare of the owner, employees, and the surrounding community. In this sense, the company plays a role in supporting the national economy, particularly by providing employment opportunities. Good planning is necessary to achieve these company goals. Management must be able to formulate accurate strategies and implement them according to the plan. This is essential to ensure that all aspects of the company's operations run effectively and efficiently. Continuous monitoring of business developments is also needed to ensure that the company stays on track [3][2].

Financial statements are one of the essential tools used by management to evaluate the company's financial performance. Through financial statements, owners and management can monitor cash inflows and outflows and understand how income and expenses are managed. Financial statements are instrumental in making business decisions, so the information contained must be accurate and well-structured [4]–[6]. According to Sofyan [7], financial statements are the end result of the accounting process, functioning as an information medium for users. Besides providing information, financial statements also serve as an accountability tool, reflecting indicators of a company's success in achieving its goals. Munawir[8] describes financial statement analysis as a process of studying relationships and trends to determine a company's financial position, results of operations, and development. One of the main methods in financial statement analysis is the use of financial ratios. Liquidity and profitability ratios are two key measures in assessing a company's financial health. The liquidity ratio assesses the company's ability to meet its short-term obligations, while the profitability ratio evaluates the company's ability to generate profits and the effectiveness of management in using available resources.

Liquidity ratios include several key indicators such as the Current Ratio, Quick Ratio, and Cash Ratio [9]–[12]. According to Kasmir [4], the Current Ratio shows a company's ability to meet short-term obligations using current assets. The Quick Ratio, also known as the acid-test ratio, measures a company's ability to pay off current liabilities without considering inventory. Meanwhile, the Cash Ratio measures how well a company can meet short-term obligations with its available cash. Profitability ratios include Profit Margin on Sales, Return on Investment (ROI), and Return on Equity (ROE). Profit margin assesses a company's efficiency in generating profits from sales. ROI measures the return on the company's investments, while ROE evaluates the rate of return generated from shareholder equity [9], [11], [13], [14].

Various previous studies highlight the importance of liquidity and profitability ratio analysis in evaluating a company's financial performance. For example, Shabrina [15] in her study entitled Analysis of Profitability and Liquidity Ratios to Assess Financial Performance at PT Astra International, Tbk concluded that the profitability and liquidity ratios at PT Astra International, Tbk during the 2012-2016 period fluctuated and were still below industry standards, resulting in an unhealthy financial condition. Another study by Wartono [16], Analysis of Liquidity and Profitability Ratios to Measure the Financial Health of PT Indocement Tunggal Prakarsa Tbk, indicated that PT Indocement's financial performance during the 2013-2017 period fluctuated. Although the liquidity ratio was healthy, the profitability ratio showed varying results from year to year. Albab [17] in their research, Analysis of Liquidity and Profitability Ratios as a Measuring Tool for Financial Performance at PT Pelat Timah Nusantara, Tbk, stated that the company experienced a decline in financial performance in 2014 due to tight price competition and import policies that negatively impacted the company's profitability.

Based on these perspectives and findings from previous studies, it is important for XYZ Insurance Broker to conduct a liquidity and profitability ratio analysis to assess financial performance during the 2019-2020 period. This analysis provides a clearer picture of the company's financial condition and helps management develop more effective strategies to address future challenges. Therefore, this study aims to examine and analyze the liquidity and profitability ratios at XYZ Insurance Broker during the 2019-2020 period. The results of this analysis are expected to provide valuable insights for management to improve financial performance and increase the company's competitiveness in an increasingly challenging industry.

2. Methodology

XYZ Insurance Broker is one of the leading insurance brokers in Indonesia, particularly in the energy sector (oil and gas), operating in the Jabodetabek area. With high integrity and competitive services, the company is committed to providing good and independent advice to its clients in their best interests.

In this study, data were collected using interview and documentation methods. According to Sugiyono[18], data collection is the process of obtaining the information needed in research. Interviews were conducted to gather qualitative data from relevant sources, while documentation was used to obtain quantitative data in the form of the company's financial reports. These two methods were chosen as the most appropriate for obtaining the necessary information for this study. The interviews were conducted to gather information related to the process of preparing financial reports, the transaction recording system, and the financial analysis performed by XYZ Insurance Broker.

Based on Sugiyono's[19] theory, interviews can be conducted in three types: structured, semi-structured, and unstructured. This study used unstructured interviews, which provided the researcher with flexibility to develop questions according to the information obtained from the sources. The interview subjects in this study were the finance department of XYZ Insurance Broker. The purpose of the interviews was to gain an in-depth understanding of the procedures for preparing financial statements, how the transaction recording system is managed, and how revenue recognition is regulated in the company. Some of the key questions asked included whether the financial statements were prepared manually or using a system, and whether the transaction recording method applied was cash-based or accrual-based.

Documentation was used to collect quantitative data in the form of the company's financial reports for the last two years, namely 2019 and 2020. According to Sugiyono [18], documentation is a method of obtaining data from books, archives, or other relevant written documents. In this study, documentation was crucial because it provided the data needed for financial analysis, such as balance sheets, income statements, and notes to the financial statements of XYZ Insurance Broker. The research instruments used in this study included interview sheets and financial report documents. The interview sheet contained a list of questions asked to the finance department, while the financial report document served as the main material for quantitative analysis. Data obtained from the financial reports were analyzed using various financial ratios, such as liquidity ratios and profitability ratios.

This study used two types of data: primary data and secondary data. Primary data were obtained through interviews with internal company staff, particularly the finance department, to better understand the management of financial reports. Meanwhile, secondary data consisted of financial reports from the company's archives, covering the periods of 2019 and 2020. Both types of data were analyzed to obtain a comprehensive view of the company's financial performance. According to Sugiyono[20], quantitative research methods are based on the philosophy of positivism, which is used to study specific populations or samples. In this study, the data collected were analyzed using quantitative methods, specifically through a financial ratio approach. Financial ratios such as the Current Ratio, Quick Ratio, Return on Investment (ROI), and Return on Equity (ROE) were used to assess the company's liquidity and profitability during the research period.

Hypothesis testing was conducted by comparing the results of the company's financial ratio analysis with established standards in the literature. For example, if the company's liquidity ratio exceeded the industry standard, it could be concluded that the company had a strong ability to meet its short-term obligations. Conversely, if the profitability ratio was below the standard, this would indicate that the company was not yet generating optimal profits. After the data analysis was completed, the results were interpreted to gain a deeper understanding of the financial performance of XYZ Insurance Broker. This interpretation involved assessing the trend of the financial ratios and comparing them with industry standards and previous research results. From this analysis, it could be determined whether the company's financial performance was stable, improving, or declining during the study period.

3. Findings and Discussion

Financial Position Report

Based on the research results at XYZ Insurance Broker, the financial reports prepared by the company for the 2019 and 2020 periods are as follows:

Table 1. Financial Position Report

Description	**2019 Rp**	**2020 Rp**	**Increase (Decrease) Rp**
ASSET			
Current assets			
Cash and cash equivalents			
- Operational Account	38,043,570	208.212.477	170.168.907
- Premium Account	281,967,687	428,783,871	146,816,184
Premium Receivables	12,304,991,476	8,718,096,396	(3,586,895,080)
Intermediary service receivables	1,208,009,898	1,718,598,869	510,588,971
Consulting Receivables	75,821,076	75,821,076	-
Total Current Assets	**13,908,833,707**	**11,149,512,689**	**(2,759,321,018)**
Non-Current Assets			
Fixed assets	818,422,360	696,850,722	(121,571,638)

Description	2019 Rp	2020 Rp	Increase (Decrease) Rp
Other Assets	375,972,372	232,515,300	(143,457,072)
Total Non-Current Assets	**1,194,394,732**	**929.366.022**	**(265,028,710)**
TOTAL ASSETS	**15.103.228.439**	**12,078,878,711**	**-3,024,349,728**
LIABILITIES & EQUITY			
Short Term Liabilities			
Premium Debt	11,406,913,967	8,012,101,634	(3,394,812,333)
Claim Debt	191.001.063	227,292,314	36,291,251
Tax payable	35,374,731	165,361,683	129,986,952
Other Debts	322,308,899	202,068,899	(120,240,000)
Amount	**11,955,598,660**	**8,606,824,530**	**-3,348,774,130**
Long Term Liabilities	-	-	-
Total Liabilities	**11,955,598,660**	**8,606,824,530**	**-3,348,774,130**
Equity			
Paid-up capital	1,000,000,000	1,000,000,000	-
Retained earning	2,015,230,799	2,194,831,806	179,601,007
Current year profit	158,266,680	303,090,075	144,823,395
Other Equities	(51,735,400)	(51,735,400)	-
Total Equity	**3,147,629,779**	**3,472,054,181**	**324,424,402**
Total Liabilities and Equity	**15.103.228.439**	**12,078,878,711**	**-3,024,349,728**

Based on table 1, there is a decrease in assets from 2019 to 2020 of Rp. 3,024,349,728 or around 20%. This decrease was caused by a decrease in premium receivables, which shows that some of the receivables have been paid off, and the funds were then used to pay premium debts. The decrease in assets is also seen in the company's fixed assets.

Table 2. Profit and Loss Report

Description	2019 Rp	2020 Rp	Increase (Decrease) Rp
Income			
-Direct Intermediary Services	4,263,426,974	4,477,009,499	213,582,525
- Consulting Services	534,690,224	1,175,794,138	641.103.914
Total Income	**4,798,117,198**	**5,652,803,637**	**854,686,439**
Cost of goods sold			
Marketing Expenses	2,129,606,964	2,761,706,400	632,099,436
Employee and Management Burden	1,875,616,000	1,840,916,200	(34,699,800)
Total HPP	**4,005,222,964**	**4,602,622,600**	**597,399,636**
Gross profit	**792,894,234**	**1,050,181,037**	**257,286,803**
Operational Expenses			
Education and Training Burden	94,515,281	92,740,608	(1,774,673)
Commission Charges	290,816,714	495,459,319	204,642,605
Other Operating Expenses	473,724,281	439,091,815	(34,632,466)
Total Load	**859,056,276**	**1,027,291,742**	**168.235.466**

Description	2019 Rp	2020 Rp	Increase (Decrease) Rp
Operating profit	**(66,162,042)**	**22,889,295**	**89,051,337**
Other Income	240,721,136	287,022,014	46,300,878
Non-Operational Expenses	16,292,414	6,821,234	(9,471,180)
Non-Business Income (Expenses)	**224,428,722**	**280.200.780**	**55,772,058**
Profit (Loss) After Tax	**158,266,680**	**303,090,075**	**144,823,395**

Based on table 2, there is a significant increase in profit in 2020 compared to the previous year, with an increase of Rp. 144,823,395 or 91.1%. Revenue and expenses for 2019 and 2020 are recognized using the accrual basis method, which is recognized when the transaction occurs.

Liquidity Ratio

Based on the financial report above, the financial performance of XYZ Insurance Broker in terms of ratiosliquidity can be explained as follows:

1. Current Ratio
   In 2019, the current ratio showed a value of 1.16 times, which means that every short-term liability of Rp. 1.00 is guaranteed by current assets of Rp. 1.16. In 2020, the current ratio increased to 1.29 times, meaning that every short-term liability of Rp. 1.00 is guaranteed by current assets of Rp. 1.29.
2. Quick Ratio
   The quick ratio in 2019 was 1.16 times, indicating that every short-term liability of Rp.1.00 is guaranteed by current assets worth Rp.1.16. In 2020, the quick ratio also increased to 1.29 times, so that every short-term liability of Rp.1.00 is guaranteed by current assets worth Rp.1.29.
3. Cash Ratio
   In 2019, the cash ratio was recorded at 0.26 or 26%, meaning that every short-term obligation of Rp.1.00 is guaranteed by cash and cash equivalents of Rp.0.26. In 2020, the cash ratio decreased to 0.07 or 7%, indicating that every short-term obligation of Rp.1.00 is only guaranteed by cash and cash equivalents of Rp.0.07.
4. Cash Turnover Ratio
   The cash turnover ratio in 2019 reached 2.45 times, indicating that every short-term liability of Rp.1.00 is guaranteed by current assets of Rp.2.45. In 2020, the cash turnover ratio decreased to 2.22 times, meaning that every short-term liability of Rp.1.00 is guaranteed by current assets of Rp.2.22.

Profitability Ratio

Based on the financial report above, the financial performance of XYZ Insurance Broker can be analyzed using the following profitability ratios:

1. Profit Margin on Sales
   a. Gross Profit MarginIn 2019, the gross profit margin was 0.16 or 16%, meaning that every rupiah of sales generated a gross profit of Rp 0.16. In 2020, this ratio increased to 0.18 or 18%, meaning that every rupiah of sales generated a gross profit of Rp 0.18.
   b. Net Profit Margin In 2019, the net profit margin was recorded at 0.03 or 3%, indicating that every rupiah of sales generated a net profit of 3%. In 2020, this ratio increased to 0.05 or 5%, reflecting that every rupiah of sales generated a net profit of 5%. This increase indicates that although revenue increased, expenses also increased.
2. Return on Investment (ROI) In 2019, return on investment (ROI) was recorded at 0.01 or 1%, indicating that the rate of return on investment in that year was 1%. In 2020, ROI increased to 0.02 or 2%, meaning the return on investment reached 2%.

3. Return on equity (ROE) in 2019 was 0.05 or 5%, indicating a return on equity of 5%. In 2020, ROE increased to 0.08 or 8%, reflecting a return on equity of 8% for the year.

Discussion

Based on the research results, the liquidity and profitability performance of XYZ Insurance Broker for 2019 and 2020 showed some improvements, but had not fully reached the expected industry standards. On the liquidity side, the current ratio increased from 1.16 times in 2019 to 1.29 times in 2020. Despite the increase, this figure is still below the industry standard of 2 times, indicating that the company's ability to cover short-term liabilities with current assets is not yet sufficient. This increase was more influenced by debt payments using fixed asset reductions, which only had a temporary impact on the company's liquidity.

The quick ratio, which shows the company's ability to meet short-term obligations with more liquid assets, also increased from 1.16 times in 2019 to 1.29 times in 2020. However, this figure still does not meet the industry standard of 1.5 times, indicating that the company needs to increase its current assets to ensure that short-term obligations can be met quickly. This condition was exacerbated by a significant decline in the cash ratio, from 26% in 2019 to 7% in 2020, which is far below the industry standard of 50%. This decline indicates that most of the company's assets are still in the form of receivables, which slows down the company's ability to cover obligations with available cash. The decline in the cash turnover ratio from 2.45% in 2019 to 2.22% in 2020 further confirms that available cash has not been optimally utilized to support the company's operations.

In terms of profitability, despite an increase in several ratios, the company's performance is still not optimal. Net profit margin increased from 3% in 2019 to 5% in 2020, but is still far below the industry standard of 20%. This increase shows an improvement in revenue, but is not balanced with the increase in operating costs, so the profit margin remains limited. Return on Investment (ROI) also showed an increase from 1% in 2019 to 2% in 2020, but this figure is still very low compared to the industry standard of 30%. This indicates that the company has not been able to maximize the return on the investment made. Return on Equity (ROE) increased from 5% in 2019 to 8% in 2020, but remains far below the industry standard of 40%. Although this increase shows management's efforts to improve the company's profitability, the results have not yet reached optimal levels.

To deal with this condition, justification is needed for the suboptimal financial performance and the implementation of a more appropriate strategy. Although there has been an increase in several ratios, the results are still inadequate to meet industry standards. Management needs to take concrete steps to improve the company's liquidity and profitability performance. One important step is to optimize receivables management, considering the low cash ratio and cash turnover indicating that most of the company's assets are still in the form of receivables. Accelerating receivables collection or offering early payment incentives can help improve the company's liquidity and improve financial ratios.

In addition, it is important for management to control operating costs more effectively. The imbalance between revenue and operating costs causes low profitability. Therefore, an evaluation of the cost structure needs to be carried out to identify areas that require spending reductions. The application of technology and automation in business processes can also help reduce operating costs and improve company efficiency. Diversification of products and services also needs to be considered to increase company revenue. By expanding the insurance product portfolio or adding new relevant services, the company can attract more clients and reduce the risk of dependence on one particular market segment. This will help strengthen the company's position in an increasingly competitive industry.

Management also needs to improve working capital management to ensure the company has sufficient liquidity to support operations. Efficient working capital management will increase cash turnover, allow the company to respond quickly to business needs, and ensure that available cash is used optimally. In addition, management must be more selective in choosing investments to increase Return on Investment (ROI). By choosing investment opportunities that are more profitable and have more measurable risks, the company can increase the rate of return on invested funds, thereby increasing overall profitability.

4. Conclusion

Based on the results of the financial performance analysis of XYZ Insurance Broker, it can be observed that the company experienced some improvements in liquidity and profitability during the 2019-2020 period, although the results have not yet reached the expected industry standards. The increase in the current ratio and quick ratio indicates an improvement in the company's ability to cover short-term liabilities, but these figures are still below the ideal standard. A significant decrease in the cash ratio and cash turnover ratio suggests that management needs to focus more on managing cash and receivables to enhance the company's liquidity. In terms of profitability, the increase in net profit margin and return on equity (ROE) shows that the company has been able to improve its net income and return on equity, but the figures are still well below the industry average. This increase is not optimal, as it is still influenced by high operational costs that are not balanced with the increase in income. Additionally, the company's return on investment (ROI) remains low, indicating that it has not maximized the return on its investments. XYZ Insurance Broker needs to implement a more aggressive strategy to increase operational efficiency and improve working capital management. Better receivables management, cost control, and product diversification are key steps to improving the company's liquidity and profitability. By taking these steps, the company is expected to achieve more optimal performance in the future, in line with applicable industry standards.

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