



Garuda's Financial Performance Analysis: Review of Liquidity, Profitability, and Capital Structure for 2021-2023

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ABSTRACT

This study analyzes the financial performance of PT Garuda Indonesia Tbk from 2021 to 2023 using descriptive quantitative methods and secondary data in the form of company financial statements. Financial ratio analysis, which includes liquidity, activity, solvency, and profitability, is used to evaluate a company's condition and performance. The results showed a significant improvement in liquidity ratios and receivables collection efficiency, as reflected in the increase in the Current Ratio and Quick Ratio, as well as a decrease in the Average Collection Period. Nonetheless, there is an increase in financial risk due to debt dependence reflected in the increase in the Debt-to-Equity Ratio. Corporate profitability also showed fluctuations, with a sharp increase in 2022 followed by a decline in 2023, signaling the need for improvements in cost and asset management.

INTRODUCTION

Garuda Indonesia, Indonesia's national airline, has managed to bounce back from difficult times and record profits in 2023. Despite this, the company still faces some challenges. A significant increase in operating costs, especially due to increased aviation activity, is one of the main factors depressing profits. In addition, the ongoing restructuring costs also contributed to the decline in net profit. The decline in Garuda Indonesia's cash reserves is a serious concern. This condition can hamper the company's ability to carry out operations and potentially worsen its overall financial condition. To overcome these challenges, Garuda Indonesia needs to implement a more effective strategy in managing costs, increasing revenue, and strengthening its financial structure.

Overall, Garuda Indonesia's performance in 2023 showed significant improvement. However, companies still need to make various efforts to ensure sustainable growth and profitability in the future. It is important for Garuda Indonesia to continue to adapt to the increasingly competitive dynamics of the aviation industry and maintain public trust in the services they provide. The main problem facing Garuda Indonesia in 2023 is the combination of rising operating costs and restructuring expenses, despite an increase in revenue due to increased travel demand. Operating expenses rose 15% in the first quarter of 2023, mainly related to higher flight activity. In addition, the ongoing restructuring process adds to the financial burden, which also reduces the company's net profit. The decline in cash reserves is also a serious challenge, as it can affect Garuda's ability to manage operational costs and worsen its overall financial condition.

This study aims to analyze the financial ratios of PT Garuda Indonesia Tbk in order to evaluate the company's financial condition and performance. Through this analysis, it is expected to provide in-depth insights to support the decision-making process related to the company's strategy. Thus, planning to increase profits or financial performance can be carried out more effectively, efficiently, and based on accurate data, so that companies can better respond to market challenges and achieve their financial goals.

LITERATUR REVIEW

Financial Statements

According to PSAK (2016:126), financial statements are a form of management's responsibility for the use of resources entrusted to them in the management of entities. Therefore, the financial statements are not created for specific purposes, such as the liquidation of entities or the determination of the fair value of entities in the context of mergers and acquisitions. According to Kasmir (2015:7), a financial statement is a document that describes the current financial condition of a company or in a certain period. This means that this report reflects the company's latest condition, both on a specific date for the financial position statement and within a certain period for a comprehensive income statement.

Financial Ratios

Financial ratios are an important analytical tool because they provide insights into a company's financial health, operational performance, efficiency, and ability to meet short-term and long-term obligations. Here are some theories and concepts related to financial ratios.

Liquidity Ratio

Liquidity ratio is a financial measurement tool used to assess a company's ability to meet its short-term obligations. In other words, this ratio shows how quickly a company can convert its acetacete into cash to pay off debt that is soon due. A healthy liquidity ratio indicates that the company has enough cash or assets that are easily liquidated to meet its obligations. The information obtained from the liquidity ratio analysis is essential for various parties, including investors, creditors, and the company's management. Investors use liquidity ratios to assess investment risk, while creditors use them to measure a company's ability to pay off debt. There are several types of liquidity ratios that are commonly used, including current ratio and quick ratio. The current ratio is calculated by comparing total current assets with total current debt. This ratio provides an overview of a company's ability to meet its short-term obligations. Meanwhile, the quick ratio does not include inventory in its calculations, because inventory is not always easy and quick to sell. The quick ratio provides a more conservative picture of the company's liquidity.

Solvency Ratio

The solvency ratio is a financial measurement tool used to assess a company's ability to meet its long-term financial obligations. Simply put, this ratio shows how healthy the company's financial structure is and whether the company has enough assets to pay off all of its debts if it were to be sold. By analyzing the solvency ratio, we can find out if the company is too reliant on debt or has enough capital of its own to run the business. This information is very important for investors, creditors, and the company's management. Investors use solvency ratios to assess investment risk, while creditors use it to measure a company's ability to pay off long-term debt. There are several types of solvency ratios that are commonly used, such as debt-to-equity ratio and debt ratio. The debt-to-equity ratio compares total debt to total equity, while debt ratio compares total debt to total assets. The ideal solvency ratio value varies depending on the industry and the size of the company. However, in general, too high a solvency ratio indicates that the company is overly reliant on debt and has higher financial risks. Conversely, a solvency ratio that is too low may indicate that the company is not leveraging the potential of debt financing to accelerate business growth.

Profitability Ratio

The profitability ratio is a financial measurement tool used to assess a company's ability to generate profits. In other words, this ratio shows how efficiently the company is managing its resources to make a profit. The profitability ratio provides an overview of the company's success rate in achieving its main goal, which is maximizing profits for owners or shareholders. The information obtained from profitability ratio analysis is essential for various parties, including investors, creditors, and company management. Investors use profitability ratios to assess the potential returns of investments, while management uses them to evaluate a company's performance and make strategic decisions. There are several types of profitability ratios that are commonly used, including profit margin, return on assets (ROA), and return on equity (ROE). Profit margin measures the percentage of net profit against sales, thus showing how much profit is generated from each rupiah of sales. ROA measures the rate of return on a company's total assets, providing an idea of the company's efficiency in using its assets to generate profits. Meanwhile, ROE measures the rate of return on its own capital, so it shows the level of profit earned by shareholders. Each of these ratios provides a different perspective on the company's profitability.

Efficiency Ratios

Financial analysis tools used to measure the efficiency of a company in utilizing its assets. This ratio shows how effective the company is at converting assets into sales. By analyzing the activity ratio, we can find out how quickly inventory is sold, accounts receivable are collected, and fixed assets are being used to generate revenue. A high activity ratio indicates that the company is efficient in managing its assets and can generate higher sales with the same assets. Some commonly used types of activity ratios are inventory turnover ratio, receivables turnover ratio, and fixed asset turnover ratio.

METHODOLOGY

This study utilizes a quantitative descriptive analysis method to evaluate financial statements through the use of financial ratios. This research relies on secondary data, especially the financial statements of PT Garuda Indonesia Tbk from the period 2021 to 2023. With this approach, it is hoped that an in-depth understanding of the company's financial performance can be gained, as well as provide a solid foundation for further analysis and strategic decision-making. The analysis tools in this study use financial ratio analysis, including the following:

1. Liquidity Ratio
 - a. Current ratio = $\text{Current Assets} / \text{Current Liabilities}$
 - b. Quick Ratio = $(\text{Current Assets} - \text{Inventory}) / \text{Current Liabilities}$
2. Activity ratio
 - Average Collection Period = $\text{Accounts Receivable} / (\text{Annual Sales} / 360)$

3. Solvabilitas Rasio
 - a. Debt Ratio = Total Liabilities / Total Assets
 - b. Debt to Equity Ratio = Total Liabilities / Common Stock Equity
4. Profitability Ratio
 - a. Operating Profit Margin = Operating Profit / Sales
 - b. Net Profit Margin = Earnings Available for Common Stockholders / Sales
 - c. Return On Asset = Earnings Available for Common Stockholders / Total Assets
 - d. Return On Equity = Earnings Available for Common Stockholders / Common Stock Equity

RESEARCH RESULTH AND DISCUSSION

Table 1. Financial Ratios

Ratio	2023	2022	2021
Current Ratio	56,11%	47,66%	5,30%
Quick Ratio	46,13%	43,61%	4,03%
Average Collection Period	16,93	17,64	25,52
Debt Ratio	119,07%	124,62%	184,95%
Debt-equity Ratio	-624,48%	-506,16%	-217,72%
Operating Profit Margin	7,99%	187,38%	-339,09%
Net Profit Margin	8,58%	177,93%	-312,27%
Return on Asset (ROA)	3,75%	59,93%	-58,03%
Return on Equity (ROE)	-19,65%	-243,42%	68,31%

Liquidity

The Current Ratio was 5.30% in 2021 and then to 47.66% in 2022 increased in 2023 to 56.11%. This shows that the company is significantly improving its liquidity capabilities. Increased liquidity means that the company has more current assets compared to its current liabilities. This allows companies to more easily meet short-term obligations, such as debt payments and operating costs, thereby reducing the risk of default and increasing investor confidence.

The Quick Ratio increased significantly from 4.03% in 2021 to 43.61% in 2022 and in 2023 to 46.13%. This shows that the company is in good and stable condition The consistent increase in the quick ratio from 2021 to 2023 shows that the company has managed to strengthen its position in terms of fast liquidity, which is a positive sign for the financial health and management ability to maintain the company's financial stability.

Activity

The Average Collection Period decreased from 25.52 days in 2021 to 17.64 days in 2022 and 16.93 days in 2023. This shows that the company has improved efficiency in collecting its receivables from customers. This decrease in the Average Collection Period reflects better financial management and has a positive impact on the company's liquidity. This shows an increase in efficiency in the collection of receivables.

Debt

1. The Debt Ratio decreased from 184.95% in 2021 and then to 124.62% in 2022 and in 2023 119.07%. This shows several positive indications about the company's financial condition. The company may have managed to reduce the amount of debt it has, either by paying off the loan or reducing the use of credit facilities. This can happen through more aggressive debt repayments or debt restructuring. In addition to reducing debt, the company may also experience an increase in total assets, for example, through new investments or sales growth. If assets increase faster than debt, this will lower the debt ratio.
2. The Debt Equity Ratio increased from -217.72% in 2021 and then to -506.16% in 2022 and rose again in 2023 by -624.48%. This shows a negative indication of the company's financial condition. The increasingly negative value of the Debt Equity Ratio indicates that the company is increasingly dependent on debt compared to equity. This could mean that the company has much more debt than its equity. An increase in the negative value of this ratio could indicate that the company's equity is declining, while its debt remains high or even increasing. This may happen if the company suffers losses that reduce its equity or if the company continues to take on debt without increasing equity.

Profitability

1. The Operating Profit Margin increased from -339.09% in 2021 and then to 187.38% in 2022, and decreased to 7.99% in 2023. This shows that companies need to increase effectiveness in managing raw material costs. Changes in Operating Profit Margin. The increase from -339.09% in 2021 to 187.38% in 2022 indicates a significant improvement in the company's operational profitability. A very negative operating profit margin in 2021 indicates a large operating loss, while a positive margin in 2022 indicates the company has managed to turn the tide and start generating substantial operating profits. The decline in operating profit margin to 7.99% in 2023 shows that, although the company is still generating operating profit, its profitability is declining compared to 2022. This decline can be caused by a variety of factors, such as increased operating costs, decreased revenue from key operations, or increased competitive pressures. A decline after a period of significant increases may indicate that the company is facing challenges in maintaining its operational efficiency or may face additional costs that affect its operating profit margin. Overall, these changes show that the company managed to improve its operating profitability

dramatically in 2022 after a period of large losses in 2021. However, the decline in 2023 indicates the need for further evaluation of the factors affecting the company's operational profitability.

2. Net Profit Margin increased from -312.27% in 2021 to 187.38% in 2022 and then decreased to 8.58% in 2023. This shows that companies need to improve their effectiveness in managing tax and dividend costs. Companies may experience significant increases in revenue, either through more effective marketing strategies, new product launches, or growth in sales volume. The drastic increase from -312.27% in 2021 to 187.38% in 2022 shows that the company has experienced a significant improvement in its profitability. The very high negative net profit margin in 2021 was most likely due to large losses, while the positive numbers in 2022 showed the company was starting to make a profit. The decline in net profit margin to 8.58% in 2023 shows that although the company is still profitable, its profitability has decreased compared to 2022. This can be caused by various factors such as increased operating costs, decreased revenue, or stiffer competition. Although the net profit margin is still positive in 2023, its decline after a period of very high increases could indicate that the company is facing new challenges or shifts in its business environment. Overall, these changes show that the company experienced a significant improvement in its profitability in 2022, but it needs to manage and address the factors that affected the decline in net profit margin in 2023.
3. ROA increased from -58.03% in 2021 to 59.93% in 2022 and decreased in 2023 by 3.75%. This shows that companies need to increase effectiveness in managing their assets. A decrease in ROA can be caused by a decrease in net profit. If the company's net profit decreases while total assets remain stable or increases, the ROA will also decrease. This decrease in profits may be due to reduced revenue, increased costs, or unexpected losses. A decrease in revenue from a company's core activities that may be caused by reduced demand, increased competition, or market changes can lead to a decrease in net profit and ROA.
4. The ROE decreased from 68.31% in 2021 and then to -243.42% in 2022, which increased again by -19.65% in 2023. This shows that the company is effective in managing its equity. An increase in revenue or a reduction in costs that causes a company's net profit to grow faster compared to its equity. If the company can reduce debt and increase its equity ratio, this can have a positive effect on ROE. The company shows an edge in its performance over competitors, which can be a positive signal for investors and stakeholders.

CONCLUSIONS AND RECOMMENDATIONS

The company faces several financial issues, including excess liquidity that indicates the potential for current assets that are not being put to good use, as well as an increased reliance on debt that increases financial risk. In addition, fluctuations in profitability and efficiency in cost, asset, and equity management indicate the need for improvement to maintain long-term stability and performance.

1. The company's Current Ratio and Quick Ratio showed a significant increase from 2021 to 2023. The Current Ratio rose from 5.30% in 2021 to 56.11% in 2023, indicating substantial improvements in liquidity and reduced risk of default. The Quick Ratio also increased from 4.03% in 2021 to 46.13% in 2023, indicating that the company is in good and stable financial condition, with healthy fast liquidity capabilities.
2. The Average Collection Period decreased from 25.52 days in 2021 to 17.64 days in 2022, and further decreased to 16.93 days in 2023. This decline indicates that efficiency in receivables collection has improved, which has a positive impact on financial management and improved the company's liquidity.
3. The company's Debt Ratio decreased from 184.95% in 2021 to 119.07% in 2023, suggesting that the company may have reduced its debt or increased its total assets. However, the Debt Equity Ratio increased significantly from -217.72% in 2021 to -624.48% in 2023, indicating that companies are increasingly reliant on debt rather than equity, indicating an increase in financial risk.
4. In 2022, the company showed a significant improvement in profitability with Operating Profit Margin and Net Profit Margin increasing drastically from negative figures in 2021, but both declining in 2023, indicating the need for further improvements in cost and tax management. ROA also increased sharply in 2022 but fell in 2023, indicating the need for increased effectiveness in asset management. ROE declined drastically in 2022 but showed improvement in 2023, signaling progress in equity management and the potential for better performance.

Companies need to optimize liquidity by allocating current assets to more productive investments and reducing reliance on debt through increased equity. In addition, stricter cost efficiency measures and better asset management are needed to correct the decline in profitability margins and ROA. Managing tax costs effectively will also help maintain long-term profitability and financial performance stability.

ADVANCED RESEARCH

1. Benchmarking analysis of the financial performance of PT Garuda Indonesia Tbk with other airlines in the same industry. This will provide broader context about Garuda's position in the market and how effective their strategy is compared to competitors.
2. A more in-depth study on the factors behind declining profitability in 2023. The study could explore specifically whether this decline is due to significant increases in operating costs or the challenges of maintaining revenue amid competition.
3. Qualitative analysis to evaluate the impact of management decisions, debt restructuring strategies, and other external factors not covered in the financial ratio analysis, which can provide a more comprehensive insight into the company's overall financial health.

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