

## ANALYSIS OF FINANCIAL PERFORMANCE OF PHARMACY COMPANIES DURING THE COVID-19 PANDEMIC

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**Abstract:** The COVID-19 pandemic has affected many aspects of life, including company finances. Financial performance analysis is an essential tool in evaluating a company's financial health. In the context of the COVID-19 pandemic, this analysis can provide insight into how thriving companies manage their finances and how well they adapt to current economic challenges. This research aims to analyze the financial performance of pharmaceutical companies during the COVID-19 pandemic using quantitative methods. This research uses financial data from pharmaceutical companies' financial reports for 2019 and 2021. The quantitative method used is profitability financial ratio analysis, namely Net Profit Margin, Return on Assets and Return on Equity. The analysis results show that the financial performance of pharmaceutical companies in 2020 was affected by the COVID-19 pandemic but still showed positive growth. Pharmaceutical companies can optimize financial performance by implementing cost efficiencies and increasing sales of products related to the COVID-19 pandemic. Based on the results of the analysis, it was concluded that using quantitative methods can provide an objective and measurable picture of the financial performance of pharmaceutical companies during the COVID-19 pandemic. In order to optimize the financial performance of pharmaceutical companies during the pandemic, company management needs to continue to pay attention to factors that influence financial performance and take appropriate action to improve declining financial ratios.

### INTRODUCTION

A company's financial performance is essential information needed by investors, creditors, management and other related parties to assess the company's financial condition. The information in question includes how the company generates and manages money and how that money is used to finance operations, pay debts and provide returns to shareholders.

Ratio analysis is one way to measure a company's financial performance. Ratio analysis is carried out by comparing several financial figures related to the company and making comparative calculations. Ratio analysis usually includes liquidity ratios, profitability ratios, and solvency ratios. Some of the information contained in financial performance is about the industry in which the company operates, which can influence the company's financial performance. Some industries, such as technology and

pharmaceuticals, tend to generate larger profit margins than others, such as retail. Meanwhile, some industries, such as energy and transportation, may be more affected by commodity price fluctuations and regulatory uncertainty.

At the end of 2019, the pandemic began with the confirmation of the first COVID-19 case in Wuhan City, China, and its rapid spread to other countries, including Indonesia. COVID-19 entered Indonesia at the beginning of 2020, precisely in March. The government quickly made various efforts to prevent further spread. The COVID-19 pandemic has changed various habits and behaviors of society, where new habits must be implemented to reduce the spread of COVID-19, such as wearing masks, washing hands with soap, maintaining distance, avoiding crowds, and limiting mobility (5 M), as well as The public must also comply with the health protocols set by the government. The COVID-19 pandemic has forced or required people to adopt these new habits or what is usually called the New Normal. (Chronology of the emergence of the first case of Covid-19 in Indonesia, n.d.)

The impact of the COVID-19 pandemic covers various things, especially on a country's economic sector; for example, in Indonesia, according to data from the Central Statistics Agency (BPS), economic conditions in Indonesia continue to experience contraction. In the second quarter of 2020, economic growth was minus 5.32 percent; then, in the third quarter of 2020, economic growth was minus 3.49; in the fourth quarter of 2020, economic growth was minus 2.19; and in the first quarter of 2021 economic growth continued to experience a contraction of minus 0.74. Weakening economic performance had an impact on the employment situation, there were significant layoffs in several companies and the closure of several business premises which resulted in people's purchasing power decreasing. The effects of an unstable economy also indirectly affect growth in various sectors, one of which is the health sector, where people must begin to be aware of the importance of a healthy, clean lifestyle and maintaining a sound immune system so as not to be infected with the COVID-19 virus. -19. (This is a summary of 2 years of the COVID-19 pandemic that has hit the world - all pages, nd)

Pharmaceutical companies are a unique and complex industry, which can affect the company's financial performance. The pharmaceutical industry tends to experience stable and high growth in the long term, mainly because people increasingly need medicines and health products. This growth is supported by increasing public awareness about the importance of better health and medical care, increasing life expectancy, and continuing technological developments. Pharmaceutical products are often protected by

patents that provide exclusive protection against competitors for a specified period. This protection of intellectual property rights is essential for pharmaceutical companies because it allows them to maintain profits from their products for a certain period before the product becomes generic.

Pharmaceutical companies' financial performance may be affected by changes in health policies and government policies during a pandemic or a health crisis. In such a situation, demand for pharmaceutical products may increase significantly, but production and logistics costs may also increase and affect the company's profit margins.

## RESEARCH METHODS

The object of this research is a pharmaceutical company listed on the Indonesian Stock Exchange. This research uses secondary data from the official website of the Indonesian Stock Exchange, namely [www.idx.co.id](http://www.idx.co.id), an audited financial report from pharmaceutical companies listed on the Indonesian Stock Exchange from 2019 to 2021 and from a population of 12 pharmaceutical companies that were sampled in This study included nine companies including, PT DARYA VARIA LABORATORIA, PT INDOFARMA, PT KIMIA FARMA, PT KALBE FARMA, PT MERCK, PT PHAPROS, PT PYRIDAM FARMA, PT ORAGON PHARMA INDONESIA and PT INDUSTRI JAMU AND FARMASI SIDOMUNCUL. This descriptive quantitative research uses the financial ratio method to measure the relationship between two or more related financial report items. The financial ratios used are profitability ratios focusing on Net Profit Margin, Return on Assets, and Return on Equity.

## RESULTS AND DISCUSSION

### a. Net Profit Margin

The following are the results of calculating the Net Profit Margin for pharmaceutical companies in 2019, 2020 and 2021.

**Table1. Net Profit Margin**

No	Stock code	2019	2020	2021
1	DVLA	12.23%	8.86%	7.72%
2	INAF	0.59%	0.00%	-1.29%
3	KAEF	0.17%	0.20%	2.25%
4	KLBF	11.21%	12.11%	12.31%
5	BRAND	10.51%	10.96%	12.37%
6	PEHA	9.26%	4.96%	1.07%
7	PYFA	3.78%	7.97%	0.87%

8	SCPI	6.12%	7.55%	5.50%
9	SIDO	26.33%	28.00%	31.36%

Source: Processed secondary data, 2023

The net profit margin of most pharmaceutical companies tends to decrease in 2020 and 2021 compared to 2019. However, several companies such as KLBF, MERK, and SIDO can still maintain stable performance and even experience an increase in Net Profit Margin. Compared with the industry standard average, according to Kasmir, only SIDO companies meet industry standards, which shows that SIDO is profitable, especially in generating significant net profits relative to the income they earn. With a high NPM, SIDO shows that the company has successfully managed operational costs efficiently and can generate greater net profits, indicating the company's ability to obtain sufficient income and control costs well.

#### b. Return on Assets

The following are the results of calculating the Return on Assets for pharmaceutical companies in 2019, 2020, and 2021.

**Table2. Return on Assets**

No	Stock code	2019	2020	2021
1	DVLA	12.12%	8.16%	7.03%
2	INAF	0.58%	0.00%	-1.87%
3	KAEF	0.09%	0.12%	-.63%
4	KLBF	12.52%	12.41%	12.59%
5	BRAND	8.68%	7.73%	12.83%
6	PEHA	4.88%	2.54%	0.61%
7	PYFA	4.90%	9.67%	0.68%
8	SCPI	7.95%	13.66%	9.79%
9	SIDO	22.88%	24.26%	30.99%

Source: Processed secondary data, 2023

Most pharmaceutical companies' return on assets (ROA) decreased in 2020, and most increased again in 2021. This could indicate that these companies experienced difficulties in 2020 due to the COVID-19 pandemic but were able to take steps and appropriate measures in 2021 to improve performance. When compared with the industry average standard, according to Kasmir, of the nine sample companies above, SIDO is the only company that achieved an ROA figure above 30% in 2021, namely with a value of 30.99%. This proves that SIDO has a good management strategy in utilizing its assets. They can generate significant revenues with relatively fewer assets than companies in the same industry.

## c. Return on Equity

The following are the results of calculating the Return on Equity for pharmaceutical companies in 2019, 2020 and 2021

**Table3. Return on Equity**

No	Stock code	2019	2020	2021
1	DVLA	16.98%	12.22%	10.63%
2	INAF	1.58%	0.01%	-7.39%
3	KAEF	0.21%	0.29%	4.01%
4	KLBF	15.19%	15.32%	15.20%
5	BRAND	12.77%	10.51%	19.25%
6	PEHA	12.45%	6.57%	1.52%
7	PYFA	7.49%	14.02%	3.28%
8	SCPI	18.26%	26.24%	12.20%
9	SIDO	26.35%	28.99%	36.32%

Source: Processed secondary data, 2023

Most pharmaceutical companies' return on equity (ROE) also shows a trend similar to ROA: decreasing in 2020 and increasing in 2021. This shows that these companies can optimize the use of their capital to generate better profits in 2021.

Even though several companies experienced a decline in performance in 2020, most of the pharmaceutical companies on the list could still generate quite good profits during the COVID-19 pandemic. Several companies, such as KLBF, MERK, and SIDO, have maintained stability and even experienced increased performance during the pandemic. According to Kasmir, all nine sample companies above have yet to meet the industry standard compared to the average. However, SIDO is a company close to the industry standard value. SIDO shows an excellent ability to generate significant profits for its shareholders. This indicates that the company has efficiently managed its assets and liabilities and can generate profits greater than the capital invested.

**CONCLUSIONS AND RECOMMENDATIONS**

Based on the data that has been presented, the author can draw the following conclusions:

## 1. Net Profit Margin

Several companies showed a decline during this period, such as INAF and PEHA, which experienced a significant decline from 2019 to 2021. Meanwhile, several other companies, such as KLBF, MERK, SCPI, and SIDO, increased NPM over time. This shows differences in these companies' ability to overcome the pandemic's impact and maintain or increase their profitability.

## 2. Return on Assets (ROA)

Most pharmaceutical companies experienced a decline in 2020 and an increase in 2021. Several companies, such as INAF, KAEF, and PEHA, experienced a decline in ROA, showing decreased efficiency in utilizing assets to generate profits. However, some companies show an increase in ROA. For example, KLBF, MERK, and SIDO showed improved efficiency in using their assets to generate profits. Of the nine sample companies, the SIDO company was the only one to achieve an ROA above 30% in 2021. This shows that SIDO has efficient asset management.

## 3. Return on Equity (ROE)

Pharmaceutical companies experienced a downward trend in 2020 and an increase in 2021. Several companies with good ROE performance during the pandemic include KLBF, MERK, and SIDO. These companies have successfully leveraged their equity to generate good profits and provide profitable returns to shareholders. On the other hand, companies such as INAF, KAEF, and PEHA experienced a decline in ROE performance. This indicates a challenge in generating adequate returns from invested equity, indicating a more optimal use of capital.

The author uses profitability ratios to assess financial performance. Of the three ratios used, the SIDO company is the most consistent in financial performance, with high NPM, ROA above 30%, and ROE close to industry standards. So, SIDO has good financial health.

Based on the results of this research, the author would like to provide suggestions to companies as follows:

1. Pharmaceutical companies that experienced a decline in performance in 2020 need to analyze the causes of the decline and take appropriate steps to improve their financial performance. Pharmaceutical companies can study the strategies used by KLBF, MERK, and SIDO to maintain or improve their performance during the COVID-19 pandemic.
2. Pharmaceutical companies can focus on managing operational costs efficiently and optimizing asset use to increase profitability and return on investment. Pharmaceutical companies must consider effective risk management strategies to deal with uncertain situations like the COVID-19 pandemic.

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