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Financial performance assessment using the DuPont analysis

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ABSTRACT

This study aims to assess financial performance using DuPont analysis on technology sector companies listed on the Indonesia Stock Exchange with the three largest market capitalizations and positive net income in 2024. DuPont analysis is a method to evaluate company performance that serves to enhance a fundamental indicator, namely return on equity. Return on equity is used to measure the profit generated from the shareholders' perspective. The analysis is conducted using a quantitative descriptive design. The study results show that although DCII excels in the assessment of net profit margin and equity multiplier, the return on equity formed from the assessment of the three components: net profit margin, assets turnover, and equity multiplier indicates that MLPT outperforms DCII. This result indicates that MLPT is seen as more capable of providing potential investment opportunities than DCII for its investors.

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INTRODUCTION

Financial performance appraisal is an evaluation process to find out and analyze the company's ability to generate profits, manage assets, and fulfill its obligations in a certain period. Financial performance appraisal has a very important role, both for internal and external parties of the company, because it can provide an overview of the effectiveness and efficiency of operational, as well as its sustainability in the future. Financial performance appraisal can help companies find trends, compare achievements with the previous period, carry out financial planning for the future, and support transparency and accountability as the main principle of effective corporate governance (Farisa, 2021; Oktaviyah, 2024; Puspitaningtyas, 2017b, 2023; Shahnia & Endri, 2020).

DuPont analysis is a method of financial equation that is useful for assessing company financial performance (Doorasamy, 2016). This analysis method emerged in 1920 by DuPont Corporation. Calculation of this equation serves to increase one basic indicator in DuPont analysis, namely return on equity. This method breaks the return on equity into several major components for understanding the factors that affect company performance. This method helps the interested parties to identify the strengths and weaknesses of the company related to operational efficiency, asset management, and capital structure. DuPont analysis is useful to identify the causes of change

(both increase and decrease) return on equity (Bhagyalakshmi & Saraswathi, 2019; Kim, 2016; Tijjang et al., 2020; Wright, 2016).

Return on equity is one of the profitability indicators that describe the company's ability to generate net profit from a number of capital invested by shareholders. The formulation is the percentage of net income divided by the equity of shareholders. High return on equity reflects efficient companies in generating profits from a number of equity. Return on equity measurement results need to be compared with similar companies to find out the position of performance achievements in similar industries, because high return on equity does not always mean good if not compared to the average industry. Return on equity that is consistent and increase from time to time reflects that company management manages the company well. For investors, return on equity is useful for evaluating company financial performance and choosing stock investments. Return on equity helps investors understand how effective the company is in generating profits from a number of invested capital. By calculating and analyzing return on equity, investors can make better decisions about their investment (Abadiyah, 2023; Panigrahi & Vachhani, 2021; Puspitaningtyas, 2017a; Simanullang et al., 2021).

This study aims to find out and analyze the financial performance appraisal using Dupont analysis of the technology sector company with the largest three market capitalization on the Indonesia Stock Exchange in the 2024 period. Technology sector companies have business lines that are directly related to technology or have technology -based products such as applications. The technology sector company is an organization that focuses on development, application and commercialization of technology. Companies in this sector include various types, such as hardware companies, software companies, internet service companies, as well as social media and e-commerce companies. Technology sector companies play an important role in encouraging innovation and increasing efficient in various modern life. Comparison of company financial performance in similar sectors can be done using financial statements analysis, such as Dupont analysis.

The growth of the technology sector in Indonesia has developed rapidly marked by many companies in this sector who chose to go public. As of December 3, 2024, information on the IDXChannel website shows that there are 47 technology companies listed on the Indonesia Stock Exchange. Year to date in 2025, the growth of the technology sector in the Indonesia Stock Exchange jumped 120.84%, this condition was driven by a combination of policy sentiment, capital flow, and changes in investor risk preferences. This growth surge exceeds the previously superior energy sector and is now lagging behind with a growth of 12.82%, while the consumer and financial sectors are hampered by high valuation and purchasing power pressure (Bisnis.com, accessed on September 20, 2025). This condition creates attractive investment opportunities for investors, moreover technological stocks often become top gainers in the capital market. The technology sector company on the Indonesia Stock Exchange not only contributes to digital economic growth, but also offers attractive investment opportunities in the future. With the support of the government and increasing digital literacy of the community, this sector is expected to continue to grow in the future. Therefore, it is important for researchers to monitor company development and assess investment opportunities in the technology market.

This study intends to assess the company's financial performance using DuPont analysis. DuPont analysis aims to evaluate the company's ability to increase return on equity to a certain level (Choudhary, 2020). DuPont analysis is comprehensive because it involves three components in its measurement, namely: margin of net profit to measure how much net profit generated from each rupiah in income, asset turnover to measure the efficiency of the company in using its assets to generate revenue, and equity multiplier (financial leverage) to measure the company using debt to finance its assets (Pal, 2021; Ramu & Satyanarayana, 2019; Timothy, 2022). DuPont analysis combines the three components to determine the interaction of the three in determining return on equity. By analyzing each component in DuPont analysis, managers and investors can understand

whether an increase in return on equity comes from increasing the profits of each sales, better use of assets, or greater use of debt.

There are several previous studies that have conducted financial performance appraisal using Dupont analysis of different research objects. Some of these previous studies have succeeded in providing an overview related to the company's financial performance by describing the driving factor of return on equity as an indicator of the company's profitability in a period and describing the position of the company's performance compared to other companies in similar industries. Return on equity is a very useful tool in financial performance analysis, because it provides insight into company efficiency in using equity to generate profits. By understanding return on equity, investors can make better investment decisions (Choudhary, 2020; Da Cruz & Sukoco, 2022; Doorasamy, 2016; Pal, 2021; Ramu & Satyanarayana, 2019; Shahnia & Endri, 2020; Tijjang et al., 2020; Timothy, 2022).

RESEARCH METHOD

The study population was a technology sector company listed on the Indonesia Stock Exchange in the 2024 period of 47 companies. Furthermore, the sample is determined using purposive sampling technique, with the criteria: the technology sector company that has the largest three market capitalization in 2024 and obtains positive net profit (profit). Information on the IDXChannel website, as of December 3, 2024, three technology sector companies with the largest market capitalization namely PT DCI Indonesia Tbk in the first place, PT GOTO Gojek Tokopedia Tbk in the second place, and PT Multipolar Technology Tbk in the third place. PT DCI Indonesia Tbk (DCII) is a company engaged in the data center reaching a market capitalization of Rp 109.65 trillion and a stock price of Rp 45,575 per share. PT GOTO Gojek Tokopedia Tbk (GOTO) is a company engaged in the transportation and e-commerce application to reach a market capitalization of Rp 82.66 trillion and the stock price of Rp 75 per share. PT Multipolar Technology Tbk (MLPT) is a company engaged in service and technology solutions to reach a market capitalization of Rp 40.13 trillion and a stock price of Rp 21,700 per share. Furthermore, based on financial statements in 2024, PT GOTO Gojek Tokopedia Tbk (GOTO) received negative net profit (loss), so it was deleted as a research sample. Thus, there are two companies as research samples (presented in Table 1).

Table 1. Study sample

No.	Company	Code
1	PT DCI Indonesia Tbk	DCII
2	PT Multipolar Technology Tbk	MLPT

The study was conducted using a quantitative approach with a descriptive design (descriptive quantitative), which aims to describe and analyze the company's financial performance in the technology sector listed on the Indonesia Stock Exchange in the 2024 period using DuPont analysis. The data used for analysis is secondary data collected by downloading from the Indonesia Stock Exchange website. The intended secondary data is sourced from the financial statements that are audited and published. The audited and published financial statements provide guarantees that the financial information presented is valid and reliable, so that it can be used for better and measurable decision making. Furthermore, the data collected was analyzed using DuPont analysis. The following is a DuPont analysis formula, namely: Net profit margin = (net profit / revenue) x 100%, Assets turnover = revenue / total assets, Equity multiplier = total assets / total equity, Return on equity = net profit margin x assets turnover x equity multiplier

RESULTS AND DISCUSSIONS

Results of Analysis

Table 2 presents financial data to assess financial performance using DuPont analysis of the sample company.

Table 2. Financial data (In millions of Rupiah)

	DCII	MLPT
Net profit	796,820	368,857
Revenue	1,812,446	3,729,786
Total assets	4,820,065	3,307,160
Total equity	3,003,663	675,386

Based on these financial data, there are then calculated three components forming return on equity, namely net profit margin, assets turnover, and equity multiplier. The calculation results are presented in Table 3.

Table 3. Three components of DuPont analysis

	DCII	MLPT
Net profit margin	43.96%	9.89%
Assets turnover	0.376	1.128
Equity multiplier	1.605	4.897

Based on the results of the calculation of the three components, then the return on equity is calculated so that the results of the DuPont analysis are obtained (presented in Table 4).

Table 4 Result of the DuPont Analysis

	DCII	MLPT
Return on equity	26.52	54.63

Discussion

Net Profit Margin

Net profit margin is an indicator that shows the effectiveness of the company in generating net profit from its total income in a period (Astuti, 2021; Handayani & Winarningsih, 2020; Nariswari & Nugraha, 2020). The high net profit margin reflects the company more effectively in managing costs and generating profits from its income, and vice versa.

The results of the analysis showed that the Net Profit Margin DCII was higher than MLPT (43.96% > 9.89%). These results indicate that DCII has higher financial stability than MLPT. In addition, DCII is considered more effective in changing its income into net profit, so it is better able to survive in difficult market conditions.

Assets Turnover

Assets turnover is an indicator that measures how much the company is able to generate income from the management of its assets in a period (Nurlaela et al., 2019; Prasetio et al., 2021; Wulandari et al., 2023). The measurement results reflect the efficiency of the company in managing assets to generate income. The high assets turnover reflects the company more efficiently in generating income from the management of its assets, and vice versa. The underlying assumption, the company may have many assets, but is not able to make optimal utilization to increase income. Therefore, companies that have abundant assets but are unable to increase added value will be lower than other companies that have less assets but are useful and added value.

The results of the analysis showed that MLPT assets turnover was higher than DCII (1.128 > 0.376). These results indicate that MLPT is more efficient in utilizing the overall assets it has to generate income in a period, which can encourage increased company profits. In other words, MLPT is considered more efficient than DCII in managing its assets.

Equity Multiplier

Equity multiplier is an indicator to measure how much the company's operations are financed by debt or equity (Muthohharoh & Pertiwi, 2021; Nasution, 2017; Nemati et al., 2020). Equity multiplier can also be referred to as financial leverage, which is an indicator that shows how much the company's operations are financed by debt (Puspitaningtyas, 2019). High equity multiplier shows that the company is very owed. In other words, companies have a greater debt burden to finance operations. Conversely, low equity multiplier shows that the company's operations are more financed than equity. In addition, equity multiplier also reflects the level of financial risk of a company. High equity multiplier shows the level of financial risk is also high, because the company depends more on debt financing, and vice versa.

The result of the analysis shows that the MLPT equity multiplier is higher than DCII (4.897 > 1.605). The MLPT's total assets are financed by equity of 62.32% [(total equity / total asset) * 100 = (3,003,663 / 4,820,065) * 100 = 62.32%], the remaining 37.68% is financed by debt. Meanwhile, DCII's total assets are financed by equity of 20.42% [(total equity / total asset) * 100 = (675,386 / 3,307,160) * 100 = 20.42%], the remaining 79.58% is financed by debt.

These results indicate that DCII's financial condition is better than MPLT, because lower equity multiplier shows that company operations are more dependent on equity financing so that financial risks are lower. That is, the company is not too dependent on debt financing, minimizes the risk of failure to pay, and maintain financial stability. This assessment tends to be preferred by conservative investors, namely the type of investor that tends to prioritize capital security and the stability of the results rather than pursuing high profits with high risk. Conservative investors are more likely to choose investment instruments that are relatively safe, smaller risk, despite the potential for smaller returns. This type of investor is also known as risk averse.

However, in the perspective of DuPont analysis, companies with high multiplier equity may have the advantage of a more efficient financial structure, such as lower debt costs. For investors, especially aggressive and moderate type, investment in companies with high multiplier equity can provide greater potential profit, but also higher financial risks.

Return on Equity

Return on equity is an indicator that measures the effectiveness of a company in generating profit from the amount of fund invested by shareholders (Abadiyah, 2023; Pal, 2021; Panigrahi & Vachhani, 2021; Timothy, 2022). Return on equity compares net income and total equity over a period. Return on equity provides an overview of the effectiveness of a company in using the fund invested by investors to generate profits. A higher return on equity reflects that the company performs well in utilizing equity to generate profit.

The analysis result shows that the return on equity of MLPT is greater than that of DCII (54.63 > 26.52). These results indicate that MLPT is more effective in utilizing equity capital to generate profits. For investors, companies with high return on equity are viewed as having good financial performance in generating profits for their shareholders. A high return on equity provides a good signal for the company, as it reflects that the rate of return on shareholders is also high.

CONCLUSION

Based on the results of the analysis and discussion, it is concluded that although DCII has a higher net profit margin than MLPT, the return on equity achieved by MLPT is greater than that of DCII. This result indicates that MLPT is more effective than DCII in generating profit from the amount of fund invested by shareholders. For investors, this result suggests that MLPT offers a more potential investment opportunity than DCII, as return on equity reflects how much net profit a company can generate for each Rupiah invested by shareholders.

Investment in the technology sector can be an option, especially in portfolio diversification strategies, because the world of technology continues to grow, making investment opportunities in this sector more attractive. New innovations have sprung up, from artificial intelligence to digital finance. With the right analysis and strategy, investment in this sector has the potential to get large profits and the value of assets can grow faster. The surge in the growth of the technology sector is inseparable from the role of government policy. Government regulations and economic policies affect investment trends in the capital market. Regulations and policies that support innovation and technology can accelerate the adoption of new trends, while strict regulations and policies can suppress the growth of certain sectors.

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