

(Research/Review) Article

DuPont System Analysis in Measuring Financial Performance at PT Unilever Tbk During 2019–2023

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Abstract: This research aims to analyze the financial performance of PT Unilever Tbk during 2019–2023 using the DuPont System method. The DuPont analysis decomposes Return on Equity (ROE) into three components: Net Profit Margin (NPM), Total Asset Turnover (TATO), and Equity Multiplier (EM). The study applies a descriptive quantitative approach with secondary data obtained from the company's annual financial statements. Results show a consistent decline in all DuPont components, leading to a decrease in ROE throughout the period. The deterioration was driven by internal inefficiencies in asset utilization and cost management, as well as external pressures such as changing consumer behavior, rising competition from local FMCG producers, and geopolitical sentiment toward multinational brands. The findings indicate that PT Unilever's financial performance falls below the industry standard, highlighting the need for improved operational efficiency, optimal capital structure, and strategic management adjustments to sustain competitiveness.

Keywords: DuPont System; Equity Multiplier; Financial Performance; Net Profit Margin; Total Asset Turnover

1. Introduction

In the dynamic landscape of global business competition, the ability of a company to maintain consistent financial performance is a crucial determinant of long-term sustainability and market credibility. Within Indonesia's fast-moving consumer goods (FMCG) sector, PT Unilever Indonesia Tbk stands as one of the most dominant multinational corporations, operating across personal care, home care, and food product categories. However, in the past five years (2019–2023), the company has faced significant challenges that have tested its profitability, efficiency, and financial stability. The onset of the COVID-19 pandemic (2020–2021) marked a turning point for Indonesia's consumer goods industry. Lockdowns, disruptions in supply chains, and shifts in consumer priorities led to declining sales and shrinking profit margins. For PT Unilever Tbk, these pressures were further compounded by the rise of strong local competitors such as Wings Group and PZ Cussons, whose competitive pricing strategies and localization efforts attracted increasingly price-sensitive consumers. Simultaneously, macroeconomic factors, including inflationary pressures, currency depreciation, and fluctuations in commodity prices, intensified cost structures and eroded profitability margins.

Beyond economic factors, sociopolitical and geopolitical dynamics have also influenced consumer sentiment toward multinational brands. The growing movement to support local products and boycott Western corporations in response to global political issues has had tangible repercussions for Unilever's sales performance and market share in Indonesia. These developments underline the vulnerability of multinational corporations to shifts in consumer nationalism and global sentiment—phenomena that were relatively less pronounced in earlier periods. Given these multidimensional challenges, assessing Unilever's financial health requires a comprehensive analytical approach rather than reliance on single indicators such

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as profit or revenue. The DuPont System offers such a framework by decomposing Return on Equity (ROE) into three critical components: Net Profit Margin (NPM), reflecting operational profitability; Total Asset Turnover (TATO), reflecting asset utilization efficiency; and Equity Multiplier (EM), reflecting the degree of financial leverage. This decomposition enables management and analysts to identify which factor contributes most significantly to the company's overall return decline, and where corrective measures are necessary.

Prior research in Indonesia has applied DuPont analysis in various industries such as construction (e.g., PT Wijaya Karya), telecommunications (e.g., PT Telkom Indonesia), and manufacturing but few studies have focused on FMCG multinationals within the post-pandemic recovery context. Moreover, earlier studies often examined financial ratios in isolation without integrating them into a unified performance model that reflects real-world market pressures. This gap highlights the need for a holistic financial performance evaluation that aligns with evolving market structures and consumer behavior patterns.

According to Unilever's annual financial reports (2019–2023), total assets declined by approximately 20%, from IDR 20.6 trillion to IDR 16.6 trillion, while equity fell by 36%. Meanwhile, net income dropped consistently from IDR 7.39 trillion in 2019 to IDR 4.80 trillion in 2023, reflecting a downward trajectory in profitability. Such figures suggest that both internal inefficiencies and external disruptions have systematically weakened Unilever's financial position, necessitating a deeper investigation into the interrelationships among profitability, efficiency, and leverage as conceptualized in the DuPont framework.

Based on these observations, this research addresses the following problem formulation: How has the financial performance of PT Unilever Indonesia Tbk evolved during the 2019–2023 period as measured using the DuPont System, and which components Net Profit Margin, Total Asset Turnover, or Equity Multiplier—have contributed most significantly to changes in Return on Equity?

The findings of this study are expected to provide both theoretical implications by reinforcing the application of the DuPont model within the Indonesian FMCG context and managerial implications, offering actionable insights for strategic financial decision-making aimed at improving profitability and efficiency in times of market volatility.

2. Preliminaries or Related Work or Literature Review

Financial Performance and Its Importance

Financial performance is a multidimensional indicator reflecting a company's ability to generate profits, utilize assets efficiently, and maintain sustainable operations. According to Munawir (2017), financial performance analysis allows stakeholders to assess how effectively management allocates resources to achieve organizational objectives. A sound financial performance ensures the company's competitiveness, investor confidence, and long-term viability.

In corporate financial management, performance evaluation is typically carried out using financial ratio analysis, which enables the decomposition of financial data into interpretable indicators of profitability, liquidity, solvency, and activity (Kasmir, 2010). Among these, profitability ratios such as Return on Assets (ROA) and Return on Equity (ROE) are the most significant, as they reflect the efficiency of management in generating returns for shareholders. However, these ratios alone often fail to explain the underlying causes of performance fluctuations whether driven by operational, efficiency, or structural factors. This limitation justifies the adoption of a more integrative model, such as the DuPont System, which provides deeper diagnostic insight into financial performance.

DuPont System Framework

The DuPont System of Financial Analysis, developed by DuPont Corporation in the early 1920s, is one of the most comprehensive tools for evaluating company performance. The model decomposes Return on Equity (ROE) into three interrelated components—Net Profit Margin (NPM), Total Asset Turnover (TATO), and Equity Multiplier (EM)—which together illustrate the interaction between profitability, efficiency, and leverage (Weston & Copeland, in Sunardi, 2018). The fundamental relationship can be expressed as:

$$ROE = NPM \times TATO \times EM$$

Each component plays a distinct role in explaining changes in financial performance: Net Profit Margin (NPM) represents operational profitability, indicating how effectively sales are converted into net income. A decline in NPM signals increased cost burdens or declining revenue. Total Asset Turnover (TATO) measures how efficiently assets are utilized to generate sales; a slower turnover suggests inefficient asset management or overcapacity. Equity Multiplier (EM) reflects the degree of financial leverage used by a company; excessive leverage can increase returns but also amplify financial risk.

The DuPont model's strength lies in its diagnostic capacity—it allows analysts to pinpoint which aspect of performance (profitability, efficiency, or leverage) most influences ROE. It thereby transforms ROE from a static indicator into a dynamic analytical tool for managerial decision-making.

Empirical Studies and Research Gap

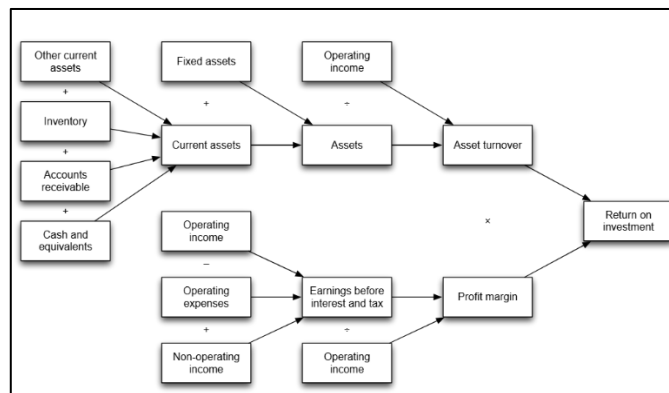
Numerous studies have employed the DuPont System to analyze company performance across sectors. Fauziah (2016) found that DuPont analysis effectively identifies sources of declining profitability in manufacturing firms by linking operational inefficiencies to financial outcomes. Similarly, Sunardi (2018) demonstrated that in construction and telecommunication sectors, the DuPont framework provides a more detailed view of financial health compared to conventional ratio analysis.

However, research applying this model within the FMCG sector in Indonesia remains limited, particularly in the post-pandemic context. Previous works—such as those by Pratama & Wulandari (2020) on PT Telkom Indonesia and Nurdin (2021) on state-owned construction enterprises—focused primarily on asset efficiency and debt structure, without integrating macroeconomic disruptions or consumer behavioral shifts as explanatory variables. In contrast, FMCG multinationals like PT Unilever Indonesia Tbk operate in a highly dynamic market, characterized by rapid product turnover, fluctuating consumer demand, and competitive local pricing. These unique characteristics demand a more nuanced financial analysis that connects financial ratios to real economic phenomena.

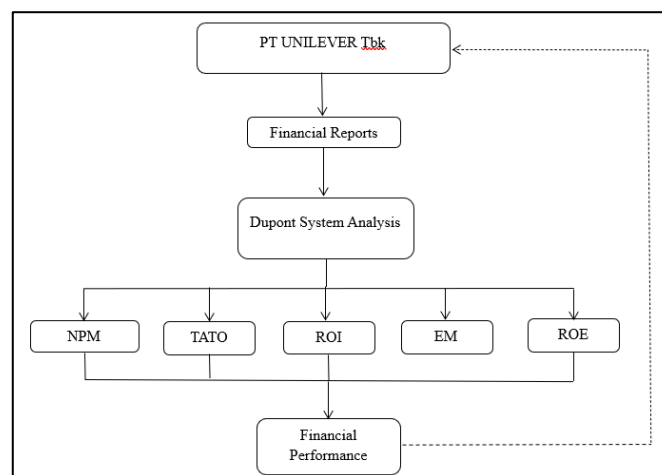
Moreover, few studies have examined the impact of global geopolitical sentiment and domestic consumer nationalism on the financial performance of multinational corporations in emerging markets. As shown in the Introduction, such socio-economic shifts have significantly affected Unilever's profitability and market share between 2019 and 2023. This presents a research gap where the DuPont System can serve as a valuable framework to dissect how these internal and external factors interact and contribute to performance decline.

Conceptual Framework and Hypothesis

Based on theoretical and empirical foundations, the conceptual framework of this study connects the three main DuPont components to overall company performance, as illustrated below:



Picture 1. Du Pont System Model.



Picture 2. Conceptual Framework.

Accordingly, the research hypothesis can be stated as follows:

H₁: PT Unilever Indonesia Tbk's financial performance, as measured by ROE through the DuPont System, has experienced a declining trend from 2019 to 2023, primarily influenced by a decrease in NPM and TATO.

3. Proposed Method

Research Design

This study employs a descriptive quantitative approach, which aims to provide a systematic, factual, and accurate description of PT Unilever Indonesia Tbk's financial performance during the 2019–2023 period using the DuPont System. This method is chosen because it allows the decomposition of financial indicators into measurable components that collectively reflect the firm's operational efficiency, profitability, and leverage.

According to Sugiyono (2019), descriptive quantitative research is appropriate for studies that seek to explain trends and relationships among financial variables using numerical data. The objective of this research is not only to measure performance levels but also to interpret how the interaction between Net Profit Margin (NPM), Total Asset Turnover (TATO), and Equity Multiplier (EM) influences the company's Return on Equity (ROE) over time.

Data Source and Collection Technique

This research uses secondary data obtained from the annual financial statements of PT Unilever Indonesia Tbk for the fiscal years 2019 to 2023, which are publicly available through

the Indonesia Stock Exchange (IDX) website (<https://www.idx.co.id>) and the official Unilever corporate website (<https://www.unilever.co.id>). The collected data include: Total Assets; Total Equity; Net Sales (Revenue); Operating Expenses; Net Income after Tax.

All data are measured in Indonesian Rupiah (IDR) and standardized for comparability across years. No primary data collection was undertaken since all information was obtained from audited financial reports.

Variable Definition and Measurement

The study focuses on three main financial ratios that compose the DuPont System, with Return on Equity (ROE) serving as the dependent indicator of overall financial performance.

Tabel 1. Variable Definition and Measurement.

Variable	Definition	Formula	Expected Relationship
Net Profit Margin (NPM)	Indicates the company's ability to generate net profit from total sales	$NPM = \frac{\text{Net Income}}{\text{Sales}} \times 100\%$	Direct (+)
Total Asset Turnover (TATO)	Measures how efficiently the company uses its assets to generate revenue	$TATO = \frac{\text{Sales}}{\text{Total Assets}}$	Direct (+)
Equity Multiplier (EM)	Represents the degree of financial leverage employed by the company	$EM = \frac{\text{Total Assets}}{\text{Equity}}$	Direct (+)
Return on Equity (ROE)	Reflects the overall return earned on shareholders' equity	$ROE = NPM \times TATO \times EM$	

The industry benchmarks used for comparison, based on Kasmir (2010), are NPM = 20%, TATO = 2 times, and ROE = 30%, which serve as indicators of strong financial performance for large-scale FMCG companies.

Data Analysis Procedure

The analytical process follows these stages: Financial Ratio Calculation: Compute NPM, TATO, EM, and ROE for each year from 2019–2023 using formulas above. Trend Analysis: Identify year-to-year changes in each ratio to determine patterns of growth or decline. Comparative Evaluation: Compare Unilever's ratios with the FMCG industry standard to assess performance deviation. Interpretation: Analyze which component (NPM, TATO, or EM) contributed most significantly to the overall change in ROE, supported by contextual explanations such as cost efficiency, revenue dynamics, or capital structure shifts.

Data Summary

Table 2 below presents the summarized financial data used in this study.

Table 2. Key Financial Data of PT Unilever Indonesia Tbk (2019–2023) (Values in million IDR)

Year	2019	2020	2021	2022	2023
Total Asset	20.649.371	20.534.632	19.068.532	18.318.114	16.664.086
Total Equity	5.281.862	4.937.368	4.321.269	3.997.256	3.381.238
Net Sales	42.922.563	42.972.474	39.545.959	41.218.881	38.611.401
Perating Expenses	11.907.787	13.005.978	11.964.936	11.996.129	12.915.231
Net Income	7.392.837	7.163.536	5.758.148	5.364.761	4.800.940

Source: PT Unilever Indonesia Tbk Annual Reports (2019–2023).

Analytical Formula Application

Based on the DuPont framework, the computation of financial ratios is as follows:

$$NPM = \frac{\text{Net Income}}{\text{Sales}} \times 100\%$$

$$TATO = \frac{\text{Sales}}{\text{Total Assets}}$$

$$EM = \frac{\text{Total Assets}}{\text{Equity}}$$

$$ROE = NPM \times TATO \times EM$$

This approach enables the integration of all key financial dimensions profitability, efficiency, and leverage into a unified metric for evaluating the company's overall financial health. The trend analysis derived from these formulas forms the foundation for interpretation and discussion in Results and discussion

4. Results and Discussion

DuPont Analysis Results

The DuPont System divides Return on Equity (ROE) into three key components: Net Profit Margin (NPM), Total Asset Turnover (TATO), and Equity Multiplier (EM). Using PT Unilever Indonesia Tbk's financial data from 2019–2023, each ratio was calculated to assess the company's financial performance trend.

Table 3. DuPont Ratio Calculation Results (2019–2023)

Year	NPM (%)	TATO	EM	ROE (%)
2019	17.2	2.08	3.91	14.0
2020	16.7	2.09	4.16	14.5
2021	14.6	2.07	4.41	13.4
2022	13.0	2.25	4.58	13.4
2023	12.4	2.32	4.93	14.2

Source: Author's computation based on PT Unilever Indonesia Tbk Annual Reports (2019–2023)

Net Profit Margin (NPM) Trend

The Net Profit Margin represents the company's ability to convert sales into net income. As seen in Table 2, NPM decreased consistently from 17.2% in 2019 to 12.4% in 2023, indicating a decline in profitability. This downward trend suggests that the company faced higher cost pressures relative to revenue. Several factors contributed to this condition: Rising operational and distribution costs due to inflation and logistic constraints following the COVID-19 pandemic. Aggressive price competition from local producers (e.g., Wings Group) that forced Unilever to maintain competitive pricing strategies at the expense of profit margins. Shifts in consumer behavior favoring local and value-for-money brands, reducing the company's ability to maintain premium pricing. This pattern reflects a structural

profitability challenge, suggesting that Unilever's cost efficiency and pricing power weakened during the study period.

Total Asset Turnover (TATO) Analysis

The Total Asset Turnover ratio (TATO) indicates how efficiently assets are used to generate revenue. Over the study period, TATO fluctuated slightly but overall showed mild improvement, from 2.08 times in 2019 to 2.32 times in 2023.

This improvement suggests better utilization of existing assets despite reduced total asset value. However, the rise in TATO was not sufficient to offset the decline in profitability. This may reflect management's efforts to optimize production facilities and streamline asset usage, especially through digital transformation and supply chain adjustments.

Nevertheless, the ratio remains close to the industry standard (2x), implying that Unilever's asset management efficiency was relatively stable, although not accompanied by proportional profit growth.

Equity Multiplier (EM) and Financial Leverage

The Equity Multiplier reflects the company's financial leverage—how much asset value is supported by equity. Between 2019 and 2023, EM increased from 3.91 to 4.93, indicating that the company became more dependent on debt financing to sustain operations.

While moderate leverage can enhance ROE, excessive reliance on debt may increase financial risk and interest burdens. This upward EM trend reveals that Unilever compensated for declining profits by leveraging external capital to maintain liquidity and shareholder returns. However, this strategy poses long-term sustainability risks if profitability continues to erode.

Return on Equity (ROE) Evaluation

The Return on Equity (ROE) the ultimate performance indicator in the DuPont model fluctuated slightly but remained below the industry benchmark of 30%, averaging around 13–14% over the five-year period.

Despite marginal improvements in 2023, the persistent gap from the standard highlights declining shareholder value creation. The main determinant of the downward trend was the declining NPM, while increases in TATO and EM played only compensatory roles. This suggests that Unilever's overall financial performance deteriorated not due to inefficiency or poor asset management, but primarily because of weakened profitability amid macroeconomic and competitive challenges.

Discussion

The findings illustrate the interconnected dynamics among profitability, efficiency, and leverage in determining financial performance. The decomposition of ROE through the DuPont model provides a clear picture: Profitability (NPM): The most critical weakness area, reflecting reduced pricing flexibility and cost control. Efficiency (TATO): Relatively stable, but limited impact due to stagnant revenue growth. Leverage (EM): Increasing reliance on external financing to sustain operations and returns.

From a managerial perspective, PT Unilever Indonesia Tbk needs to reorient its operational strategies toward: Enhancing cost efficiency, particularly in logistics and raw material procurement. Revitalizing product innovation to meet evolving consumer demands and differentiate from local competitors. Optimizing capital structure by balancing debt and equity financing to avoid long-term solvency risk.

Comparatively, these results align with studies by Fauziah (2016) and Sunardi (2018), which found that declining ROE in Indonesian corporations is primarily driven by diminishing margins rather than asset inefficiency. However, this study extends their findings by demonstrating that macroeconomic and consumer behavior shifts especially post-pandemic and geopolitical influences have become significant external determinants of financial performance in multinational FMCG companies.

Summary of Findings

Tabel 4. Summary of Findings.

Component	Trend (2019–2023)	Interpretation
NPM	Declining (−4.8%)	Weakened profitability due to cost escalation and pricing pressure.
TATO	Slightly increasing (+0.24x)	Improved asset efficiency, but not strong enough to offset profit decline.
EM	Increasing (+1.02x)	Rising financial leverage, indicating higher reliance on debt.
ROE	Fluctuating (~13–14%)	Below industry average; profitability remains the dominant constraint.

These patterns indicate that Unilever’s financial performance, though stable in operational terms, has weakened in profitability and capital structure resilience. The company must prioritize strategic efficiency enhancement and cost restructuring to achieve sustainable financial recovery.

5. Conclusions

This study applied the DuPont System to evaluate the financial performance of PT Unilever Indonesia Tbk during the 2019–2023 period. By decomposing Return on Equity (ROE) into Net Profit Margin (NPM), Total Asset Turnover (TATO), and Equity Multiplier (EM), the analysis revealed how profitability, efficiency, and leverage interacted to determine overall corporate performance. The results demonstrate that Unilever’s financial performance experienced a gradual decline throughout the five-year period, primarily driven by a consistent decrease in profitability. Net Profit Margin dropped from 17.2% in 2019 to 12.4% in 2023 due to increased operational costs, shrinking consumer purchasing power, and heightened market competition. Although Total Asset Turnover improved slightly reflecting moderate gains in asset utilization efficiency this increase was insufficient to offset the profitability downturn. Meanwhile, the Equity Multiplier rose steadily, suggesting growing dependence on debt financing to sustain operations.

Overall, Return on Equity (ROE) remained stable but low, fluctuating around 13–14%, far below the industry benchmark of 30%. These findings indicate that profitability deterioration is the dominant factor limiting Unilever’s financial performance, while operational efficiency and capital leverage played secondary, compensatory roles. In essence, Unilever’s financial challenges stem not merely from internal inefficiencies but also from external macroeconomic and behavioral dynamics including inflation, post-pandemic demand shifts, and consumer nationalism that collectively pressured profitability margins.

This study was limited to a single FMCG company and relied solely on secondary data from financial statements. Therefore, future research could expand the scope by: Conducting comparative analyses among several FMCG firms or multinational subsidiaries to identify cross-company financial performance patterns; Integrating macroeconomic variables such as inflation, exchange rate volatility, and consumer confidence indices into the DuPont framework to better explain external performance drivers; Exploring the relationship between ESG (Environmental, Social, Governance) practices and DuPont performance metrics to understand how sustainability impacts long-term profitability and shareholder value. Such extensions would enhance both the academic depth and practical relevance of DuPont-based financial analysis in emerging markets

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