THE IMPACT OF LIQUIDITY, CAPITAL STRUCTURE, PROFIT MARGIN, AND FIRMS SIZE ON THE FINANCIAL PERFORMANCE
(Study in Consumer Goods Sector in Go Public Company on The Indonesian Stock Exchange for the Period 2015-2019)

Submitted to Fulfill Tasks and Conditions to Obtain an Economics Bachelor of Double Degree Management Programs at the Faculty of Economics and Business

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Abstrak

Penelitian ini bertujuan untuk menganalisis pengaruh Rasio Lancar (CR), Rasio Cepat (QR), Rasio Hutang terhadap Ekuitas (DER), Margin Laba Bersih (NPM), dan Ukuran Perusahaan (FZ) terhadap Kinerja Keuangan (Return on Equity) di Indonesia. Dalam penelitian ini jumlah sampel sebanyak 14 perusahaan di Industri Barang Konsumsi dan sumber data dalam penelitian ini adalah metode data sekunder berdasarkan laporan keuangan tahunan pada industri barang konsumsi di Indonesia yang terdaftar di Bursa Efek Indonesia periode 2015 sampai 2019. Analisis data yang digunakan adalah uji regresi linier berganda untuk mengetahui pengaruh Rasio Lancar (CR), Rasio Cepat (QR), Rasio Hutang terhadap Ekuitas (DER), Margin Laba Bersih (NPM), dan Ukuran Perusahaan (FZ) terhadap Kinerja Keuangan (Return on Equity). Hasil penelitian menunjukkan bahwa Net Profit Margin secara parsial berpengaruh signifikan terhadap Return On Equity. Sedangkan Rasio Lancar (CR), Rasio Cepat (QR), Rasio Hutang terhadap Ekuitas (DER), dan Ukuran Perusahaan secara parsial tidak berpengaruh signifikan terhadap Return On Equity.

Kata Kunci: Rasio Likuiditas, Struktur Modal, Margin Laba Bersih, Ukuran Perusahaan, Return on Equity

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Abstract

This research aimed to analyze the effect of Current Ratio, Quick Ratio, Debt to Equity Ratio, Net Profit Margin, and Firm Size on Financial Performance (Return on Equity) in Indonesia. In this study, a total sample of 14 companies in Consumer Goods Industry and the data sources in this study are secondary data methods based on the annual financial reports of consumer goods industry in Indonesia listed on the Indonesia Stock Exchange for the period 2015 to 2019. The analysis of the data used is multiple linear regression tests to determine the effect of Current Ratio, Quick Ratio, Debt to Equity Ratio, Net Profit Margin, and Firm Size on Return on Equity. The results show that Net Profit Margin partially has significant effect on Return On Equity. Meanwhile, Current Ratio, Quick Ratio, Debt to Equity Ratio and Firm Size partially has no significant effect on Return On Equity.

Keywords: Liquidity Ratio, Capital Structure, Net Profit Margin, Firm Size, Return on Equity

1. INTRODUCTION

Companies as economic actors must cling to economic principles in achieving the benefits of sustaining the company. According to Arma (2013), stated a company is established with various objectives, including obtaining profits, maximizing profits, increasing sales, and improving services and so forth. The company is said to be good if there is an increase in sales continuously because it can reach the expected target. Conversely, if the company has a significant decrease in sales, it is bad because the company cannot achieve its objectives. However, the success of the company in seeking profits and maintaining its company depends on financial management. Every company must have good financial performance, effective and efficient to obtain profits.

Therefore, financial performance is the most important thing for companies in increasingly fierce business competition to maintain their companies. The increasing rapidly development of the business world requires that every company has a good and efficient financial performance to attract external parties to want or invest capital or retain investors in existing investments and obtain maximum results for the future. Financial performance is conducted to see the extent to which a company has implemented economic principles by using financial rules properly and correctly. According to Gaman (2015) , financial management has an important role in the company's financial management so that financial management is required to carry out its functions effectively and efficiently.

According to Amilin (2019), one of the factors that can show how the company's financial performance is good or not can be seen through the analysis of financial statements. Companies need to analyze financial statements to assess the company's financial performance. In conducting financial statement analysis, each company has a variety of sizes so that between companies with one another will be different. Measuring financial performance in a company is by using financial ratio analysis.

Financial ratios are used to assess company performance and to compare the company's financial condition from the previous year to the current year. Does the company increase or not, so the company considers the decision what will be taken for the coming year. According to Munawir (2010:239), in analyzing financial statements, financial analysis tools are needed, one of them is by using financial ratios which include liquidity ratios, solvability ratios, and profitability ratios which will be used as a basis for measuring the company's financial performance and can provide an assessment of the management of company assets by management in the company to evaluating and corrective actions for unhealthy financial performance. The researcher will use in this study is the main company and development on the Indonesian stock exchange.

Through testing these four factors it can be seen whether the company's finances have good performance. Theoretically, there is no clear composition or level that says that at a certain level or value company size, liquidity ratio, leverage ratio, and profitability ratios currently used by companies contribute to the company's financial performance

1.1 Literature Reviews

According to Hani (2015: 121), the notion of liquidity is the ability of a company to fulfill all financial obligations that can immediately be disbursed or which have matured. Specifically, liquidity reflected the availability of funds owned by the company to fulfill all debts that will be due. According to Mardiyanto (2009: 54), the notion of liquidity is the company's ability to repay short-term liabilities (debt) on time, include paying off the portion of long-term debt due in the year concerned.

The calculation of liquidity ratios provides quite some benefits for various parties with an interest in the company. The following are some of the goals and benefits that can be derived from the results of the liquidity ratio according to Kasmir (2012: 132), the first is measuring the ability of a company to pay obligations or debts that are immediately due when billed. That is, the ability to pay obligations that are already due ispaid according to a predetermined time limit schedule (specific date and month).

One of the important things in a company is the thing that is related to the funds is capital. Capital is the main thing in the growth of a company because the greater capital affects the size of the company's operations which is affected the level of sales. According to Margaretha (2004), the capital structure described the company's permanent financing consisting of long-term debt and own capital. According to Hani (2015, p. 123) Debt to Equity Ratio (DER) showed how many parts of each company of each own capitals are used as collateral for the entire debt. And also Times Interest Earned Ratio is to measure how much profit can be reduced without financial difficulties the company is unable to pay interest.

Understanding net profit margin according to Kasmir (2008: 200) stated that net profit margin is a measure of profit that compares between profit after interest and tax compared to sales. This ratio is also compared to the industry average. This ratio indicates that the company's net income is on sale. Usually for investors, the net profit margin is used to measure how efficiently management manages its company and predicts the company's future profitability based on sales forecasting made by its management. By comparing the net income with total sales, investors can see how much percentage of income is used to pay for operational costs as well as non-operational costs and some of the remaining percentages can pay dividends to shareholders or reinvest in the company.

According to Hartono (2008: 14), the size of the company (firm size) is as follows: "the size of the company can be measured by the total assets/large assets of the company using the calculation of the total asset logarithm value". Company size is the value of the size of the company as indicated by total assets, total sales, total profits, thus affect the company's social performance and causing the achievement of company goals.

According to Fahmi (2013), Return on equity can also be called return on equity or total asset turnover. This ratio examines the extent to which a company uses the resources owned by the company to be able to provide a return on equity. Return on equity is a very important calculation in a company. If a company shows a high and consistent ROE means that the company indicates having a long-lasting advantage over the competition.

2. METHOD

This type of research is quantitative research because the results of this study are in the form of numbers. The dependent variable is financial performance (ROE), and independent variables consist of Liquidity Ratios (Quick Ratio (QR) and Current Ratio (CR)), Leverage Ratio (Debt to Equity Ratio (DER)), Profit Margin (Net Profit Margin (NPM)) and Company Size (FZ). This research conducted on the consumer goods industry sector which is listed on the Indonesia stock exchange for the period 2015-2019. The populations of this study are 14 companies in the consumer goods industry sector in the Indonesia stock exchange for five periods, namely the period 2015-2019.

The sampling technique used by the researcher is a nonprobability sampling technique.

3. RESULT AND DISCUSSIONS

3.1 Regressions Analysis

Table 3.1

Variable	Regression coefficients	Std. Error	t-test	Sig.	Description
LN_CR	0.171	0.253	0.675	0.502	has no significant effect
LN_QR	-0.013	0.200	-0.065	0.948	has no significant effect
LN_DER	0.222	0.144	1.541	0.128	has no significant effect
LN_NPM	0.792	0.074	10.673	0.000	has a significant effect
LN_FZ	-0.238	1.681	-0.142	0.888	has no significant effect
R2	0.699				
F_test	29.723				
Sig.	<.001				

Source: Secondary data processed using SPSS (2021)

Based on the table above, the regression model used is as follows:

ROE = 0.779 + 0.171 CR – 0.013 QR + 0.222 DER + 0.792 NPM – 0.238 FZ

From the multiple linear regression equation above, it is known to have a constant of 0.779, which means that ROE has a value of 0.779 if variables such as CR, QR, DER, Firm Size and NPM do not exist or are considered constant, and then the Return on Equity value will increase. The variable coefficient of Current Ratio is 0.171 which means that every 1% increase in Current Ratio will cause and increase in ROE of 17.1 % and Firm size variable coefficient of -0.234 indicates that every time there is a decrease in Firm size by 1%, ROE will decrease by 23.4%.

3.2 Coefficient of Determination

From the results of the data table 3.1 above, the correlation coefficient (R) is 0.836 or equal to 83.6%, which means that the influence between the X variables (CR, QR, DER, NPM and Firm Size) on variable Y (ROE) is in the strong category. R square explains how big the variable caused by X from the calculation results obtained R2 value of 0.699or 69.9%. It means that 69.9% ROE is influenced by the five large variables CR, QR, DER, NPM and Firm size while the rest (100% - 69.9% = 30.1%) means that 30.1% is influenced by other factors outside the model.

3.3 f-test (Simultaneous)

In the table above the sig value of f-test is .001[b] <0.05, it can be concluded that the model is accepted. From the results of the regression analysis, it can also be seen that together the independent variables has a significant effect on the dependent variable. This can be proven from the calculated f-value (29.723) which is greater than the f-table value (2.37). The regression model can be used to predict ROE or it can be said that CR, QR, DER, NPM, and Firm size together have an effect on ROE in consumer goods companies listed on the IDX in 2015-2019 period.

3.4 t-test (Partial) or Hypothesis Test

The hypothesis proposed states that CR has a positive effect on ROE. Research variable Current Ratio (CR) as an independent variable. According to table 3.1 state that the t-test result coefficient of Current Ratio (CR) shows a significance level of 0.502 (> 5%). The resulting t-value is 0.675, while the t-table value is 1.99. Because the calculated t-value is smaller than the t-table, then H0 is accepted and H1 is rejected. So it can be concluded that the Current Ratio (CR) has no significant effect on ROE.

The hypothesis proposed states that QR has a positive effect on ROE. Quick Ratio (QR) research variable as an independent variable that the coefficient of the t-test results from the Quick Ratio (QR) shows a significance level of 0.948 (>5%). The resulting t-value is -0.065, while the t-table value is 1.99. Because the t-value is smaller than t-table, then H0 is accepted and H1 is rejected. So it can be concluded that the Quick Ratio (QR) has no significantly affects ROE.

The hypothesis proposed states that DER has a positive effect on ROE. From the table above, which shows the results of the partial test (t-test) between DER and ROE show a significance value of 0.128, which means that the significance value is more than 0.05. The resulting t-value is 1.541, while the t-table value is 1.99. Because the t-value is smaller than t-table, then H0 is accepted and H1 is rejected. So it can be concluded that the Debt to Equity Ratio (DER) has no effect on ROE.

The hypothesis proposed states that NPM has a positive effect on ROE. From the table above, which shows the results of the partial test (t-test) between NPM and ROE show a significance value of 0.001, which means that the significance value is less than 0.05. The resulting t-value is 10.673, while the t-value of the table is 1.99. Because the t-value is greater than t-table, then H0 is rejected and H1 is accepted. So it can be concluded that the Net Profit Margin has a significant effect on ROE.

The hypothesis proposed states that Firm Size has a positive effect on ROE.

Research variable Firm Size as an independent variable that the t-test result coefficient of Firm Size shows a significance level of 0.888 (> 5%). The resulting t-value is -0.142, while the t-table value is 1.99. Because the calculated t-value is smaller than the t-table, then H0 is accepted and H1 is rejected. So it can be concluded that Firm Size has no significant effect on ROE.

4. CONCLUSIONS

4.1 Conclusions

Based on the results of research and discussions that have been stated earlier, conclusions can be drawn from research on the Effect of Current Ratio (CR), Quick Ratio (QR), Debt to Equity Ratio (DER), Net Profit Margin (NPM) and Firm Size on Return On Equity (ROE) in Consumer Goods are together (simultaneously) affects the Return on Equity in consumer goods industry companies listed on the IDX for the 2015-2019. Only Net Profit Margin (NPM) is stated partially to have a significant effect on Return on Equity (ROE), while Current Ratio (CR), Quick Ratio (QR), Debt to Equity Ratio (DER) and Firm Size are stated to have no effect on Return on Equity (ROE).

4.2 Suggestions

Suggestions for the company are should pay more attention to the working capital position to analyze and interpret its short-term financial position so that the company is able to use working capital efficiently by not overestimating current assets, inventory that has accumulated immediately must be sold to become money so that the company is always in a profitable position to make a profit company. To improve the company's financial performance, company managers should be able to optimize their assets to overcome the increase or decrease in the liquidity ratio, besides that the company must also optimize the total assets and tangible assets own to increase profits for the company.

For further researchers should consider expanding the sample outside the consumer goods sector and extending the observation period, so that the results obtained can be generalized. There are many other factors that affect profitability that needs to be considered by further researchers. Further researchers can conduct research related to profitability, using relevant variables, which of course affect the performance and development of a company's profitability.

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