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FINANCIAL PERFORMANCE IN FOOD BEVERAGES INDUSTRIES: EVIDENCE FROM INDONESIA

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Abstract

This study aims to see and conduct financial performance evaluation, namely by using methods and processes of assessment and implementation of corporate goals in the short and long term. The process of financial performance analysis is done by using statistical tools with the name of the test VAR. The authors argue this statistical analysis is very important in doing especially can provide information about the financial performance in the value necessary for investors and creditors whether the creditors and investors will maintain investment in the company or look for other alternatives to the process of further investment in particular. From the analysis that has been done, can see how a good company performance will make the creditors and investors glance at the company in the perusal.
Keywords: Financial performance, food and beverage industry, VAR test.

I. PRELIMINARY

Understanding financial ratio analysis is the first step that must be done Before understanding about the performance of financial performance. Financial performance is often associated with how the financial condition of a company that led to the amount of profit or loss obtained according to the basic function of a financial accounting. Financial performance is an achievement achieved by the company in a certain period, which explains the health level of the company. [1]

Performance also relates to the company's operational activities covering the aspects of financial, marketing, accumulation and distribution of funds, technology, and aspects of human resources. Performance also describes the company's ability in resource management and allocation. After knowing about the performance then will be explained about the understanding of financial performance

For investors, the company's financial performance is needed to consider the investment to be maintained in the company or to seek other more profitable alternatives. If the company's performance is good then the business value or profit will be high. High business value definitely attract investors to invest so stock prices will rise. The share price also serves as the company's value. [1,2]

Understanding the understanding of financial performance will facilitate the understanding of financial performance further. Financial performance can be assessed from the preparation of financial statements that describe the company's profit or loss through the ratio of profitability or profitability ratios that became the main objectives of the company's activities. This study aims to provide an overview of the relationship of financial performance to companies in Indonesia, which focuses on the food and beverage industry.

II. LITERATURE REVIEW

For the condition of the current economist, every company must instill every day how the concept of performance that is held in the company, so that employees and company management in particular can understand and understand the vision and mission of the company forward. In the bad economic conditions, the business environment in demand to always be able to exist and continue all the activities to be able to achieve the desired performance of the company. Often at the top management level make mistakes and mistakes that are very significant, and can make the company is in a bad condition. So if the overall value, management assessment at the top level is always on the basis of financial and non-financial information in the company can, and the assessment is always in conjunction with the ratio of financial ratio of the company. Some of the main reasons for corporate leaders to be able to maximize their values and goals such as timely registered securities in the stock market and the ability to repay short-term and long-term debt are consistent, have solvency, good profitability. [3].

Many literature covers how an entity has an interest and wants to solve problems related to any entity. Empirically, the original problems and interests are always related to performance or financial concepts. And also several decades of this concept of performance has always been a trending topic and in the make as the literature description material. The purpose of the literature description is a review of the writing of the structure and content of research related to performance problems. Campbell, is one of the authors giving an opinion related to the "virtual desert". Campbell assesses and believes that reviewing the issue of financial performance is one of the organizational commitment behaviors that are always done properly, as there are many issues that need to be clarified. In many literatures there have been frequent reviews of performance measurements, but are often reviewed warmly but rarely defined. [5]

On the other hand the concepts and meaning of financial performance are divided into 3 models in an underlying economic characteristic: the first relates to what it is economic, the economy is to have resources and operate it using the lowest cost method, the second relates to the problem of efficiency, that is to function as a process of maximizing the results that have been obtained from resources that have previously, in other words to process the minimization of resources for the desired progress. And the last is the efficacy, that is to perform an action the result is higher than what is done. [6]

By focusing on the nature of the job and always making the fundamental change towards the better, as well as doing something continuous in the nature of the work carried out, the process to orientation of results, do a good team work, and use appropriate technology to produce the

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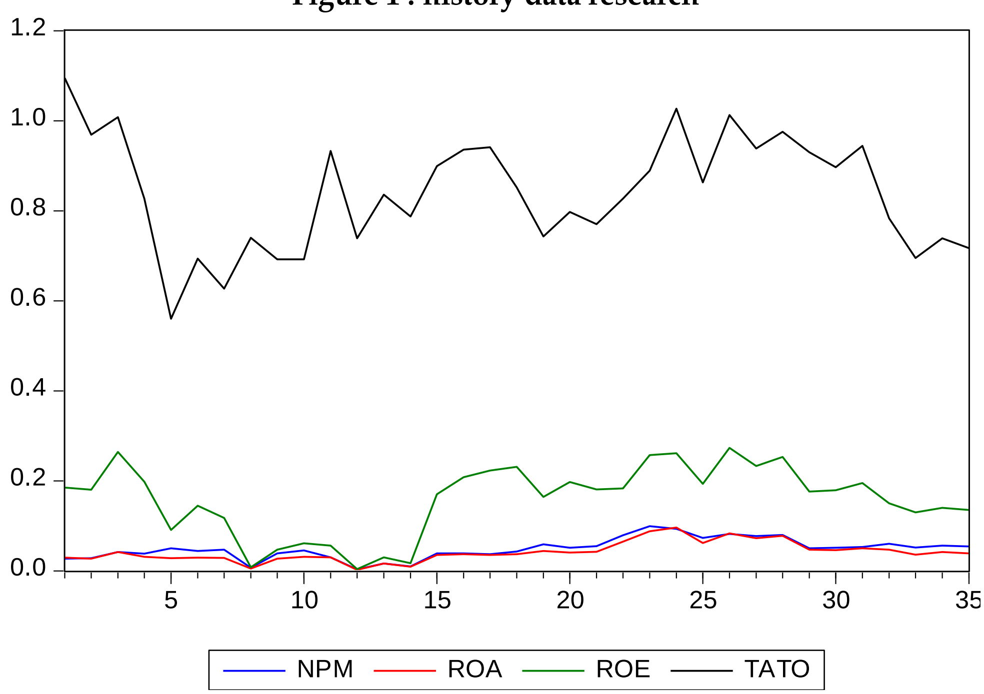
product or services to be sold. All of this will impact the trend and the process leading to the recognition of sustainable human resources and towards the direction of globalization. [7] On the other hand, a performance within a company is considered to be successful, not necessarily seen as a critical determinant of corporate success, but no more than a process that can be made as a better means of transportation. Thus the company can make the promotion process for individuals kea rah higher performance degree, when compared with companies that do not use and that will lead to the process of globalization. [8]

The process of analysis is done with various meanings and concepts of corporate performance, making the conclusion of 3 categories that are considered important. The first performance process is done in accordance with the desired level of achievement, the second performs the process of identifying performance that is believed to be correlated with the creation of value and productivity. All three efficiencies will be achieved.

III. RESEARCH METHODS

The number of companies studied in this study are 35 companies from the food and beverage industry for the financial year book year ending 2017. The variables that make the analysis are the variable return on equity performance ratio, the ratio of return on asset performance, the ratio of net profit performance margin and total asset performance ratio of total equity. Here the authors show a picture of the data for the ratio of performance on the company in the perusal.

Figure 1 : history data research



Source : Author proceed

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In this study the authors use VAR test data analysis techniques.

IV. DISCUSSION RESULT

In this study we use the VAR test to simultaneously look at the relationship between ratios or the financial performance of the company in detail. Test Vector autoregressions (VAR) is an estimate method developed by C. Sims in 1980. This model is an expansion of the univariate autoregression (AR) model. The VAR model is a system of equations which shows each variable as a linear function of the constant and the lag value of the variable itself as well as the lag value of the other variables present in the system of equations. Here are the VAR test results for this study:

Table 1 : Result for VAR test

Vector Autoregression Estimates				
	NPM	**ROA**	**ROE**	**TATO**
NPM(-1)	0.241140	0.606823	4.761762	8.195125
	(1.07920)	(1.03076)	(3.80199)	(6.87220)
	[0.22344]	[0.58871]	[1.25244]	[1.19250]
ROA(-1)	0.420797	0.126849	-4.772165	-6.478016
	(1.14931)	(1.09772)	(4.04900)	(7.31866)
	[0.36613]	[0.11556]	[-1.17860]	[-0.88514]
ROE(-1)	0.073368	0.001731	0.475402	-0.778365
	(0.07391)	(0.07059)	(0.26037)	(0.47063)
	[0.99269]	[0.02452]	[1.82584]	[-1.65387]
TATO(-1)	-0.041691	0.017053	0.338807	1.058986
	(0.07218)	(0.06894)	(0.25427)	(0.45960)
	[-0.57763]	[0.24738]	[1.33246]	[2.30413]
C	0.043662	-0.007482	-0.236443	-0.065867
	(0.05861)	(0.05598)	(0.20649)	(0.37324)
	[0.74492]	[-0.13365]	[-1.14505]	[-0.17647]
R-squared	0.605342	0.622013	0.586566	0.418475
Adj. R-squared	0.550907	0.569877	0.529541	0.338265
Sum sq. resids	0.006745	0.006153	0.083718	0.273520
S.E. equation	0.015251	0.014567	0.053729	0.097117
F-statistic	11.12034	11.93057	10.28605	5.217218
Log likelihood	96.68563	98.24716	53.86932	33.74271
Akaike AIC	-5.393273	-5.485127	-2.874666	-1.690748
Schwarz SC	-5.168808	-5.260662	-2.650201	-1.466283
Mean dependent	0.049456	0.041985	0.157368	0.831765
S.D. dependent	0.022758	0.022211	0.078334	0.119386
Determinant resid covariance (dof adj.) 6.390015				
Determinant resid covariance 3.380015				
Log likelihood				

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373.4638
Akaike information criterion **-20.79199**
Schwarz criterion **-19.89413**

Source : Proceed author by software

Usually this model or VAR test is widely used in economic theory, such as to describe the relationship between variables. But sometimes economic theory alone is not enough to provide a dynamic model specification between variables due to the endogenous variables either on the dependent or independent side. From the results of VAR test presented in Table 1, it shows a simultaneous relationship among the variables of the company's performance in carefully in some companies engaged in the food and beverage industry. So it can be ensured that simultaneously variable financial performance of the company significantly related. If we look at the equations generated from the VAR test will be shaped like the following:

Estimation Proc: VAR Model :
NPM = C(1,1)*NPM(-1) + C(1,2)*ROA(-1) + C(1,3)*ROE(-1) + C(1,4)*TATO(-1) + C(1,5)
ROA = C(2,1)*NPM(-1) + C(2,2)*ROA(-1) + C(2,3)*ROE(-1) + C(2,4)*TATO(-1) + C(2,5)
ROE = C(3,1)*NPM(-1) + C(3,2)*ROA(-1) + C(3,3)*ROE(-1) + C(3,4)*TATO(-1) + C(3,5)
TATO = C(4,1)*NPM(-1) + C(4,2)*ROA(-1) + C(4,3)*ROE(-1) + C(4,4)*TATO(-1) + C(4,5)
VAR Model - Substituted Coefficients:
NPM = 0.241140476664*NPM(-1) + 0.420797051109*ROA(-1) + 0.0733675814364*ROE(-1) - 0.0416907307408*TATO(-1) + 0.0436617470639
ROA = 0.606822597234*NPM(-1) + 0.126849030465*ROA(-1) + 0.00173053539967*ROE(-1) + 0.017052936897*TATO(-1) - 0.00748167712014
ROE = 4.7617621163*NPM(-1) - 4.77216465673*ROA(-1) + 0.475402174151*ROE(-1) + 0.338807221512*TATO(-1) - 0.236442522792
TATO = 8.19512490373*NPM(-1) - 6.47801582029*ROA(-1) - 0.778365031557*ROE(-1) + 1.05898555552*TATO(-1) - 0.06586690945

V. CONCLUSION

From the studies that have been done, give an opinion that the company's performance is a description of the financial condition of a company that is analyzed with the tools of financial analysis, so it can be known about the good financial condition of a company that reflects the performance of work in a certain period. It is very important that resources are used optimally in the face of environmental change. Assessment of financial performance is one way that can be done by the management in order to fulfill its obligations to the funders and also to achieve the goals set by the company.

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