Determinant of company’s likuidity and it's implications on financial’s performance

by Nardi Sunardi

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DETERMINANT OF COMPANY'S LIKUIDITY AND IT'S IMPLICATIONS ON FINANCIAL'S PERFORMANCE OF RITAIL TRADE COMPANY'S IN INDONESIA AT THE PERIOD OF 2008 – 2017

[1]Abdul Kadim, [2]Nardi Sunardi

[1] Lecturer of Universitas Persada Indonesia Y.A.I Jakarta. Indonesia
[2]Lecturer of Universitas Pamulang. Indonesia
Correspondent Author : e.augusta26@gmail.com

ABSTRACT

The purpose of this study is to examine the partial or simultaneous effect between Asset Growth (AGR), Asset Turnover (ATO), Firm's Size (Size), Multiplier Equity (MER), Company's Likuidity (CR) on Financial's Performance (ROA).

The populations in this study are all companies incorporated in Ritail Trade Company's listed on the Indonesia Stock Exchange from 2008 until 2017. The samples in this study were 7 companies incorporated in Ritail Trade Company's in accordance with the established criteria. Regression analysis was performed based on panel data analysis results.

This study summarizes some of the following: (1) The Asset Growth variable proved to be negative and significant to the Company's Likuidity (2) Asset Turnover variable proved to be negative and not significant to Company's Likuidity, (3) Firm's Size variable proved to be negative and significant to Company's Likuidity, (4) Multiplier Equity variable proved to be positive and significant to Company's Likuidity (5) AGR, ATO, Size, and MER simultaneously proved to be positive and significant to Company's Likuidity, (6) The Asset Growth variable proved to be positive and not significant to Financial's Performance, (7) Asset Turnover variable proved to be positive and significant to Financial's Performance, (8) Firm's Size variable proved to be negative and not significant to Financial's Performance, (9) Multiplier Equity proved to be negative and not significant to Financial's Performance, (10) Company's Likuidity variable proved to be negative and not significant to Financial's Performance, (11) AGR, ATO, Size, MER and Company's Likuidity simultaneously proved to be positive and significant to Financial's Performance.

Keyword : Financial's Performance, Company's Likuidity, Asset Growth, Asset Turnover, Firm's Size, Multiplier Equity, Ritail Trade Company's In Indonesia

A. INTRODUCTION

The improved world economy in the aftermath of the global crisis has had a good impact on Indonesia's investment, resulting in intense competition in the business world that can not be avoided. This competitive business competition requires businesses to improve their performance in order to maintain their survival and achieve their corporate objectives, ie maximizing company value or maximizing shareholder wealth. The success of the company to achieve its goals can be seen from the growth and performance of the company. Company growth is defined as an increase in company sales.

A financial's performance shows the comparison between profit and the asset or capital that generates the profit. Financial performance has significance for the company because it is one of the basis for the assessment of the condition of a company. The ability of a company to gain this profit indicates whether the company has good prospects or not in the future. Financial performance in this study is proxied with return on asset (ROA) because it can

show how company performance is seen from the use of all assets owned by the company in generating profit.

"Financial's performance can be affected by the effectiveness of asset use (Asset Turnover). Asset Turnover is the ratio of activities used to measure how well and efficiently all of the company's assets are used to support the sales activities. Asset Turnover shows how effectively a company generates sales that will impact on the company's earnings. The greater Asset Turnover will be better because it shows the efficiency of all assets used to support sales activities" (Robert Ang, 1997). "Asset Structure is one of the important variables in determining funding decision, because fixed assets owned by a company can be collateral for creditors in lending" (Joni and Lina 2010). Growth (Growth Asset) is an "increase in total assets owned by the company. Total assets is the amount of funds allocated by the company into its assets"

B. LITERATURE REVIEW

Financial Performance

"Financial performance is the company's ability to generate profits. Profit is often a measure of company performance, where when a company has a high profit means it can be concluded that the company's performance is good and vice versa. High profitability makes the company able to fund its operations with funds from internal funds company, then the company does not require funds from debt. The bigger a company, the tendency to use external funds is also greater. This is because large companies have large financing needs and one of the alternative fulfillment of financing by using external funds that is by using debt. The company prefers to use external funds to meet funding needs as it is judged to be insufficient internal funds for its operations" According to Insiroh, Lusia. (2014)

Liquidity

"Company liquidity is the company's strength in paying off its obligations that are due in the short term. If a company uses a lot of current assets it means the company can generate cash flow to finance the company's operating and investment activities. Increased current assets show that the company successfully repay its short-term debt, resulting in short-term debt reduced and resulted in a decrease in the proportion of debt in the capital structure" (Vina and Saifudin, 2012).

Asset Growth

"Growth is an indicator for an advanced company or an enterprise that is in an industry that the growth rate has a high capital must provide sufficient to the company. company that of growth is slowly" (Brigham & Houston, 2013: 193).

Asset turnover

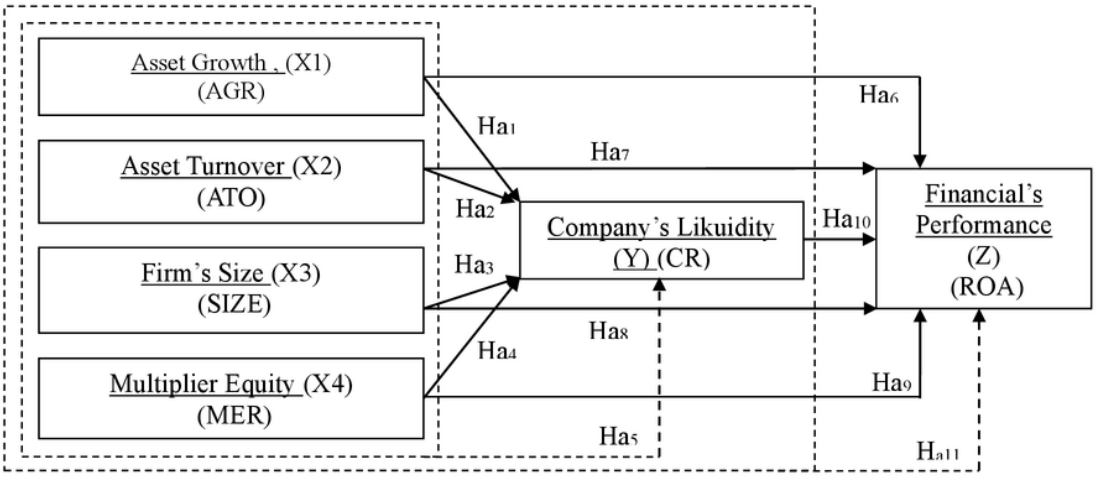
"Asset turnover is also called the ratio of total asset turnover is a ratio that measures the level of efficiency and effectiveness of the rotation and utilization of total assets in generating sales. "Asset Turnover or investment turnover (TAT or ITO) is the ratio between the amount of assets used with the amount of sales obtained during certain periods. Total turnover assets can be systematically formulated as follows" (Husein, 2007)

Firm Size

The size of a company is one of the factors that companies use to determine how much capital structure policy in meeting the large assets of a company. Company size is the size or amount of assets owned by the company where the size of the company is proxyed with the natural logarithm of the total assets (natural logarithm of assets). The logarithm of total asets is used as an indicator of firm size because if the larger the size of the firm the fixed assets needed will also be greater. Natural logarithms are used so that the total value of assets

between firms with each other is not too extreme in numbers, but still shows a significant difference, so the calculation of the analysis can be done more precisely.

Research Model



Research Hypothesis

Hypothesis (H_1) : The influence of Asset Growth (AGR) on Company's Likuidity
Hypothesis (Ha_2) : The influence of Asset Turnover (ATO) on Company's Likuidity
Hypothesis (Ha_3) : The influence of Firm Size (SIZE) on Company's Likuidity
Hypothesis (Ha_4) : The influence of Multiplier Equity (MER) on Company's Likuidity
Hypothesis (Ha_5) : The influence of AGR, ATO, SIZE, and MER on Company's Likuidity
Hypothesis (Ha_6) : The influence of Asset Growth (AGR) on Financial's Performance
Hypothesis (Ha_7) : The influence of Asset Turnover (ATO) on Financial's Performance
Hypothesis (Ha_8) : The influence of Firm Size (SIZE) on Financial's Performance
Hypothesis (Ha_9) : The influence of Multiplier Equity (MER) on Financial's Performance
Hypothesis (Ha_{10}) : The influence of Company's Likuidity (CR) on Financial's Performance (ROA).
Hypothesis (Ha_{11}) : The influence of AGR, ATO, SIZE, MER, and CR on Financial's Performance

C. METODOLOGI

This type of research uses a quantitative approach with each variable or between variables based on quantitative measurement scale.

Data collection techniques used are documentation techniques, this documentation technique where researchers collect quantitative data obtained through non-participant observation or obtained indirectly, that is by collecting, recording and reviewing secondary data in the form of corporate financial statements incorporated in the of Ritail Trade Company's In Indonesia at the period of 2008-2017.

Number of Sample Based on Sampling Criteria

No	*Sample Characteristic*	*Sample Size*

1.	The number of population is a company engaged in the Ritail Trade Company's index listing in idx period of 2008-2017	21
2	The company incorporated in the Ritail Trade Company's does not publish its financial statements and publish its full financial statements during the period 2008-2017.	(14)
	Last Sample Size	7
	Observation Year 10	10
	Observation Amount	70

Research Sample :

No.	*Code*	*Ritel Company In Indonesia*
1	CSAP	PT Catur Sentosa Adiprana Tbk.
2	HERO	PT Hero Supermarket Tbk.
3	LPPF	PT Matahari Departemen Store Tbk.
4	ACES	PT Ace Hardware Indonesia Tbk.
5	AMRT	PT Sumber Alfaria Trijaya Tbk.
6	MAPI	PT Mitra Adiperkasa Tbk.
7	RALS	PT Ramayana Lestari Sentosa Tbk.

Operationalization of Variable :

Variable	***Proxy***	***Measurement***	***Scale***
Financial's Performance (Z)	ROA	$ROA = \frac{\text{Total Revenue}}{\text{Total Asset}}$	Ratio
Company's Likuidity (Y)	CR	$CR = \frac{\text{Current Asset}}{\text{Current Liability}}$	Ratio
Asset Growth (X1)	AGR	$AGR = \frac{TA_t - TA_{t-1}}{TA_{t-1}}$	Ratio
Asset Turnover (X2)	ATO	$ATO = \frac{\text{Total Sales}}{\text{Total Asset}}$ xn kali	Ratio
Firm's Size (X3)	SIZE	Firm's Size = Ln. (Total Asset)	Ratio
Multiplier Equity (X4)	MER	$MER = \frac{\text{Total Debt}}{\text{Total Equity}}$	Ratio

"The method of data analysis conducted in this research was using regression analysis method of panel data. To determine one of the three panel regression approaches to be used are Ordinary Least Square (OLS) or Common Effect Model, Fixed Effect Model, Random Effect Model, thereby Chow test and Hausman test were performed. To process the secondary data obtained, the researchers use statistical software applications assistance programs such as *MS.Exel 2010* that cover the creation of tables and graphs for descriptive analysis. While the data processing activities with *EVIEWS version 10.0* is used to assist in analyzing the data used in performing the test of significance of multiple linear regression analysis of panel data".

D. RESULT AND DISCUSSION

Result

Factors that affect Financial's Performance consists of internal factors of the company associated with the Asset Growth (AGR), Asset Turnover (ATO), Firm's Size (Size), Multiplier Equity (MER), Company's Likuidity (CR) on Financial's Performance (ROA).

1. Descriptive

A description of statistics the factors that Determinant of Company's Likuidity and It's Implications on Financial's Performance of Ritail Trade Company's In Indonesia at the period of 2008 – 2017 of each variable used in the, shown in:

	ROA	CR	AGR	ATO	SIZE	MER
Mean	9.710319	210.1636	15.91993	1.751760	18.26800	2.599571
Median	6.240700	119.6850	13.93895	1.529000	15.76150	2.620000
Maximum	45.78850	1060.000	103.3867	3.690000	26.89300	19.19000
Minimum	-6.240400	38.88000	-99.99740	0.000200	13.25700	-3.760000
Std. Dev.	11.24512	204.7502	22.68413	0.786934	4.539386	2.524527
Skewness	1.648734	2.153800	-0.976514	0.721122	0.541664	3.852037
Kurtosis	5.240532	7.294452	13.81866	3.176561	1.817510	28.31294
Jarque-Bera	46.35540	107.9101	352.5018	6.157784	7.501316	2041.951
Probability	0.000000	0.000000	0.000000	0.046010	0.023502	0.000000
Sum	679.7223	14711.45	1114.395	122.6232	1278.760	181.9700
Sum Sq. Dev.	8725.240	2892661.	35505.33	42.72930	1421.815	439.7533
Observations	70	70	70	70	70	70
Cross sections	7	7	7	7	7	7

2. Determinant Company's Likuidity.

Based on testing of paired data regression model against the third panel, the conclusions are as follows:

Methods	*Testing*	*Result*
1. Uji Chow-Test	common effect vs fixed effect	fixed effect
2. Langrage Multiplier (LM-test)	common effect vs random effect	random effect
3. Haustman Test	fixed effect vs random effect	fixed effect

Estimation of Partial Panel Data Regression Model (*T Test*) and Simultaneous (*Test F*) *Fixed Effects Model* with *White-Test*. As follows:

Dependent Variable: CR?
Method: Pooled EGLS (Cross-section weights)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1017.173	348.4167	2.919414	0.0075
AGR?	-1.113230	0.303856	-3.663675	0.0012
ATO?	-62.30062	32.99476	-1.888198	0.0711
SIZE?	-37.43119	17.20346	-2.175794	0.0396
MER?	0.734001	1.713406	0.428387	0.6722
Fixed Effects (Cross)				
_ACES--C	675.8489			

_AMRT--C	-107.6190
_CSAP--C	39.68759
_HERO--C	-215.8999
_LPPF--C	-278.7864
_MAPI--C	38.53466
_RALS--C	-151.7659

Effects Specification

Cross-section fixed (dummy variables)

Weighted Statistics

R-squared	0.971880	Mean dependent var	295.6127
Adjusted R-squared	0.960164	S.D. dependent var	209.9104
S.E. of regression	34.14820	Sum squared resid	27986.38
F-statistic	82.94960	Durbin-Watson stat	1.521844
Prob(F-statistic)	0.000000		

Unweighted Statistics

R-squared	0.961536	Mean dependent var	199.8994
Sum squared resid	36717.39	Durbin-Watson stat	1.392948

Estimation Regression Data Panel Result for Fixed Effect as follow :

Model	*Adjusted R^2*	*Prob. (F-stat.) α – 0,05*	*Probabilitas α – 0,05*	
Fixed Effect	0.960164	0.0000	AGR	Significant
			ATO	Not Significant
			SIZE	Significant
			MER	Not Significant

3. Implication on Finacial's Performance

Based on testing of paired data regression model against the third panel, the conclusions are as follows:

No	*Methods*	*Testing*	*Result*
1.	Uji Chow-Test	common effect vs fixed effect	fixed effect
2.	Langrage Multiplier (LM-test)	common effect vs random effect	random effect
3.	Haustman Test	fixed effect vs random effect	fixed effect

Estimation of Partial Panel Data Regression Model (*T Test*) and Simultaneous (*Test F*) *Fixed Effects Model* with *White-Test*. As follows:

Dependent Variable: ROA?
Method: Pooled EGLS (Cross-section weights)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-6.228009	12.83225	-0.485340	0.6293
AGR?	0.025428	0.023003	1.105423	0.2735
ATO?	9.671268	1.399620	6.909922	0.0000
SIZE?	-0.028239	0.606470	-0.046563	0.9630
MER?	-0.038504	0.430111	-0.089522	0.9290
CR?	-0.003770	0.005415	-0.696131	0.4891
Fixed Effects (Cross)				
_ACES--C	13.13442			

_AMRT--C	-20.13191
_CSAP--C	-10.08260
_HERO--C	-9.401328
_LPPF--C	21.57085
_MAPI--C	-0.286610
_RALS--C	5.197178

Effects Specification

Cross-section fixed (dummy variables)

Weighted Statistics

R-squared	0.899126	Mean dependent var	15.15496
Adjusted R-squared	0.879994	S.D. dependent var	13.95938
S.E. of regression	4.767585	Sum squared resid	1318.333
F-statistic	46.99745	Durbin-Watson stat	1.174567
Prob(F-statistic)	0.000000		

Unweighted Statistics

R-squared	0.722001	Mean dependent var	9.710319
Sum squared resid	2425.611	Durbin-Watson stat	0.503536

Estimation Regression Data Panel Result for Fixed Effect as follow :

Model	*Adjusted R^2*	*Prob. (F-stat.) α – 0,05*	*Probabilitas α – 0,05*	
			AGR	Not Significant
			ATO	Significant
Fixed Effect	0.879994	0.0000	SIZE	Not Significant
			MER	Not Significant
			CR	Not Significant

4. Determinant Of Company's Likuidity and It's Implications On Financial's Performance: Hybrid Analyisis

The table below describes the combined two models the regression data panel, on the first model, explains determinants Asset Growth (AGR), Asset Turnover (ATO), Firm's Size (Size), Multiplier Equity (MER), Company's Likuidity (CR) on Financial's Performance (ROA) simultaneously effect significantly to the on Financial's Performance of Ritail Trade Company's In Indonesia at the period of 2008 – 2017 areas follows:

Determinant Of Company,s Likuidity and It's Implications for Financial's Performance of Ritail Company's

Independent Variable	*Model 1 Determinant of Company,s Likuidity*			*Model 2 Implications on Financial's Performance:*		
	Koefisien Regresi	*Prob.*	*Sign./Not Sign.*	*Koefisien Regresi*	*Prob.*	*Sign./Not Sign.*
AGR	-1.113230	0.0012	Significant	0.025428	0.2735	Not Sign.
TATO	-62.30062	0.0711	Not Sign.	9.671268	0.0000	Significant
SIZE	-37.43119	0.0396	Significant	-0.028239	0.9630	Not Sign.
MER	0.734001	0.6722	Not Sign.	-0.038504	0.9290	Not Sign.
CR	-	-	-	-0.003770	0.4891	Not Sign.

E. CONCLUSION CONCLUSION

1. The Asset Growth partially has a negative and significant effect on Company's Likuidity.
2. Asset Turnover partially has a negative and not significant effect on Company's Likuidity.
3. Firm's Size partially has a positive and significant effect on Company's Likuidity.
4. Multiplier Equity partially has a positive and not significant effect effect on Company's Likuidity .
5. AGR, ATO, Size, and MER simultaneously proved to be positive and significant effect on Company's Likuidity, and able to explain Company's Likuidity variables of 0.971880 or 97.19 percent while the remaining 2.81% (100% - 97.19%) affected by other variables that are not covered in this research. The dominant variable or the highest dominance of the Company's Likuidity variables are ATO of 62.30062. The non dominant variable or the lowest dominance to the Company's Likuidity variable is MER amounting 0.734001. Companies that have the highest rate of change of sensitivity simultaneously or partially to Company's Likuidity are PT Ace Hardware Indonesia Tbk. (ACES) a constant value of 675.8489 and the Company having the smallest change of sensitivity to Company's Likuidity is PT Matahari Departemen Store Tbk. (LPPF) with a constant value of -278.7864.
6. The Asset Growth partially has a negative and not significant effect on Financial's Performance.
7. Asset Turnover partially has a positive and significant effect on Financial's Performance.
8. Firm's Size partially has a negative and not significant effect on Financial's Performance.
9. Multiplier Equity partially has a negative and not significant effect on Financial's Performance.
10. Company's Likuidity partially has a negative and not significant effect on Financial's Performance.
11. AGR, ATO, Size, MER and Company's Likuidity simultaneously has a positive and significant effect on Financial's Performance, and able to explain the Financial's performance variable of 0.899126or 89.91 percent while the remaining 10.09% (100%-89.91%) is influenced by other variables that are not tested in this research. The dominant variable or the highest dominance on the company's performance variable is ATO of 9.671268, the non dominant variable or the lowest dominance on the company's performance variable is the CR of 0.003770. Companies that have the highest rate of change of sensitivity simultaneously or partially to the Financial's Performance of the largest companies are PT Matahari Departemen Store Tbk. (LPPF) with the constant value of 21.57085. The Company that has the smallest change of sensitivity to the Financial's Performance is PT Sumber Alfaria Trijaya Tbk. (AMRT) with a constant value of -20.13191.

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