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FINANCIAL PERFORMANCE, MACROECONOMIC FACTORS AND COMPANY CHARACTERISTICS IN CONSUMER GOODS COMPANY IN INDONESIA

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Abstract: *The company's performance in the consumer sector had heavily influenced by the company's external and internal conditions. This research aims to analyze the influence of macroeconomic factors and company characteristics on the company's financial performance in consumer goods sector companies. The population in this research is a consumer goods sector company listing on the Indonesia Stock Exchange. Sampling techniques using purposive sampling and data analysis methods using multiple regression analyses. The results showed that the macroeconomic factors had no significant effect on the company's performance. The company's significant characteristics are the debt level of the company. The company's debt level of leverage has a negative and significant impact on the company's performance, suggesting that the higher the company's debt will decrease the company's performance. This research has limitations on samples that are only consumer goods companies, so it can not be generalized in other business sectors.*

Keywords: *Macroeconomics, company characteristics, financial performance*.

1. Introduction

The revenue performance of issuers of consumer goods at the beginning of the year 2019 is relatively increased, along with the moment of the presidential election of 2019, which can increase the tendency of public expenditure. Nevertheless, the Government's commitment had assessed to determine the direction of the consumer goods sector ahead. Consumer goods include cigarette, pharmaceutical, food, and beverage consumption, and electronic shopping.

One of the government policies is related to regulating smartphone turnover on the black market and a commitment not to raise cigarette taxes, as previously delivered. From the outer side, this sector's pusher catalyst is the stability of rupiah and global commodity prices. In this case, the pharmacy becomes more sensitive because the medical industry is highly dependent on imported raw materials. In contrast, for the instant food industry (noodles, biscuits, or bread), the depreciation of the rupiah corresponds with the import of wheat.

Based on ten issuers of consumer goods that have published the financial statements of Quarter I-2019, there are four issuers whose revenues grow by two digits, namely P.T. Nippon Indosari Corpindo Tbk (ROTI) amounting to 20.03%, P.T. Gudang Garam Tbk (GGRM) 19.18%, P.T. Indofood CBP Sukses Makmur Tbk (ICBP) 13.92%, and P.T. Mayora Indah Tbk (MYOR) 11.04%. The other four issuers increase the income despite no more than 10%, namely P.T. Indofood Sukses Makmur Tbk (INDF) 8.72%, P.T. H.M. Sampoerna TBK (HMSP) 2.89%, P.T. Kalbe Farma TBK (KLBF) 7%, and rice producers P.T. Buyung Poetra Sembada Tbk

(HOKI) 4.74%. From this data, some issuers are still able to refuel the higher turnover this year at the time of the presidential election compared to the same period last year.

For the distributor of mobile phone and pulse of P.T. Erajaya TBK, the quarter I-2019 company's performance also make an investor's uproar. The reason, performance in 2018 had skyrocketed and boosted its share price since the end of last year until early January. The decline in the performance of such smartphone distributors made some analysts decrease the recommendation for ERAA. The analysis of assessing the company's sales is due to the increasingly growing illegal smartphones sold in the community. Besides, the eventual enforcement of the sales problems in the black market eventually impacts the issuer's performance as an exclusive distributor for the Xiaomi and Apple products, especially in the face of illegal mobile phones coming from China.

On the other hand, two issuers have turned negative. However, the positive growth is PT Mayora Indah Tbk (MYOR), which produces chocolate and wafer products, as well as PT Buyung Poetra Sembada Tbk (HOKI), which is doing rice. Although the income grew positively, Mayora's net profit fell by a thin 0.43%. This was due to rising the financial burden of the company's long-term bank loans and bonds payable. From the Bank's debt, the increase is not of the amount of debt but from the interest rate per year, which rises from 6.91%-9.56% in 2018 to 8.85%-9.56% earlier this year. Then, the company's bond increase is not due to the rise in the amount of bonds emissions, but from the side of the maturities of more than one year. The condition finally caused the company's financial burden to increase from Rp 92.2 billion to Rp 129.74 billion and thinning the difference of the profit before the MYOR tax quarter I-2019 with Quarter I-2018.

Pressure on the rupiah exchange rate has also raised concerns to consumer companies in Indonesia. The strengthening of dollars against currencies in Asia, including rupiah, could put pressure on the company's consumer goods performance. Concerns and vulnerabilities of this condition are dominant owned by the company made 60%-70% in the dollar component. Research on Morgan Stanley mentioned that P.T. Mitra Adiperkasa TBK. Has a high sensitivity of up to 60% of the cost of sales (HPP) in dollars. Meanwhile, P.T. Matahari Department Store Tbk. It is rated to have the lowest sensitivity level, about 10%, of the dollar-related merchandise. Equity Analyst Morgan Stanley Divya Gangahar Kothiyal reveals it is important to assess the company's ability and price strength from the cost of foreign exchange movements. Regarding the strengthening of the dollar to the rupiah, P.T. Indofood CBP Sukses Makmur Tbk. (ICBP) has a good position in passing the conditions in the market.

Based on the previous, it had known that the company's performance had influenced by internal and external factors of the company. Internal factors include debt, capital, and assets owned by the company, while external factors had influenced by lending interest rates, exchange rate, inflation, and global commodities.

2. Research Method

The research uses ex post facto research design. Kerlinger and Rint (1986) observe that the ex post facto investigation seeks to uncover possible relationships by observing existing conditions or circumstances. The post facto design ex had considered appropriate because this research is non-experimental and seeks to investigate the causal relationship between dependent and independent variables of research (Owolabi, 2017).

The population of this research comprises the consumer goods category companies listed on the Indonesia Stock exchange at the end of the year 2019. The number of companies included in various consumer goods sectors in the Indonesia Stock Exchange had shown in table 1.

Table 1. Population

No	Sector	Number
1	Food and Beverages	15
2	Tobacco	4
3	Pharmacy	8
4	Household Appliances	3
	Total	30

The study focused on companies in the consumer goods sector. The study uses non-probability sampling techniques, namely, purposive sampling techniques and incorporating all companies in the consumer goods sector into samples and selected only companies that have positive performance. Based on sample selection results with purposive sampling obtained, the number of companies sampled as many as 17 companies, as seen in table 2.

Table 2. List of companies of consumer goods

No	Company Name	Sector
1	Akasha Wira International Tbk	Food and Beverage
2	Cahaya Kalbar Tbk	
3	Delta Djakarta Tbk	
4	Indofood CBP Sukses Makmur Tbk	
5	Indofood Sukses Makmur Tbk	
6	Multi Bintang Indonesia Tbk	
7	Nippon Indosari Corporindo Tbk	
8	Sekar Laut Tbk	
9	Ultrajaya Milk Industry and Trading Company Tbk	
10	Gudang Garam Tbk	Tobacco
11	Handjaya Mandala Sampoerna Tbk	
12	Darya Varia Laboratoria Tbk	Pharmacy
13	Kimia Farma Tbk	
14	Kalbe Farma Tbk	
15	Pyridam Farma Tbk	
16	Tempo Scan Pasific Tbk	
17	Kedawung Setia Industrial Tbk	Household Appliances

This research uses secondary data. Sources used include annual financial statements from selected companies for the period 2012 – 2018. Secondary Data for economic factors had obtained from the Central Statistics Agency and Bank Indonesia.

The study used multiple linear regression analyses. A double linear regression Model is used to understand the relationship between dependent variables and independent variables (Malhotra and Birks, 2000).

1) Model specifications
The model is expressed in implicit form as follows:
ROA = F (Macroeconomic factor, company characteristics)

Approach to using the following estimation equation:
$ROA_{it} = a + IntR_t + InfR_t + GDPR_t + Firm\ Size_{it} + Leverage_{it} + Liquidity_{it} + \mu$ (1)

2) Robust test

$ROE_{it} = a + IntR_t + InfR_t + GDPR_t + Firm\ Size_{it} + Leverage_{it} + Liquidity_{it} + \mu$ (1)
$NPM_{it} = a + IntR_t + InfR_t + GDPR_t + Firm\ Size_{it} + Leverage_{it} + Liquidity_{it} + \mu$ (1)

Variable measurements:
ROA_{it}: Measured as a proportion of net profit to total assets in period (t);
ROE_{it}: Measured as a proportion of the net profit on the total equity in the period (t); and
NPM_{it}: Measured as a proportion of net profit on income in the period (t).
$IntR_t$: Measured as an official loan interest rate for one year;
$InfR_t$: Measured as an annual change in CPI;
$GDPR_t$: variable is an indication of economic growth, measured as annual Changes in GDP;
$Firmsize_{it}$: Measured as a natural logarithm of total assets in the period (t);
$Leverage_{it}$: Measured as a proportion of debt to equity in the period (t);

3. Results and Discussion

3.1. Results

The analyses used in this study were multiple regression analyses. Multiple regression analyses in tests with classical assumption trials, namely normality, multicollinearity, Heteroskedasticity, and Durbin Watson. The classic assumption test results after the data had repaired is by making data outliers can have concluded that the model used is free from the problem of linear irregularity (BLUE). Therefore the result of regression can be used for conclusion retrieval. The results of data analysis with the program SPSS 23.0 obtained the results of regression analysis as follows:

Table 3. Regression analysis results of Equation Model 1

Variable	Coefficient	T	Sign	Conclusion
Constanta	15,143			
Rate	0,437	1,006	0,318	Ho accepted
Inflation	-0,200	-0,687	0,494	Ho accepted
GDP	0,075	1,129	0,263	Ho accepted
Firm size	-0,200	-1,254	0,214	Ho accepted
Leverage	-7,886	-7,205	0,000	Ho rejected

Dependent variable: ROA

The results of multiple regression analyses in Table 3 with ROA dependent variables show that leverage is negative and significant at a 99% confidence level. It indicates that the higher the debt will further lower the company's financial performance. For variable interest rate loans, inflation, GDP growth, and company size have no significant effect on financial performance (ROA) companies.

Table 4. Second Model of Regression analysis

Variable	Coefficient	t	Sign	Conclusion
Constanta	17,121			
Rate	1,169	1,894	0,062	Ho accepted
Inflation	-0,216	-0,539	0,591	Ho accepted
GDP	0,019	0,204	0,839	Ho accepted
Firm size	-0,327	-1,452	0,151	Ho accepted
Leverage	-6,030	-3,881	0,000	Ho rejected

Dependent variable: ROE

The results of multiple regression analyses on table 4 with the dependent ROE variable indicate that leverage is negative and significant at a 99% confidence level. It indicates that the higher the debt will further lower the company's financial performance. For variable interest rate loans are positively influential towards the ROE performance at a 10% confidence level. At the same time, inflation, GDP growth, and enterprise size have no significant effect on the company's financial performance (ROE).

Table 5. Third Model of Regression analysis

Variable	Coefficient	t	Sign	Conclusion
Constanta	8,635			
Rate	0,260	0,783	0,436	Ho accepted
Inflation	-0,216	-0,988	0,327	Ho accepted
GDP	0,041	0,822	0,414	Ho accepted
Firm size	0,116	0,998	0,322	Ho accepted
Leverage	-5,362	-6,366	0,000	Ho rejected

Dependent variable: NPM

The results of multiple regression analyses in table 5 with the dependent variable NPM showed that leverage is negative and significant at a 99% confidence level. It suggests that the higher the debt will further lower the profitability of the company's sales. For variable interest rate loan inflation, GDP growth, and company size have no significant effect on financial performance (NPM) companies.

3.2. Discussion

The study explores the interconnectedness of macroeconomic factors, company characteristics, and financial performance. Macroeconomic factors show insignificant results in both ROA, ROE, and NPM. Interest rates are positively influential but not significant, while inflation rates are negative and insignificant, GDP growth rates are positive and insignificant. The results of this study did not support the research of Issah and Antwi (2017) in the U.K., which found that real GDP has a significant effect. Otambo (2016) Kenya also reported that GDP has a positive effect on ROA. However, this study supported research conducted by Owolabi (2017) in Nigeria, which showed that inflation and interest rates had no significant effect on ROA.

This study is contradicted partly by Mwangi and Wekesa (2017) studies conducted in Kenya, which suggests that interest rates have a significant effect on performance. Rao (2016) in Nairobi reported a significant negative influence on interest rates on financial performance. However, GDP growth and inflation rates are not significant. Otambo (2016) Kenya also reported a negative influence on interest rates, and exchange rates against ROA, Insignificant rate of inflation. Ogunbiyi and Ihejirika (2014) found interest rates negatively and significantly influential for ROA in the samples of banks in Nigeria. Also, Osamwonyi and Michael (2014), who measured the profitability using the ROE, reported positive effects for GDP and significant negative influence on interest rates, while inflation was not significant. In conclusion, the influence of macroeconomic factors on performance may be sector-based. Izedonmi and Abdullahi (2011) support research on the extent to which factors affecting specific sectors vary from one sector to another.

The company's characteristic analysis shows that the company's size is positively influential but not significant; leverage has a negative and significant effect. The results of this study partially supported studies conducted by Dioha et al. (2018) in Nigeria found that size and leverage have a significant effect on profitability. It is inconsistent with research by Bist et al. (2017) in Nepal, which suggests that leverage has a positive and significant effect; But, the size and liquidity are negative and not significant.

Chandrapala and Knápková (2013) in the Czech Republic found that the company's size had significant positive impacts on ROA. However, contrary to this study, they found that the debt ratio negatively and significantly impacts ROA. Using the company of the agriculture sector study conducted by Lasisi et al. (2017) in Nigeria showed that leverage has a negative and significant effect on ROE. Studies by Mohammed and Usman (2016) in Nigeria show that size and leverage have a positive and significant effect on stock prices. In Pakistan, studies by Bhutta and Hasan (2013) about companies registered in the food sector of the Karachi stock market reported significant negative relations between size and profitability and insignificant positive relations between food inflation and profitability. Also, the ratio of debt to capital possessed an insignificant negative relationship. Similarly, Sumaira and Amjad (2013) in Pakistan find that leverage and size are significant determinants of profitability, while liquidity is not significant. Sambasivam and Ayele (2013), in Ethiopia, which projects profitability as ROA, find that leverage and liquidity are negative and significant.

Result of F-statistics that test the significance of the model shows significant ($P < 0.05$). Therefore, together the macroeconomic and characteristic factors of the company interact to determine the performance of the company. Research by Owoputi et al. (2014) About banks in Nigeria found that significant inflation rates for ROA and ROE. Significant interest rates for

ROA and NIM. GDP growth rate is not significant. Significant company size for ROA, ROE, and NIM. From an Islamic perspective, Zeitun et al. (2007) in Jordan, it was found that interest rates were negatively and significantly influential against ROA.

Riaz and Mehar (2013) in Pakistan reported significant impacts of asset size and interest rates on ROE, and interest rates had a significant impact on ROA. Kanwal and Nadeem (2013) found that there was a strong positive relationship between the real interest rates with ROA, ROE and E.M. Then real GDP was found to have an insignificant positive effect on ROA, and had an insignificant negative impact on ROE and E.M. The inflation rate, on the other hand, has a negative relationship with all three sizes of profitability.

Using samples taken from manufacturing companies, studies by Ghareli and Mohammadi (2016) in Iranian companies show that exchange rates, interest rates, and leverage have a positive and significant influence, whereas GDP is negatively and significantly influential. The inflation rate is negative but not significant, while the company size is not significant. Mirza and Javed (2013) in Pakistan found that inflation was significant but negative. Leverage is significant and positive; its size is significant and positively influential, while liquidity (current ratio) is significant but negative. In particular, in Nigeria, Charles (2012) reported a positive relationship between the amount of money supply and the performance of the manufacturing index, while the rate of inflation and exchange rates negatively affected the manufacturing sector's performance.

Based on the results of this study and previous research can be concluded that each research results have different results; this can have caused by the difference of the company sector that is analyzed and depends on the characteristics of the company used to measure it.

4. Conclusion

The results showed that the macroeconomic factors had no significant effect on the company's performance. The company's significant characteristics are the debt level of the company. The company's debt level of leverage has a negative and significant impact on the company's performance, suggesting that the higher the company's debt will decrease the company's performance. This research has limitations on samples that are only consumer goods companies, so it can not be generalized in other business sectors. For further research, we recommend taking samples in various industrial sectors to produce more comprehensive results.

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