

Financial Performance Analysis Based on Activity Ratios and Profitability Ratios in Food and Beverage Industry Companies Listed on the Indonesia Stock Exchange (IDX) for the Period 2016 – 2020

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Abstract

This research aims to identify the financial performance of companies in the food and beverage industry listed on the Indonesia Stock Exchange during the period from 2016 to 2020. This study uses a quantitative descriptive method and relies on secondary data obtained from financial reports. The sample in this research consists of 5 companies selected based on specific criteria using the Purposive Sampling technique. Based on the analysis of the financial reports of companies in the food and beverage sector listed on the Indonesia Stock Exchange during the period from 2016 to 2020, involving the use of financial ratios such as activity and profitability ratios, it can be concluded that the average ratio values of the 8 companies in the food and beverage sector listed on the Indonesia Stock Exchange during the period from 2016 to 2020 indicate that the condition of these companies is not favorable. The Activity Ratio analysis, measured by Total Asset Turnover and Inventory Turnover, indicates that companies in the food and beverage industry can be categorized as being in an unfavorable condition because they are still below industry standards. This suggests that these companies have not achieved a sufficient level of stability and efficiency in their operational activities to generate income. Meanwhile, Profitability Ratio analysis, measured by Net Profit Margin, Return On Asset, and Return On Investment, also indicates that companies in the food and beverage industry can be categorized as being in an unfavorable condition because their financial performance is still below industry standards. This means that these companies have not been able to generate adequate profit or return from their sales or from their own capital.

1. INTRODUCTION

The rapid advancement of technology necessitates a growing need for expertise in financial statement analysis. Managers are thus required to select information from a vast network to understand the current and future conditions of their companies. Financial statements serve as a source of information concerning a company's financial position and performance. This financial data is further analyzed to obtain information that supports decision-making. Financial statements depict all relevant financial data and have established procedures to allow for meaningful comparisons, ensuring the accuracy of the analysis.

Financial interpretation involves categorizing various techniques and analytical tools that can be used to generate useful information for both internal and external stakeholders of a company. For management, the information obtained serves as a

fundamental consideration in the decision-making, coordination, and control processes of the company. In practice, these analytical tools are often underutilized by companies. Strategic decision-making in companies is frequently made by the founders or individuals, and it carries a high level of personal risk. While this approach may be successful in the short term, it may be insufficient for long-term growth and development. This means that the utilization of financial statements as a source of information for managerial decision-making, planning, and control is not optimally implemented, despite being a necessity for every company.

The effectiveness and efficiency of a company in its operations are determined by its ability to achieve profitability and activity. Therefore, the use of financial ratio analysis can illustrate the achieved financial performance. To support the sustainability and growth of a business, companies need to analyze financial statements to obtain information about their

financial position. The presented information must be further analyzed and interpreted to be of value to company management. In analyzing financial performance, management typically uses fundamental and integrative analysis, providing a comprehensive overview of the financial position and performance. There are several ways to assess a company's health using financial performance analysis. In this context, the author only employs activity ratios and profitability ratios for companies.

The author considers the results of these ratios important for companies because they are related to the company's survival. Evaluating a company's performance, especially measuring its profitability, is crucial for understanding the level of efficiency of the company. High profitability is more important than the maximum profit achieved by the company in each accounting period because profitability as a measurement tool allows us to determine the extent to which the company can generate maximum profit compared to the capital it uses. Therefore, every company leader is required to manage the company's management effectively to achieve optimal efficiency in the use of its capital.

To ensure that a company's goals are achieved and to understand the extent of a company's operational effectiveness in achieving its goals, periodic measurement of the company's performance is carried out. According to data from the Indonesia Stock Exchange, there are 8 companies in the food and beverage sub-sector listed. According to the Ministry of Industry, the food and beverage industry sector plays a significant role in Indonesia's economic growth. This can be seen from the contribution of the value of food and beverage product exports in May 2015, which reached USD 2,263.1 million. This figure increased by 4.05 percent compared to the export value in May 2014, which was USD 2,175.0 million.

The growth of the food and beverage industry reached 8.46 percent in the first semester of 2015, slowing down compared to 10.14 percent in the first semester of 2014.

Nevertheless, the growth of the food and beverage industry in the first semester of 2015 was much higher than the growth of the non-oil and gas industry in the same period, which was 5.26 percent. The food and beverage industry sector, according to the Ministry of Industry, contributed 31.20 percent to the Gross Domestic Product (GDP) of the non-oil and gas processing industry.

Meanwhile, the non-oil and gas industry contributed 86.89 percent to the processing industry or 21.02 percent to the national GDP (www.antaranews.com). Based on the above description, the subject of the research is food and beverage companies listed on the Indonesia Stock Exchange from 2016 to 2020. The demand for food and beverage products is constant as they are essential necessities. This fact also drives the researcher to conduct a study with the title: "Financial Performance Analysis Based on Profitability and Activity Ratios in Food and Beverage Companies Listed on the Indonesia Stock Exchange (IDX) for the Period 2016-2020."

2. LITERATURE REVIEW

2.1 Financial Management

According to Irham Fahmi (2018:2), "Financial management is the combination of science and art that discusses, examines, and analyzes how a financial manager uses all of the company's resources to seek funding, manage funds, and allocate funds with the goal of providing profit or prosperity for shareholders and the sustainability of the company." Financial management is a strong foundation for the success of a company. Finances are also highly sensitive. If not managed properly, they can become chaotic and, of course, disrupt the operations of a company.

Financial management is the activity of planning, managing, storing, and controlling the funds and assets owned by a company. Financial management must be carefully planned to avoid problems in the future. The functions of financial management in a company can be observed from the duties and responsibilities of a financial manager or

director. The duties and responsibilities of financial managers may vary between companies. This may depend on the type of business, the size of the company, among other factors.

This means that the duties and responsibilities of financial managers in different companies may have different scopes, but there are some similarities that can be identified. The functions of financial management consist of three main decisions that must be made by a company, primarily by a financial manager or director. These financial decisions are implemented in day-to-day activities to generate profit. The profit obtained is expected to increase the company's value, reflected in the higher stock prices, thus increasing the prosperity of shareholders automatically.

2.2 Financial Reports

Financial Statements serve as the financial accountability of company leadership entrusted with the company's financial condition and operational results. Essentially, financial statements are the end result of a company's activities that depict the financial performance of the respective company. According to Sanjaya (2015), financial statements are a report that describes the performance results of a company and serves as a communication tool for stakeholders interested in financial data or company activities based on financial statement-based ratio analysis.

Financial performance measurement is crucial with the aim of evaluating the effectiveness and efficiency of the company. According to Barus et al. (2017), financial statements are a report that depicts the results of accounting processes, showing the financial position, records, and other reports, as well as explanatory material that is an integral part of the financial statements. According to Aisyah et al. (2017), financial statements are a form of accountability from management to stakeholders for the management of company resources.

Benefits of Financial Statements In business activities, financial statements are essential and required for reporting. These reports encompass all financial transactions conducted by the company in its business operations. These financial transactions provide information about the origin of funds, as well as income and expenses incurred. In one form, financial statements are a form of accountability, so prospective or current business participants must create financial statements properly, adhering to applicable standards.

Given that financial statements have several characteristics such as relevance and business conditions, as well as ease of understanding. This is because financial statements are related to a company's sustainability in conducting its business. Therefore, in reporting financial statements, one must have adequate knowledge of operational environmental activities and reporting identity. From this statement, it can be said that financial statements have significant benefits for the company, especially for business participants.

3. RESEARCH METHODS

This study adopts a quantitative descriptive research approach, systematically collecting data on the facts and characteristics of the subject. It focuses on establishing relationships between variables and interpreting these relationships based on theories related to financial performance analysis. The primary objective is to assess whether there is a significant improvement in both profitability and activity ratios. Two key variables are utilized in this research: independent variables encompass Activity Ratios and Profitability Ratios, serving as tools to gauge a company's performance.

Meanwhile, the dependent variables represent the financial performance of the company, which measures its success in achieving objectives, its efficiency levels, and provides a basis for further performance evaluation. The research is set to take place at

the Indonesian Stock Exchange (BEI) gallery, located at the University of Muhammadiyah Makassar. It is scheduled to span approximately two months, from February 2022 to March 2022. The research population comprises financial reports from companies within the food and beverage industry listed on the Indonesian Stock Exchange (BEI) for the period 2016-2020, totaling 27 companies.

For the sample selection, a purposive sampling method is employed based on specific criteria, resulting in a sample of 8 companies. Data collection for the research relies on documentation, with a focus on financial documents such as current assets, current liabilities, and total assets, which are publicly available through the Indonesian Stock Exchange (BEI). Variables used in the research are defined operationally with standardized accounting concepts to ensure clarity and consistency. Data analysis revolves around financial statements from the years 2016-2020, utilizing profitability ratios (Return on Assets, Net Profit Margin, Return on Investment) and activity ratios (Inventory Turnover, Total Asset Turnover). These ratios are critical in assessing a company's efficiency and its ability to generate profit from its operations, with industry benchmarks used for comparison and evaluation.

4. RESULTS AND DISCUSSION

4.1 Research Result

The activity ratio is a method to assess a company's effectiveness in utilizing its available resources. This ratio encompasses inventory turnover (ITO) and total asset turnover (TATO). In the analysis of total asset turnover (TATO), data from food and beverage companies over five years show fluctuations in the average values, with the highest in 2020 (1.91 times) and the lowest in 2016 (1.06 times). This indicates that food and beverage companies have not yet reached industry standards. On the other hand, the calculation of inventory turnover (ITO) over five years also illustrates fluctuations in some companies.

The highest was in 2018 (7.65 times), and the lowest was in 2020 (6.51 times). This suggests that inventory management in food and beverage companies is still below industry standards. Furthermore, the analysis of profitability ratios includes Net Profit Margin (NPM) and Return On Asset (ROA). The NPM calculations over five years show fluctuations, with the highest in 2018 (19.24%) and the lowest in 2016 (13.41%). This indicates that food and beverage companies have not achieved an optimal level of operational efficiency.

Meanwhile, the calculations of ROA over five years also depict fluctuations, with the highest in 2018 (18.65%) and the lowest in 2016 (18.18%). This suggests that food and beverage companies have not yet optimized their returns from their total assets. Lastly, the analysis of Return On Investment (ROI) over five years indicates fluctuations in the average values, with the highest in 2019 (21.25%) and the lowest in 2017 (14.56%). This shows that food and beverage companies have not yet met industry standards in terms of investment returns. Overall, the results of the activity and profitability ratios indicate that food and beverage companies tend to fall below industry standards in various aspects of their financial performance.

4.2 Discussion Of Research

PT Delta Djakarta Tbk is a food and beverage company that experienced fluctuations in its financial performance during the period from 2016 to 2020. Based on profitability ratios, we can see that the company has not achieved good industry standards. The Net Profit Margin (NPM) of the company fluctuated from 30.26% in 2016 to 22.56% in 2020, with an average of 33.62%. This indicates instability in the company's ability to maintain its net profit. Return on Assets (ROA) also experienced fluctuations, rising from 21.24% in 2016 to 22.28% in 2019 but then declining to 10.07% in 2020, with an average of 19.53%.

This suggests that the company has not yet achieved efficiency in using its assets to generate profits. Return on Investment (ROI) also shows fluctuations, increasing from 20.21% in 2016 to 30.22% in 2019 but then falling to 20.50% in 2020, with an average of 23.31%. This indicates that investments in the company have not always yielded stable results. Meanwhile, PT Indofood CBP Tbk also experienced fluctuations in its financial performance. NPM increased from 14.20% in 2016 to 40.22% in 2018 but then decreased to 20.25% in 2020, with an average of 25.03%.

ROA increased from 20.20% in 2016 to 30.22% in 2018 but then declined to 22.33% in 2020, with an average of 17.14%. ROI also fluctuated, rising from 9.20% in 2016 to 33.40% in 2019 but then falling to 20.20% in 2020, with an average of 18.60%. This indicates that the company has not achieved stable performance either. PT Indofood Sukses Makmur Tbk experienced similar fluctuations in financial performance. NPM increased from 10.56% in 2016 to 12.67% in 2020, with an average of 11.49%.

ROA increased from 20.56% in 2016 to 22.13% in 2018 but then dropped to 10.13% in 2019, with an average of 17.27%. ROI also fluctuated, rising from 10.50% in 2016 to 30.35% in 2020, with an average of 12.96%. This performance has also not met good industry standards. PT Mayora Tbk and PT Nippon Indosari also experienced fluctuations in their financial performance, with NPM, ROA, and ROI not meeting good industry standards. The same applies to PT Prashida Aneka Niaga, PT Sekar Laut, and PT Ultra Jaya Milk Industri.

5. CLOSING

5.1 Conclusion

Based on the calculations from the financial statement analysis of Food and Beverage Sector Companies listed on the Indonesia Stock Exchange during the 2016-2020 period, using financial ratios related to activity and profitability, it can be concluded that the average ratios of the 8 companies in this sector indicate a less favorable condition.

The Analysis of Activity Ratios, measured through Total Asset Turnover and inventory turnover, indicates that Food and Beverage Industry Companies are still below industry standards. This suggests that these companies have not yet achieved a sufficient level of stability and efficiency in utilizing their assets to generate revenue. Meanwhile, the Analysis of Profitability Ratios, measured by Net Profit Margin, Return On Asset, and Return On Investment, also shows that companies in the food and beverage sector are performing less satisfactorily. This is because the values of these ratios are still below industry standards. It illustrates that these companies have not yet been able to generate an adequate profit or return on investment from their sales or their capital.

5.2 Suggestion

Based on the results of the analysis that has been carried out and the conclusions that have been drawn, companies in the food and beverage sub-sector listed on the Indonesia Stock Exchange should focus on improving their performance and productivity. Management of profits, current assets and current liabilities needs to be further optimized. In addition, it is necessary to pay special attention to sales productivity, and company management must develop new strategies to be able to compete in a highly competitive market. Companies with high or good ratios are expected to maintain their performance, while companies with low or bad ratios are expected to make improvements for the future.

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