Determinants of Company Performance Viewed From A Financial Point of View

Tio Arriela Doloksaribu, Rizalnur Firdaus, Firina Lukitaningtyas

Faculty of Economics and Business, Wisnuwardhana University
**Corresponding author. Email: tioarriela@gmail.com*

ABSTRACT
This research aims to determine the effect of solvency ratios, activity ratios and profitability ratios on financial performance (Study of Plantation Sub-Sector Companies Listed on the Indonesian Stock Exchange for the 2019-2021 Period). The method used in this research is an associative quantitative method. This research uses multiple linear regression analysis techniques with the help of SPSS VS 21.00. The population in the study were plantation sub-sector companies listed on the Indonesian Stock Exchange (BEI) for the 2019-2021 period. The sampling technique in this research used purposive sampling. Based on the research results, it can be concluded that partially the variable (1) solvency ratio has a significant effect on financial performance, (2) activity ratio has a significant effect on financial performance and (3) profitability ratio has a significant effect on financial performance while simultaneously the variables solvency ratio, ratio activity and profitability ratios have a significant effect on the financial performance of plantation sub-sector companies listed on the Indonesian Stock Exchange (BEI).

Keywords: *Solvency, Activity, Profitability, Financial Performance*

1. INTRODUCTION

The Covid-19 pandemic is still having a real impact on all aspects of national and even global economic life. The decline occurred in a number of economic sectors. When other sectors experience a decline or slowdown, the opposite phenomenon appears in the agricultural sector. The agricultural sector actually experienced an increase in the second and third quarters of 2020. In the second quarter, GDP in the agricultural sector grew 16.24% and in the third quarter it grew 2.15%. The growth of the agricultural sector at the same time makes its contribution to the national economy continue to strengthen. This can be seen from the increase in contribution to GDP in the third quarter which increased to IDR 571.87 trillion or 14.68%. One of the main pillars of positive GDP growth in the agricultural sector last quarter was the plantation subsector with a contribution in the third quarter of IDR 162.49 trillion or 28.59%. Based on statistics agency data, plantation exports in the January-October 2020 period amounted to IDR 359.5 trillion or an increase of 11.6% compared to the same period in 2019 of IDR 322.1 trillion. With this value, the plantation sub-sector is the largest contributor to exports in the agricultural sector with a contribution of 90.92%. This indicates that plantation sub-sector companies are a large industry and continue to grow. Therefore, plantation sub-sector companies must be able to increase company growth in order to maintain this increase. In achieving success, problems arise that affect financial performance. Therefore, it is important to know how big the factors that influence financial performance are to overcome this problem.

Based on figure 1, GDP in the plantation sector in 2021 is 3.94%. Fluctuations in PDB occurred from 2019 to 2021. There are fluctuations from year to year before 2019 with a wide range of ups and downs which can cause problems where the company will lose its attractiveness in the capital market. In other hand, The increase in GDP in the three years 2019 - 2021 has encouraged researchers to explore the factors that support the financial performance of the plantation sector. This will make investors less confident in the company's performance so they choose to avoid investing in the company. So from the information above, the researcher reasoned that he chose this variable as research material, because high or low financial performance will have an impact on the company, such as a lack of confidence among investors in the company's performance so they choose to invest in other companies that they trust to invest their funds in the company. the. Apart from that, financial performance has several factors that influence the level of financial performance, namely solvency, activity and profitability. According to Estirahayu, Handayani and Hidayat (2014) in their research results, they said that solvency, activity and profitability influence financial performance. For this reason, the researcher chose solvency, activity and

profitability as independent variables while financial performance as the dependent variable with the location of his research at plantation sub-sector companies listed on the Indonesia Stock Exchange.

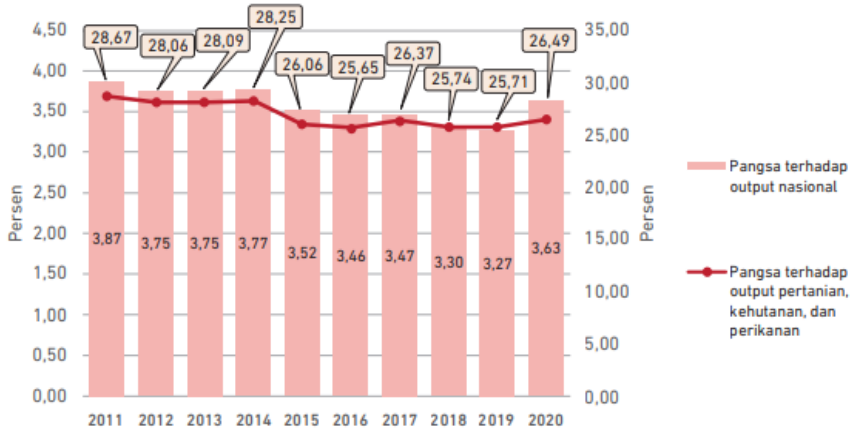

Figure 1. Development of Gross Domestic Product (GDP) Share of Plantation Subsector

The reason the researcher chose a research location in a plantation sub-sector company is because this company is a company whose business is managing and utilizing land so that it becomes land to meet needs which is one of the driving forces of the economy in Indonesia. Apart from that, this company also plays an important role in growing and improving the economy in Indonesia and absorbing non-formal workers who have low levels of human resources, to be employed on plantations or in company-owned factories. So the company will continue to develop, even though there is a crisis or shock in the business world, plantation sub-sector companies will still survive. Currently, plantation sub-sector companies are one of the largest contributors to exports in the agricultural sector with a contribution of 90.92%. This indicates that plantation sub-sector companies are a large industry and continue to grow.

2. LITERATURE REVIEW

Financial performance is a reference for knowing the extent to which the company has achieved its achievement targets. So that in the business world it will be known to what extent and over several periods a company can maintain its stability. Apart from being a tool to determine company stability, of course financial reports will enable the company to know the contribution of each business management unit. That way, units that are less likely to contribute will receive an evaluation. According to Fahmi (2012) financial performance is a description of the company's success in the form of results that have been achieved thanks to the various activities that have been carried out. Financial performance is an analysis to assess the extent to which a company has carried out activities in accordance with financial implementation rules." "Financial performance is an explanation of a company's financial condition in a certain period related to various aspects such as the collection and distribution of funds based on indicators of capital adequacy, liquidity and profitability (Jumingan, 2006).

Financial ratio analysis mainly aims to get an idea of the good and bad financial condition of a company at the time of analysis. Based on the results of this analysis, management will obtain information about the company's strengths and weaknesses. This information can help management understand what the company needs to do, besides that managers can make important decisions in the future. Kasmir (2012), financial ratios are the activity of comparing the numbers in financial reports by dividing one other number. Comparisons can be made between one component and another in one financial report or between components in financial reports. According to Samryn (2011), financial ratio analysis is a method that makes comparisons of company financial data more meaningful. Financial ratios are the basis for answering several important questions regarding the financial health of the company. Financial ratio analysis includes two types of comparisons. First, namely by comparing the current ratio with the past and future in the same company. Second, by comparing the company's ratio with other similar companies. The solvency ratio or leverage is the use of assets or funds where for this use you must cover or pay fixed expenses. Solvency shows the proportion of debt used to finance investments. Kasmir (2013) solvency ratio or leverage is a ratio used to measure the extent of assets. The company is financed with debt. This means how much debt the company bears compared to its assets. Supriadi and Sofyana, (2012) solvency is the company's ability to fulfill all its obligations if the company is declared bankrupt or liquidated with all the assets it owns.

According to Sujarweni (2017) the activity ratio is a ratio used to measure the level of effectiveness in using company assets or wealth, how far the company's assets are financed with debt or financed by outside parties. Outside parties here can be investors or banks. According to Kasmir (2012) the activity ratio is a ratio used to measure a company's effectiveness in using its assets. It can be concluded that the activity ratio is a ratio used by companies to determine or measure the level of company effectiveness by using assets owned by the company financed with debt. The most important goal that a company wants to achieve is to obtain maximum profit or profits, besides other things. By obtaining maximum profits as targeted, companies can do a lot for the welfare of owners and employees, as well as improving product quality and making new investments. Therefore, company management in practice is required to be able to meet the targets that have been set. This means that the amount of profit must be achieved according to expectations and does not mean it is just a profit. To measure the level of profit or profitability ratio, also known as the profitability ratio. According to Kasmir (2012) the profitability ratio is a ratio to assess a company's ability to make a profit. This ratio also provides a measure of the level of effectiveness of a company's management. According to Wardiyah (2017), profitability ratios are also called profitability ratios, namely ratios used to measure a company's ability to earn profits or benefits. The profitability of a company embodies the comparison between profits and the activities or capital that produce these profits.

METHODOLOGY

The type of research used is associative research, according to Sugiyono (2010) an associative approach is an approach that uses two or more variables to determine the relationship or influence of one another. This type of associative research aims to determine the linear relationship or influence between the independent variables, namely the solvency ratio (X1), activity ratio (X2) and profitability ratio with the dependent variable financial performance (Y). This research was conducted based on the annual financial reports of plantation sub-sector companies for the 2016-2019 period which are listed on the Indonesia Stock Exchange (BEI) and have been audited by independent auditors. Researchers use financial reports which are listed on the Indonesia Stock Exchange (BEI) because companies listed on the IDX have complete financial data. Data analysis in research was carried out with the help of the program Statistical Package for the Social Sciences (SPSS) Multiple linear regression analysis aims to obtain a comprehensive picture of the relationship between the independent variable and the dependent variable. In this research the independent variables are the solvency ratio (X2), activity ratio (X2) and profitability ratio (X3) while the dependent variable is financial performance (Y).

RESULT AND DISCUSSION

The normality test aims to test whether in the regression model, the residual variables have a normal distribution. The normality test in this study was carried out with the unstandardized residual value from the regression model using the One Sample Kolmogrov-Smirnov Test. Based on the test results in table 1 above, the One-Sample Kolmogorov-Smirnov Test results produce an asymprotic significance > 0.05 (0.200> 0.05). From these results, it can be said that the regression model meets the assumption of normality or normal distribution. The multicollinearity test was carried out to see whether in the regression model a correlation was found between the independent variables. A good regression model should have no correlation between the independent variables. By using the tolerance value, the value formed must be >0.10 and by using the Variance Inflation Factor (VIF), the value formed must be <10.00 otherwise multicollinearity will occur and the regression model is not suitable for use.

Table 1. One-Sample Kolmogorov-Smirnov Normality Test Results

		Unstandardized Residual
N		32
Normal Parametersa,b	Mean	,0000000
	Std. Deviation	3,09201065
Most Extreme Differences	Absolute	,123
	Positive	,123
	Negative	-,121
Test Statistic		,123
Asymp. Sig. (2-tailed)		,200c,d

Table 2. Multicollinearity Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-9,298	2,029		-4,582	,000		
	Solvability	,048	,008	,529	6,030	,000	,965	1,037
	Activity	,068	,013	,491	5,138	,000	,810	1,234
	Profitability	1,007	,109	,901	9,273	,000	,785	1,274

The results of the multicollinearity test between the independent variables show that the Variance Inflation Factor (VIF) for each independent variable is no more than 10.00, namely the solvency ratio variable is 1.037, the activity ratio variable is 1.234 and the profitability ratio is 1.274. Thus, it can be concluded that there is no multicollinearity in all variables in the regression model. The autocorrelation test aims to determine whether or not there are deviations from the classic assumption of autocorrelation, namely the correlation between residuals in one observation with other observations in the regression model (Wiyono, 2011). To test the presence or absence of autocorrelation in this study, the Durbin Watson test (DW-Test) was used with the condition that dU < DW < 4- dU.

Table 3. Autocorrelation Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,890a	,792	,770	3,25344	1,706

The SPSS 21.0 test results in table 4.4 above show a Durbin Watson value of 1.706. This value will be compared with the D-W value in the table with a significance level of 5% with a value of n= 32 and k=3, the figures for dL = 1.244 and dU = 1.650. Therefore, according to the condition dU < DW < 4-dU then the calculated dU value (1.650) is smaller than the DW value (1.706) and the DW value (1.706) is smaller than the 4-dU value (4-1.650 = 2.350). So it can be concluded that there is no autocorrelation between residual values. Heteroscedasticity is a situation where variance is not constant. To detect whether or not heteroscedasticity occurs, a test is carried out using the Glejser method and then a comparison is made between the significance value and 0.05. Heteroscedasticity can be interpreted as the relationship between X1 and X2 with variables outside this research. If the Sig value is <0.05 then heteroscedasticity will occur, and vice versa if Sig>0.05 then there are no symptoms of heteroscedasticity. The Glejser test results can be shown in the following table:

Table 4. Heteroscedasticity Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,157	1,309		,120	,906
	Solvability	,003	,005	,099	,547	,589
	Activity	,015	,008	,353	1,782	,086
	Profitability	,079	,070	,227	1,128	,269

For each independent variable, the significance value is obtained as follows: the solvency ratio variable has a value of Sig. of 0.589, the activity ratio variable has a value of Sig. of 0.086 and the profitability ratio variable has a value of Sig. Amounting to 0.269. The conclusion from this test is that the solvency ratio, activity ratio and profitability ratio variables do not have heteroscedasticity, this is due to the Sig value. obtained >0.05. Based on the available data, it meets the requirements for using a multiple regression model. Multiple analysis is used to determine the extent of the relationship between the independent variable and the dependent variable.

Table 5. Results of Multiple Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Desc.
		B	Std. Error	Beta			
1	(Constant)	-9,298	2,029		-4,582	,000	
	Solvability	,048	,008	,529	6,030	,000	accepted
	Activity	,068	,013	,491	5,138	,000	accepted
	Profitability	1,007	,109	,901	9,273	,000	accepted

The solvency of a plantation company is the ability of the plantation company to fulfill its financial obligations, both short-term debt, as well as long-term debt if a plantation company is liquidated. Solvency Ratio (Leverage Ratio) is rationality which is used to measure the extent to which a company's assets are financed with debt. According to researchers, solvency is the ability of a company to meet short-term and long-term obligations when they fall due. According to researchers, the Debt to Asset Ratio is a representation the company's ability to fulfill all its obligations with uses total assets used to pay debts. An increase in the solvency ratio is usually accompanied by an increase in activity production, which means the company is trying to increase activities operations to obtain revenue and profits (Affi & As'Ari, 2023; Nurati et al., 2019).

The influence of the activity ratio on financial performance is because the activity ratio is one of the determinants of the company's efficiency in supporting daily operational activities, where the total asset turnover is able to use the assets owned by the company to generate sales so that it has a positive impact on the company's profit growth. Activity ratio is a ratio used to assess efficiency or the company's effectiveness in utilizing all resources or assets owned by a company. Activity ratio is one type of ratio that compares the level of sales and investment in all assets owned so that the financial accounting function can run well.

According to (Barus et al., 2017), the profitability ratio is the ratio shows the company's ability to obtain profits from the use of its capital. The profitability ratio is also Profitability is the net result of a series of policies and management decisions (Aisyah, 2019). Therefore, this ratio describes the final result of the company's operational policy decisions. The results of previous research conducted by Priatna (2016) showed that Profitability has a significant influence on company performance. Similar results were also shown by research conducted by (Affi & As'ari, 2023) where profitability influences performance of the company.

CONCLUSION

Results of multiple linear regression analysis that was carried out in this research to test the variables of solvency ratio, activity ratio and profitability ratio on financial performance variables. Based on the results of the discussion analysis and several conclusions in this research, suggestions can be given through the results of this research in order to obtain better results, including: For future researchers, it is hoped that they will expand their research area so that it can be seen from various industrial sectors rather than just focusing on one plantation industry sector only. For example, comparing between industrial sectors. Adding research variables, whether independent variables or control variables, can be related to company value, because in this research the ability of independent variables to explain the dependent variable (financial performance) is still limited.

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