

Sales, Profit and Financial Performance of Manufacturing Companies in Indonesia during Pandemic

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Abstract

The purpose of this study was to determine the effect of the Covid-19 outbreak on sales growth and financial performance of companies specifically engaged in food production and household needs. Financial Performance is analyzed through the calculation of financial ratios which include liquidity ratios, activity ratios, solvency ratios and profitability ratios. The sample of this research is three large companies that have been listed on the Indonesia Stock Exchange (IDX), namely: Unilever, Indofood and Mayora. The data source used is secondary data which is on the site www.idx.co.id. The financial data used is derived from the company's financial statements per Quarter starting from Quarter 1 2019 to Quarter 1 2020. This study uses descriptive analysis. Data processing was performed using SPSS software to perform multiple regression tests. The results of the analysis show sales growth and profit growth at Unilever and Indofood during the pandemic were not greatly affected, but Mayora experienced a reduction. Profitability ratios and activity ratios decreased, liquidity ratios and solvency ratios experienced a slight improvement during the Covid-19 Pandemic for all sample companies.

Keywords: Sales growth; Covid-19; Profit growth; Financial performance

1. Introduction

The economic disruption caused by Covid-19 is not only damaging but also reducing demand and supply in almost every field (El-Erian, 2020). Khan and Faisal (2020) in their research stated that the Covid-19 outbreak since its early appearance in China has caused a decline in growth rates. Even the Covid-19 outbreak did not only cause negative effects in China, it also spread abroad due to a global business network (Baldwin, R., Mauro, 2020). The rapid spread of the Covid-19 outbreak has been shown to affect rapid global economic changes (McKibbin, W., 2020). Based on the research results of Boshnak et al. (2021) not all industries are affected by their financial and sales performance due to the Covid-19 pandemic. Based on the results of this study, it is necessary to conduct research to find out the impact of Covid-19 on sales growth, profit growth and financial performance of companies listed on the Indonesia Stock Exchange. The focus of this research is on companies that produce household needs because these products are still needed by the community as primary needs even during the Covid-19 Pandemic.

2. Literature Review

Sales growth is valuable information about the current and future financial condition of a company. (Farhana, Cintya Dewi., Gede Putu Agus Jana Susila., 2016) stated that the better the sales, the better the company's profitability. Jang and Park (2011) and Iqbal (2015) also prove that sales growth under normal conditions and no outbreaks will increase company profitability. Information about a company's profit growth is important for every stakeholder because it provides an overview of the company's performance (Harahap, 2011), which is obtained by dividing the profit difference at the end of the period minus the profit of the previous period. To see financial performance, it can be done by looking at financial ratios obtained by processing data information in financial reports (Andriza, R., and Yusra, 2019) and (Putra, I., & Yusra, 2019). Financial ratios can also be used to assess future financial conditions by calculating the Liquidity Ratio, Solvency Ratio and Profitability Ratio (Munawir, 2010).

This study was conducted to test the following hypotheses:

Hypothesis 1: Covid-19 affects sales growth.

Hypothesis 2: Covid-19 affects profit growth.

Hypothesis 3: Covid-19 affects financial ratios.

The benefit of this paper is to provide information to the government, shareholders and the industrial world regarding the conditions of businesses engaged in food production and household needs when facing pandemic conditions. With this research, it is hoped that it can help the government, shareholders and producers to make policies and prepare preventive measures to deal with the negative effects of the pandemic that can occur on sales, profits and the company's financial condition.

3. Methods

The approach of this research is quantitative. The population of this study are manufacturing companies that produce household needs listed on the Indonesia Stock Exchange. The sample was taken using the purposive sampling method, which has the criteria of having been listed on the Indonesia Stock Exchange for more than one year, having assets of more than one trillion rupiah and having complete financial statements for the last two years. The sample companies are Unilever Indonesia Tbk, Indofood CBP Sukses Makmur Tbk and Mayora Indah Tbk. The variables to be examined in this study are financial performance, sales growth and profit growth. Financial performance will be measured using four ratios namely: liquidity ratio, activity ratio, solvency ratio and profitability ratio. The liquidity ratio will be measured by the current ratio (CR) and quick ratio (QR) with the following calculations:

$CR = \text{Current Assets} / \text{Current Liabilities}$

$QR = (\text{Current Assets} - \text{Inventory}) / \text{Current liabilities}$

The activity ratio will be measured by total asset turnover (TATO), working capital turnover (WCTO) and inventory turnover (ITO) with the following calculation:

$TATO = \text{Income} / \text{Total Assets}$

$WCTO = \text{Sales} / (\text{Current assets} - \text{current liabilities})$

$ITO = \text{Sales} / \text{Inventory}$

Solvency ratio will be measured by debt to equity ratio (DER) and debt to assets (DAR) with the following calculation:

$DER = \text{Total Debt} / \text{Total Equity}$

$DAR = \text{Total Debt} / \text{Total Assets}$

The profitability ratio will be measured by return on assets (ROA), return on equity (ROE) and earning power of total investment (EPTI) with the following calculations:

$ROA = \text{Net Profit} / \text{Total Assets}$

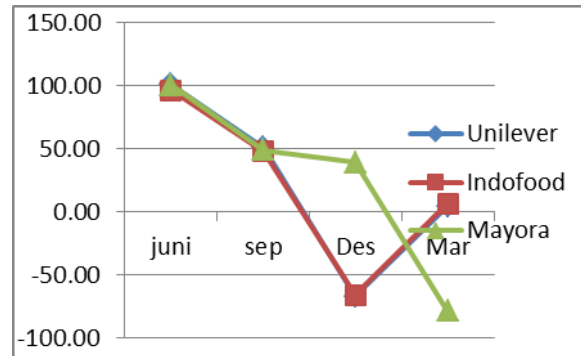
$ROE = (\text{Profit After Tax} / \text{Sales})$

$EPTI = \text{EBIT} / \text{Total assets}$

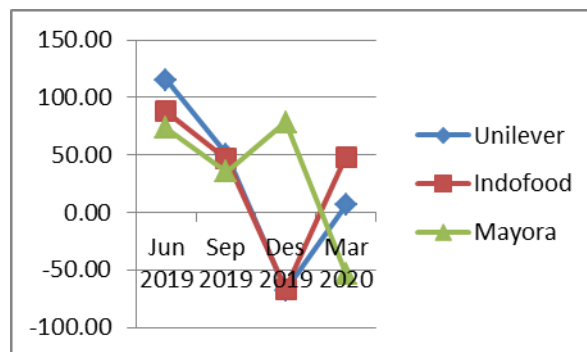
The data used is secondary data taken based on the financial statements of the three sample companies listed on the Indonesia Stock Exchange for conditions before a pandemic and after a pandemic, namely: 2nd Quarter of 2019 (June), 3rd Quarter of 2019 (September), 4th Quarter 2019 (December) and 1st Quarter 2020 (March). Data processing was carried out using SPSS 23 software to perform multiple regression tests..

4. Results and Discussion

Based on data processing from total sales and total comprehensive income in the quarterly financial statements of three sample companies, namely Unilever, Indofood and Mayora from June 2019 to March 2020, a sales growth graph and a profit growth graph can be made as shown in Figure 1 and Figure 2.



Source: SPSS 23 results data (data processed by yourself)
Figure 1. Sales Growth per third quarter of sample companies



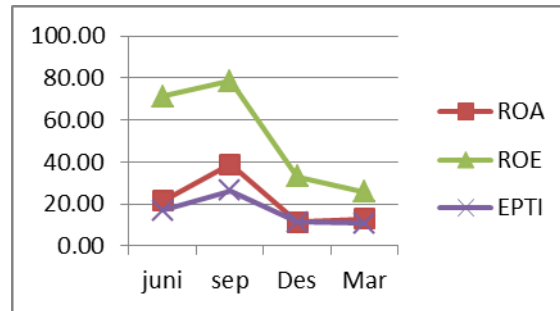
Source: SPSS 23 results data (data processed by yourself)
Figure 2. Third quarter profit growth of sample companies

Based on Figure 1 and Figure 2, it can be seen that the sales growth graph from Unilever, Indofood and Mayora has a similar pattern to the graph on profit growth, so it can be concluded that if sales growth decreases, profit growth will also decrease. In addition, from Figure 1 and Figure 2, it can be seen that sales growth and profit growth at the three Unilever, Indofood and Mayora companies during the pandemic were quite affected. However, Mayora experienced the largest reduction in the value added of sales and profits during the pandemic.

To analyze financial performance, it is measured using the following four ratios: profitability ratios, activity ratios, solvency ratios and liquidity ratios.

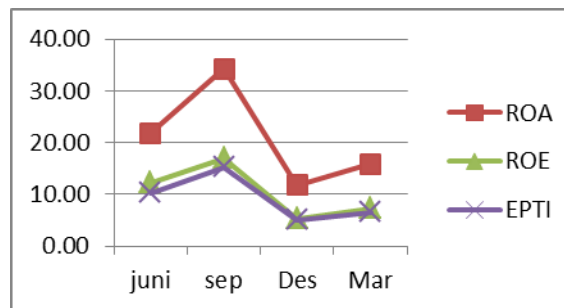
Profitability ratio

The profitability ratios used in this study are Return On Assets (ROA), Return On Equity (ROE), and Earning Power of Total Investment (EPTI). The profitability ratio is used to assess the level of company profits in terms of sales or investment, where the greater this ratio means the better. Figure 3, Figure 4 and Figure 5 show the ROA, ROE, and EPTI Values for each company: Unilever, Indofood and Mayora per quarter from June 2019 to March 2020.



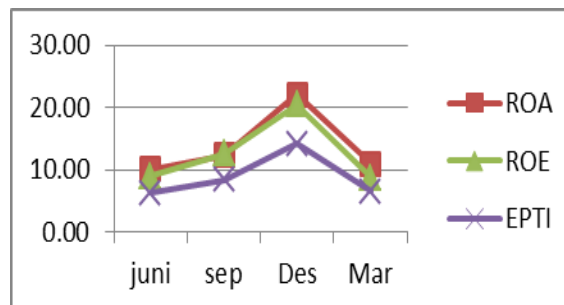
Source: SPSS 23 results data (data processed by yourself)

Figure 3. Unilever's ROA, ROE and EPTI values per quarter from June 2019 to March 2020



Source: SPSS 23 results data (data processed by yourself)

Figure 4. Indofood's ROA, ROE and EPTI values per quarter from June 2019 to March 2020



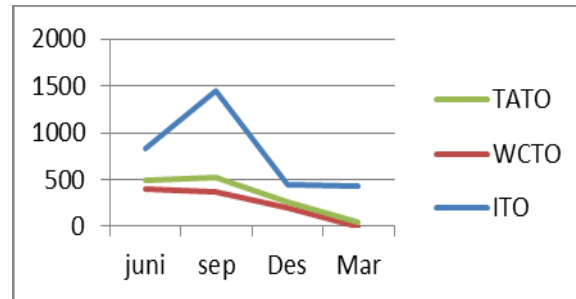
Source: SPSS 23 results data (data processed by yourself)

Figure 5. Mayora's ROA, ROE and EPTI values per quarter from June 2019 to March 2020

Based on Figure 3, Figure 4, and Figure 5, it can be seen that the ROA, ROE and EPTI of Unilever, Indofood and Mayora have decreased, especially during the pandemic. The profitability ratio shows the company's work is getting worse because the net profit earned is decreasing.

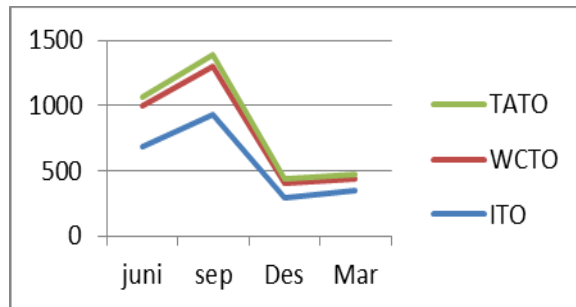
Activity ratio

The activity ratio is used to assess the effectiveness of management in utilizing or using its resources (Horne 2005). To measure the ratio of activity in this study is to look at the value of TATO, WCTO and ITO. If the value of the ratio of TATO, WCTO and ITO increases, it means the more efficient use of all assets in generating sales. Figure 6, Figure 7, and Figure 8 show the TATO, WCTO and ITO values of the three companies from June 2019 to March 2020.



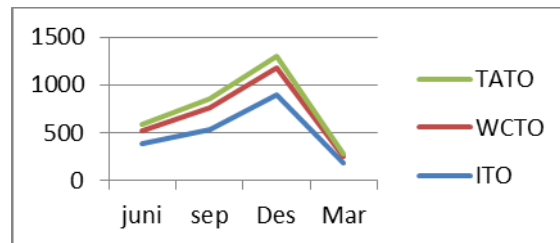
Source: SPSS 23 results data (data processed by yourself)

Figure 6. Unilever TATO, WCTO and ITO values per quarter from June 2019 to March 2020



Source: SPSS 23 results data (data processed by yourself)

Figure 7. Indofood's TATO, WCTO and ITO values per quarter from June 2019 to March 2020



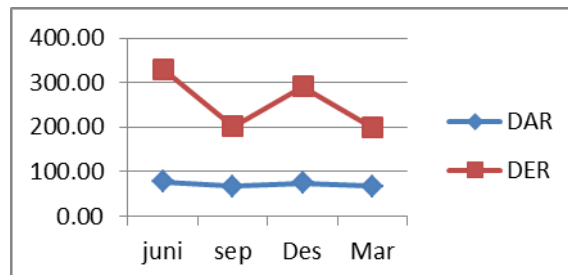
Source: SPSS 23 results data (data processed by yourself)

Figure 8. Mayora's TATO, WCTO and ITO values per quarter from June 2019 to March 2020

In Figure 6, Figure 7, and Figure 8, it can be seen that the three sample companies, Unilever, Indofood and Mayorra, showed a decrease in the ratio of TATO, WCTO, and ITO, which means that these three companies experienced a decrease in effectiveness, especially during the Covid-19 pandemic.

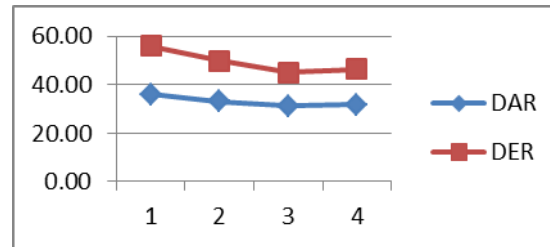
Solvency Ratio

Solvency ratio is measured by debt to equity ratio (DER) and debt to assets (DAR). If the ratio of DAR and DER increases, this indicates a larger amount of debt. A large amount of debt can mean a higher level of risk for the company. Figure 9, Figure 10, and Figure 11 show Mayora's DAR and DER values for the quarter from June 2019 to March 2020.



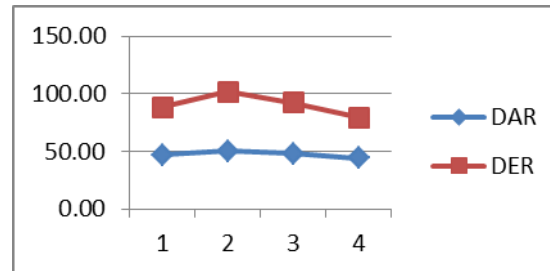
Source: SPSS 23 results data (data processed by yourself)

Figure 9. Unilever quarterly DAR and DER values from June 2019 to March 2020



Source: SPSS 23 results data (data processed by yourself)

Figure 10. Indofood's DAR and DER values for the quarter from June 2019 to March 2020



Source: SPSS 23 results data (data processed by yourself)

Figure 11. Mayora's DAR and DER values for the quarter from June 2019 to March 2020

Based on Figures 9,10, and 11, it can be concluded that the DAR and DER values of the three sample companies have decreased slightly, which means that the debt risk of the three companies has decreased slightly.

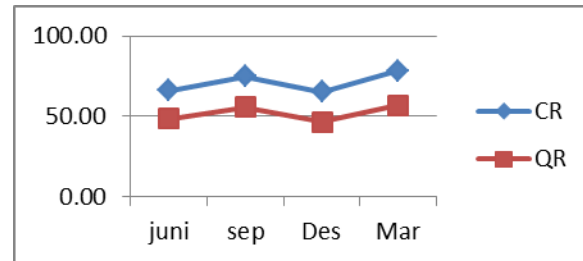
Liquidity Ratio

The liquidity ratio is useful to see the company's ability to pay its debts. If the liquidity ratio decreases, it indicates that the company's liquidity is not good and vice versa. Liquidity ratio in this study by looking at the value of the current ratio (CR) and quick ratio (QR). The CR value can be said to be very good if it is above 200 and is considered bad if it is less than 175. The CR value of 175 to < 200 is said to be good. The CR values of Unilever, Indofood and Mayora companies can be seen in table 1.

Table 1. CR values of the three Unilever, Indofood and Mayora companies per quarter

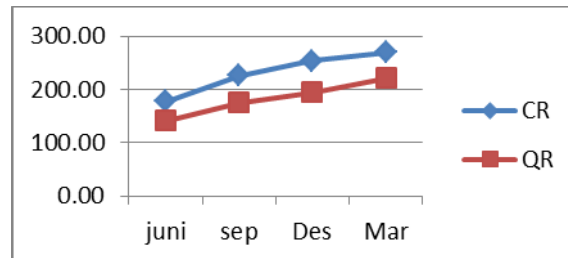
	Unilever	indofood	mayora
Juni 2019	66.21	177.91	376.96
Sep 2019	74.63	225.71	282.92
Des 2019	65.29	253.57	342.86
Mar 2020	78.36	269.35	368.83

Based on Table 1, it can be said that Unilever has poor debt service capacity due to low CR values, while Indofood and Mayora are very good due to high CR values. While the CR and QR value curves of the three companies from the June 2019 to March 2020 quarters are shown in Figure 12, Figure 13, and Figure 14.



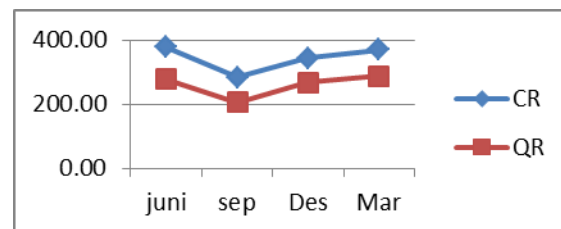
Source: SPSS 23 results data (data processed by yourself)

Figure 12. Unilever quarterly CR and QR values from June 2019 to March 2020



Source: SPSS 23 results data (data processed by yourself)

Figure 13. Indofood's CR and QR values for the quarter from June 2019 to March 2020



Source: SPSS 23 results data (data processed by yourself)

Figure 14. Mayora's CR and QR values for the quarter from June 2019 to March 2020

Based on Figure 12, Figure 13, and Figure 14, it can be concluded that there is an increasing trend in CR and QR values during the Covid-19 Pandemic for the three sample companies. This means that there is a slight improvement in the ability to pay debts of the three companies because the current ratio and quick ratio increase, indicating that the company's liquidity is better.

5. Conclusion

The results are in accordance with the research hypothesis which shows the impact of Covid-19 on sales growth, profit growth and financial performance of companies listed on the Indonesia Stock Exchange engaged in the production of household needs based on the analysis of three sample companies: Unilever, Indofood and Majora. The profitability ratios as shown by the ROA, ROE, and EPTI values have decreased, especially during the pandemic, which means that the sample companies are getting worse because their net income is decreasing. The activity ratio of the three sample companies showed a decrease in the TATO, WCTO, and ITO ratio, which means that these three companies experienced a decrease in effectiveness, especially the Covid-19 pandemic. The solvency ratio indicated by the DAR and DER values decreased slightly. This means that the debt risk of the three companies has decreased slightly. The liability ratio shown by the CR and QR values has a tendency to increase for the three sample companies during the Covid-19 Pandemic. This means that there is an improvement in the ability to pay debts of the three sample companies because the current ratio and quick ratio increase, indicating that the company's liquidity is better. This research can still be further developed by analyzing more companies and also companies in business fields in different sectors.

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Biographies

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