

Relationship of Business Risk, Financial and Performance : Evidence From Indonesia

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Abstract

The research model for action design is becoming popular in accounting and finance, this research is useful for conducting evaluation and effectiveness in assessing an analysis. But this should be supported by the ability of the concept of science related to accounting and finance. The study was conducted from October to November 2017, using data from 60 companies listed on the IDX for the fiscal year ending in 2016. The results showed that 4 variables in the study had no relationship and influence in the year in conducting the study. Variables used in this study include capital structure, asset structure, ROA and NPM.

Keywords: financial, business risk, performance, food and beverage sector

1. Introduction

In Cruz, (2002) [1-3] explains how the decision-making process requires information in analyzing the incidents and problems that exist in the company, whether it is a problem related to internal company or external company. An investor can easily invest, if it has received information related to the company, so that investors can do an evaluation of the investment that will be done. This information is of course related to time, both vertical and horizontal in interpreting and processing the information. Likewise with events that will occur in the future, the investors desperately need that information, so the investment process becomes perfect see Rashkan, et, all. (2013) [4-6]. Some companies evaluate their business activities, in spite of risks, both internal and external risks. These risks can be in the form of business risk, operational risk, financial risk and risk associated with the management of the company's assets. Likewise in terms of liability management, this obligation also has an equally important risk with others in Akbarian (2013) [7-9]. One important thing, the

financial statements that are owned by the company is the most important source of data for creditors, stakeholders and investors to evaluate the investment that will be done. By using the financial statements that are owned, analysis and evaluation will be more clear and more show the company's condition. Similarly, the company's position on the stock market, as the source of information from one type of risk, is very important. The global financial craft can affect the company's financial condition and position, and may interfere with business activities indirectly see Abazari, L (2014) [10-12].

This research has theme about business analysis, finance and company performance in food and beverage industry sector in Indonesia, the author uses this industry sector because in Indonesia almost 50% of companies listed on BEI are more dominated by this sector [13-15]. This study consists of several parts, the first part is the introduction, the second part of the review of the literature, the third part consists of research methodology, and the fourth part of the empirical results, and the last conclusion.

2. Literature Review

In several studies conducted by Meulbroek, (2002) [Bollen (2004) , Raei, (2011) [16-17] explains that each company uses different models and analyzes in assessing a risk. A company experiences the success and failure of a risk analysis depending on the level of risk in its analysis. A risk is a notion between an actual event and an unexpected event, typically the firm will reduce the risk, by minimizing the prediction of events by using alternative strategic paths, and by the percentage of possible risks to be received, because a risk is uncertain and not easy to predict. By using and incorporating some alternative strategies, will make the strength in the analysis model used by the company, but it also depends on the availability of information and financial strength. If we look at the summary of articles written by Saunders, (2003) [18], there are many studies that explain the impact and impact of financial risks and business risks in particular. In the results of this study issued the opinion that a business decision is very strategic, and can impact on the company, it must be at the level of risk associated with the business, whether related to financial activities or related to corporate operations. The concrete, it is seen in the process of contribution, responsibility and also incentives and innovation and risk. So that all kinds of risks can be minimized and overall efficiency, within a company's analysis component. In contrast to a study conducted by Kirkpatrick (2009) [19] on the business risks of the company. They judged that the business risk level of a company, lies in the business of the stock market and how to find and find the sensitivity model of the stock price and the possibility of a risk premium.

In Yang, et, all (2012) [20], Boermansa, et, all (2012) [21] in his research described how important it is to see and manage a risk. A risk that can be controlled, will make the company grow and business performance of the company become more controlled. The development can be done, the risk in minimize and positive relationships to grow and the company's business performance becomes more controlled. Development can be done, risk minimized and positive relationships among components of the company becomes a significant impact. The conclusion of their study, bringing the process of risk that can be minimized, leverage on tap, reporting quality and stock performance becomes trustworthy[22]. Mathematically and statistically, the value of stock returns and invested capital becomes guaranteed [23].

3. Data and Research Method

In this part of the methodology consists of above, research data and methods used.

Data Research

The data in this research use data of company's financial statements ending for book year 2016, with sample amount of company in food and beverage industry sector counted 60 company.

Technique Analisis Data

The author uses multiple regression data analysis techniques. Where the data analysis model that is used is as follows:

$$\text{CapStru}_{it} = \alpha_0 + b_1 \text{NPM}_{it} + b_2 \text{ROA}_{it} + b_3 \text{RStrucAss}_{it} + \varepsilon_{it} \tag{1}$$

$$D(\text{CapStru})_{it} = \alpha_0 + b_1 d(\text{NPM})_{it} + b_2 D(\text{ROA})_{it} + b_3 D(\text{StrucAss})_{it} + \varepsilon_{it} \tag{2}$$

$$\text{CapStru}(-1)_{it} = \alpha_0 + b_1 \text{NPM}(-1)_{it} + b_2 \text{ROA}(-1)_{it} + b_3 \text{RStrucAss}(-1)_{it} + \varepsilon_{it} \tag{3}$$

$$D(D(\text{CapStru}))_{it} = \alpha_0 + b_1 D(D(\text{NPM}))_{it} + b_2 D(D(\text{ROA}))_{it} + b_3 D(D(\text{StrucAss}))_{it} + \varepsilon_{it} \tag{4}$$

Where, CapStru it is a capital structure that is owned by the company, NPM it is Net Profit Margin, ROA it is Return on Assets and StrucAss it is an asset structure owned by the company. D is different first, DD is twice different. (-1) is a derivative for the first year.

4. Results and Discussion Analisis

Result for Analysis Statistic Deskriptif 1

In Table 1 below there are results for the description of research data as follows :

Table 1. statistic descriptive

	CAPITAL_STRUCTURE	NPM	ROA	STRUCTURE_ASSET
Skewness	0.808546	0.178710	1.113268	-0.180844
Kurtosis	2.708651	5.287852	4.463161	2.352491
Jarque-Bera	6.749668	13.40504	17.74575	1.375217
Probability	0.034224	0.001228	0.000140	0.502777
Sum	63.39000	4.590000	4.160000	32.22000
Sum Sq. Dev.	25.74497	0.506165	0.303573	0.722860
Observations	60	60	60	60

Source by author

The average value for each variable in the research is done during the period of 2016. The average variable of capital structure is 0.80, NPM is 0.17, ROA is 1.11 and the asset structure is -0.18. The high value of Kurtosis for ROA and NPM causes significant probability values.

Result for Analysis Statistics Descriptive 2

Next in Table 2 get the results for the same analysis model:

Table 2. Descriptive statistics variable

	CAPITAL_STRUCTURE	NPM	ROA	STRUCTURE_ASSET
Mean	1.056500	0.076500	0.069333	0.537000
Median	0.950000	0.075000	0.050000	0.555000
Maximum	2.710000	0.370000	0.320000	0.740000
Minimum	0.250000	-0.230000	-0.050000	0.300000
Std. Dev.	0.660572	0.092623	0.071731	0.110688

Source by author

The results show in Table 2, the descriptive statistic value of each variable during 2016, for the minimum deviation value, the maximum deviation value, the mean value and the standard value. For the capital structure the mean value is very high at 1.058, and for the highest maximum value also lies in the capital structure. Minimum values are in the NPM in the range of -0.230. The conclusion shows that the minimum value is negative because of the return on profits and assets of companies that get very low operational results.

Result for Analysis regression analysis model 1

In Table 3 up to table 6 is the result of regression analysis with analysis model in the form:

Table 3. Result for Regression analysis model 1

Dependent Variable: CAPITAL_STRUCTURE				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.484238	0.443808	5.597555	0.0000
NPM	-1.441164	1.420834	-1.014309	0.3148
ROA	-3.420948	1.937707	-1.765462	0.0829
STRUCTURE_ASSET	-2.011738	0.745486	-2.698558	0.0092
R-squared	0.281212	Mean dependent var		1.056500
Adjusted R-squared	0.242705	S.D. dependent var		0.660572
S.E. of regression	0.574847	Akaike info criterion		1.794916
Sum squared resid	18.50518	Schwarz criterion		1.934539
Log likelihood	-49.84749	Hannan-Quinn criter.		1.849531
F-statistic	7.302969	Durbin-Watson stat		0.906026
Prob(F-statistic)	0.000323			

Source by author

Result for Analysis regression analysis model 2

Table 4. Result for Regression analysis model 2

Dependent Variable: D(CAPITAL_STRUCTURE)				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.008203	0.068177	-0.120313	0.9047
D(NPM)	-0.427295	1.428903	-0.299037	0.7660
D(ROA)	-2.579718	2.092525	-1.232825	0.2229
D(STRUCTURE_ASSET)	-0.902928	0.712020	-1.268121	0.2101
R-squared	0.138612	Mean dependent var		-0.008136
Adjusted R-squared	0.091627	S.D. dependent var		0.549089
S.E. of regression	0.523328	Akaike info criterion		1.608174
Sum squared resid	15.06300	Schwarz criterion		1.749024
Log likelihood	-43.44114	Hannan-Quinn criter.		1.663156
F-statistic	2.950149	Durbin-Watson stat		2.692944
Prob(F-statistic)	0.040572			

Source by author

Result for Analysis regression analysis model 3

Table 5. Result for Regression analysis model 3

Dependent Variable: CAPITAL_STRUCTURE(-1)				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.498193	0.447820	5.578568	0.0000
NPM(-1)	-1.528504	1.442116	-1.059904	0.2938
ROA(-1)	-3.220990	1.994782	-1.614707	0.1121
STRUCTURE_ASSET(-1)	-2.041991	0.753272	-2.710827	0.0089
R-squared	0.276610	Mean dependent var		1.065254
Adjusted R-squared	0.237152	S.D. dependent var		0.662723
S.E. of regression	0.578830	Akaike info criterion		1.809772
Sum squared resid	18.42740	Schwarz criterion		1.950622
Log likelihood	-49.38827	Hannan-Quinn criter.		1.864754
F-statistic	7.010297	Durbin-Watson stat		0.909373
Prob(F-statistic)	0.000447			

Source by author

Result for Analysis regression analysis model 4

Table 6 .Result for Regression analysis model 4

Dependent Variable: D(D(CAPITAL_STRUCTURE))				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.001031	0.112649	-0.009148	0.9927
D(D(NPM))	0.954006	1.705721	0.559298	0.5783
D(D(ROA))	-3.462277	2.429091	-1.425338	0.1598
D(D(STRUCTURE_ASSET))	-0.950669	0.735298	-1.292903	0.2015
R-squared	0.088902	Mean dependent var		-2.30E-17
Adjusted R-squared	0.038285	S.D. dependent var		0.874777
S.E. of regression	0.857868	Akaike info criterion		2.597740
Sum squared resid	39.74065	Schwarz criterion		2.739839
Log likelihood	-71.33445	Hannan-Quinn criter.		2.653090
F-statistic	1.756375	Durbin-Watson stat		3.212847
Prob(F-statistic)	0.166495			

Source by author

From the 4 tables of analysis test results shown show the following results: with the model of regression analysis 1, significant for 2 variables and 1 is not significant for variable NPM. For regression 2 in the results can be almost as a whole variable no one is significant. For regression 3 and 1 significant variable that is asset structure, while for 2 variable is not significant. For regression 4 none of the variables are significant and influential in 2016.

Conclusion

From the research that has been done by the author, the results look different according to the model of analysis that is made, thus different regression results make the proposal for the risk analysis model increasingly various kinds, but all this can not be separated from the form of data that is owned and the model analysis done. Appeared almost completely variable is not significant in the regression made, especially for regression analysis 1, 3 and 4. The authors argue that in general over 4 variables that do the research has no relationship and influence in the year in doing research.

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