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Factors Affecting the Financial Performance of Manufacturing Companies Listed on the Indonesia Stock Exchange 2012-2015 Period

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ABSTRACT

Managers as managers of the company know more about internal information and prospects of the company in the future than investors. As a manager, managers are required to disclose information about financial statements that can be used by various parties, including the management of the company itself specifically to measure financial performance. Financial performance is the company's benchmark in making a profit. Company profits are obtained through managers who can run the company effectively and efficiently.

The purpose of this study is to prove managerial and funding have a significant effect on the financial performance of manufacturing companies. The research sample is 30 manufacturing companies listed on the Indonesia Stock Exchange for the period 2012-2015. The selection of 30 manufacturing companies listed on the Indonesia Stock Exchange for the period 2012-2015 has a complete financial report and the company has a large investment or capital to obtain a sample of 30 companies. The research design is quantitative with hypotheses and data sources obtained from the Indonesia Stock Exchange website. The analysis technique uses multiple linear regression with SPSS version 23.

The results of the discussion can be concluded that managerial and funding partially have a positive effect on the financial performance of manufacturing companies. Funding has a dominant effect on the financial performance of manufacturing companies. This can be caused by the greater the company makes a profit, the greater the total assets (wealth) the company has.

Keywords: *Managerial,* funding *and financial performance*

INTRODUCTION

Agency relationships arise when one or more people employ another person (agent) to provide a service and then delegate decision making authority to the agent (manager). As an agent, the manager is morally responsible for optimizing the profits of the owner (principal), but on the other hand the manager also has an interest in maximizing his own welfare. It is possible that agents do not always act in the best interests of the principal (Jensen and Meckling, 1976; in Ujiyantho 2007).

The information is in the financial statements that can be used by various parties, including the management of the company itself. The financial statements are important for external users especially because this group is in the most uncertain conditions (Ujiyantho, 2007). Internal users (management) have direct contact with the entity or company and are aware of significant events that occur, so the level of dependence on accounting information is very high. External factors are factors that originate from outside the company, including: exchange rates, inflation rates, deposit rates, while internal factors include organizational, managerial and financial culture. The choice of internal factors is due to the fact that these factors are within the company (Qurahman, 2008).

One of the most important financial information for companies is the existence of funding which is a source for company operations. Efficient funding will have an impact on increasing company profitability. The more efficient the company shows high financial performance. In general, those affecting financial performance can be divided into two, namely external and internal factors (Francis and Desai, 2005; in Candrawati, 2008).

Funding is a measure of the company in making a profit. Company profits are obtained through managers who can run the company effectively and efficiently. Earnings information is very important, considering that large profits indicate a good financial performance of the company. The company's financial performance is characterized by an increase in wealth in an adequate amount (Mulyadi and Setiawan, 2001: 293).

Funding is an important factor for building a company. Sources of funds can be obtained from within the company or from outside the company. Funds play an important role in carrying out company operations, because all company activities are related to funds. An efficient fund will have an impact on the company's financial performance. The more a company can manage financial funds efficiently, the financial performance will increase. It is said to be efficient if the income used is the same as other companies but produces greater expenditure (Ghofur, 2003; in Wahyuningsih, 2009). This opinion is supported by Mamia (2009) who shows the effect of leverage on financial performance.

Based on the background, the researcher is interested in examining the factors that affect the financial performance of manufacturing companies listed on the Indonesia Stock Exchange in the 2012-2015 period.

LITERATURE REVIEW

Managerial

Managerial is a standard that guides managers in managing a company (Griffin, 2006; in Faisal, 2011). Managerial includes management and employees who work together will have a positive impact on the company's financial performance. Management applies regulations that encourage employees to work properly, with the support of employees will contribute to improving the company's financial performance (Hopkins and Hopkins, 1997; in Asmarini, 2006).

Management is a collection of people who work together to achieve a common goal. This collection of people is called management, while the person responsible for carrying out a goal or running management activities is called Management. Management is a tool for managerial personality factors, namely confidence in the relationship between performance planning and strategic planning expertise. Managers must have managerial, namely: (1) Analytical skills (analytical skills), namely the ability to assess the level of experience and motivation of subordinates in carrying out tasks, (2) The ability to be flexible (flexibility or adaptability skills), namely the ability to apply the most leadership style appropriately based on an analysis of the situation and (3) Communication skills, namely the ability to explain to subordinates about changes in the applied leadership style (Faisal, 2011).

Managerial is a standard that guides managers in managing a company (Griffin, 2006; in Faisal, 2011). Managerial measurement used variable managerial expertise who has the position of Chief Executive Officer (CEO) and holds a Master of Business Administration (MBA). Determination of managerial expertise is based on expertise in managing the company so that the company can operate in accordance with company expectations.

Funding

Measurement of company performance with reference to financial statements. Measurement of financial performance can be done using financial ratios using corporate profits in the form of profitability. Funding

Management is a collection of people who work together to achieve a common goal. This collection of people is called management, while the person responsible for carrying out a goal or running management activities is called Management. Management is a tool for managerial personality factors, namely confidence in the relationship between performance planning and strategic planning expertise. Managers must have managerial, namely: (1) Analytical skills (analytical skills), namely the ability to assess the level of experience and motivation of subordinates in carrying out tasks, (2) The ability to be flexible (flexibility or adaptability skills), namely the ability to apply the most leadership style appropriately based on an analysis of the situation and (3) Communication skills, namely the ability to explain to subordinates about changes in the applied leadership style (Faisal, 2011).

Funding is measured by the ratio of debt to equity. This ratio shows the percentage of funds provided by shareholders to lenders (Sembiring, 2005). The higher the ratio, the lower the company's funding provided by shareholders. The formula for calculating funding:

$$PE = \frac{\text{Total liability}}{\text{Total equity}}$$

Financial performance

Financial performance is the determination of certain measures that can measure the success of a company in generating profit or profit. The use of the right strategy will determine the company can get profits or profits. Strategic management as an art and knowledge in formulating, implementing, and evaluating functional decisions that enable organizations to achieve their goals (David, 2010: 5; Purwoko, Gamal and Kunhadi, 2016; in Astuti, Widari, Pelitawati, and Gamal, 2017.

There is a measurement of the company's financial performance using a balanced scorecard. Binden, Mziu, and Suhaimi (2014) in Gamal and Sumantri (2017) stated that the Balanced Scorecard can be used as a measurement tool to measure the performance of organizations in the public and private sectors to achieve key business strategies and objectives. Measurement of financial performance can be influenced by the company's ability to make sales. Companies can increase sales and profits by creating interactive communication and convincing consumers. The success of achieving company goals, can be measured using profitability ratios.

Financial performance is one of the tools used by financial statement users in measuring or determining the extent of company quality (Paradita and Nurzaimah, 2009). The performance of a company can be seen through the company's financial statements. From the company's financial statements it can be seen the financial situation and the results achieved by the company during a certain period.

Measurement of company performance with reference to financial statements. Measurement of financial performance can be done using financial ratios. Performance measurement is used by using company profits in the form of profitability. One measurement of profitability is the financial ratio used to measure the company's financial performance is the profitability ratio. The profitability ratio aims to measure the efficiency of the company's activities and the company's ability to make profits (Jumingan, 2006: 122). In detail the profitability ratio includes:

1. Gross Profit Margin (GPM)
   Gross profit margin is sought by net sales minus cost of goods sold divided by net sales.
2. Net Profit Margin (NPM)
   Net income divided by net sales. This ratio illustrates the amount of net profit obtained by the company at every sale made.
3. Return on Assets (ROA)
   Hanafi and Halim (2005: 165), explain the analysis of ROA (Return On Assets) measuring the company's ability to generate profits by using the total assets (wealth) owned by the company after adjusting for costs to fund these assets.
4. Return on Equity (ROE)
   Net income divided by average equity. Average equity is obtained from the initial equity of the period plus the end of the period divided by two.
5. Earning Per Share (EPS)
   Investors are usually more interested in the size of profitability on the basis of shares owned.

Hypothesis Development

Managerial effect on financial performance

Managerial, namely confidence in the relationship between performance planning and strategic planning expertise (Qurahman, 2008). Performance planning carried out by company leaders with an MBA degree will be easier compared to non-MBA graduates. In general, an MBA is a Master of Business Administration degree, so it will have managerial skills that can improve the company's financial performance.

Chandy (1991) in Qurahman (2008) states that most CEOs of companies have MBA degrees. The expertise of company leaders to implement appropriate planning as a result of managerial factors (Daboub et al, 1995; in Qurahman, 2008). Confidence in the relationship between strategic planning and performance is defined as how much the

company's leadership believes in strategic planning can improve company performance which leads to competitive advantage. From the explanation above, the hypothesis can be formulated as follows:
H1: Managerial has a positive effect on financial performance

Effect of Funding on on financial performance

Corporate funding can be interpreted as prospects or future, growth, and good development potential for the company. Company leaders or management are very interested in the financial statements in the form of company profits, because these results can be used as a tool in making further decisions for the future. The greater the company makes a profit, the total assets (wealth) owned by the company the greater the costs to fund these assets. From the explanation above, the hypothesis can be formulated as:
H2: Funding has a positive effect on financial performance

Analysis Model

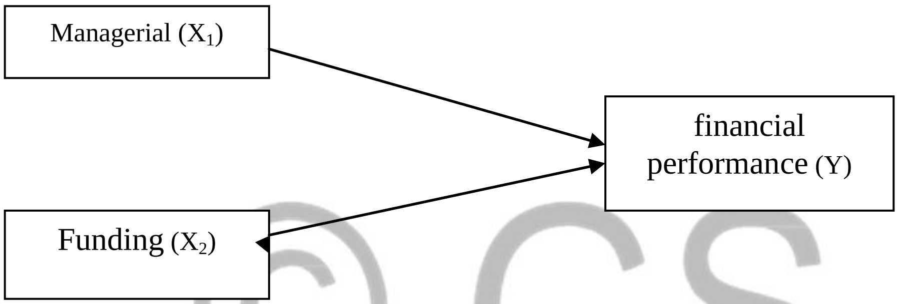

Figure 1. Analysis Model

RESEARCH METHODS

Research design

This research is a quantitative study using a hypothesis. The research design is quantitative with a hypothesis aimed at testing the managerial and funding effects of the financial performance of manufacturing companies listed on the Indonesia Stock Exchange in 2012-2015.

Variable Identification

Based on the formulation of the problem and the proposed hypothesis, the variables in this study are as follows: The independent variable consists of two variables, namely: Managerial (X_1) and Funding (X_2) and the dependent variable is financial performance (Y).

Operational Definition and Variable Measurement

The operational definitions of the variables used and their measurements are as follows:

1. Managerial (X_1)
   Managerial is a standard that guides managers in managing a company (Griffin, 2006; in Faisal, 2011). Managerial includes management and employees who work

together will have a positive impact on company profitability. Managerial is proxied by MBA education graduates as a dummy variable so that it will be given a value of 1 in the position of CEO who holds an MBA, and a value of 0 for CEOs who do not hold an MBA.

2. Funding (X_2)

Funding is a comparison between funds used to finance / finance a company or a comparison between funds obtained from an external company (from creditors) and funds provided by the company owner (Makmun, 2002; in Cahya, 2010), with the formula:

$$X_2 = \frac{\text{Total liability}}{\text{Total equity.}}$$

3. Financial performance (Y)

Profitability is a ratio to measure a company's financial performance (Paradita and Nurzaimah, 2009). Profitability in this study is proxied by ROA. ROA (Return On Asset) measures the company's ability to generate profits by using the total assets (wealth) owned by the company after adjusting for costs to fund these assets (Hanafi and Halim, 2005: 165)

Data Types and Sources

The type of data used in this study is quantitative data in the form of a December 31, 2012-2015 balance sheet and income statement for the year ending December 31, 2012-2015 and qualitative data in the form of general information in the 2012-2015 annual report in the form of a board of directors and CEO. Research data in the form of panel data. Data sources were obtained from the Indonesia Stock Exchange website (www.idx.co.id) in the form of secondary data.

Method of collecting data

Data collection was carried out by means of documentation of the annual reports of manufacturing companies listed on the Indonesia Stock Exchange in 2012-2015.

Population, Samples and Sampling Techniques

The research population is 120 manufacturing companies listed on the Indonesia Stock Exchange. From this population samples were taken using a purposive sampling method, with the following criteria:

Data analysis technique

Data analysis techniques in the study include several stages, including:

1. Determine the Research Equation Model

The research equation model is as follows:

$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + e$

Information:

Y = financial performance

, α = constant

$\beta_{1,2}$ = free variable constant

X_1 = managerial

X_2 = funding

e = error

2. Classical Assumption Test
According to Ghozali (2007: 110), before the data is processed a classic assumption test consists of:
a. Normality test
b. Multicollinearity
c. Autocorrelation
d. Heterocedascity (heterokedastisitas)
3. Hypothesis Test
Hypothesis testing is done using multiple linear regression, namely the F test and t test with the help of SPSS software version 23.0.

ANALYSIS AND DISCUSSION

Characteristics of Research Objects

The object of research is manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2012-2015. Based on established criteria, namely manufacturing companies listed on the Indonesia Stock Exchange which respectively in 2012-2015. In addition, the manufacturing company has annual reports on the Indonesia Stock Exchange website, respectively. Based on these criteria obtained 30 manufacturing companies. Of the 30 companies are manufacturing companies.

Data Description

The average ROA value of 120 observations has a positive value of 0.0893 with a standard deviation of 0.07854. The average value of positive ROA in Manufacturing companies that are sampled indicates that in general the company is using assets well, so that the highest ROA value achieved shows that the company is able to produce a more efficient net profit. The highest ROA value of 0.39 is found in PT Multi Bintang Indonesia Tbk.

. . The average managerial value of 120 observations shows a positive number, with the average managerial value of the manufacturing company being sampled is 0.2333 with a standard deviation value of 0.42473. The average value of funding for manufacturing companies sampled is 0.5280 with a standard deviation of 0.22263.

Data analysis

Classic assumption test

a. Normality test
Normality testing is carried out by the Kolmogorov Smirnov test and normal is probably a plot of standardized residual. From the calculation of the characteristics of social responsibility disclosure, then to find out the distribution, a normality test (Kolmogorov Smirnov test) is performed, if $p > 0.05$ is obtained, it means that the data is normal distribution so that it can be continued with statistical analysis using multiple linear regression. It turns out that for managerial, organizational curricula and financial performance are normally distributed, as can be seen in Figure 2.

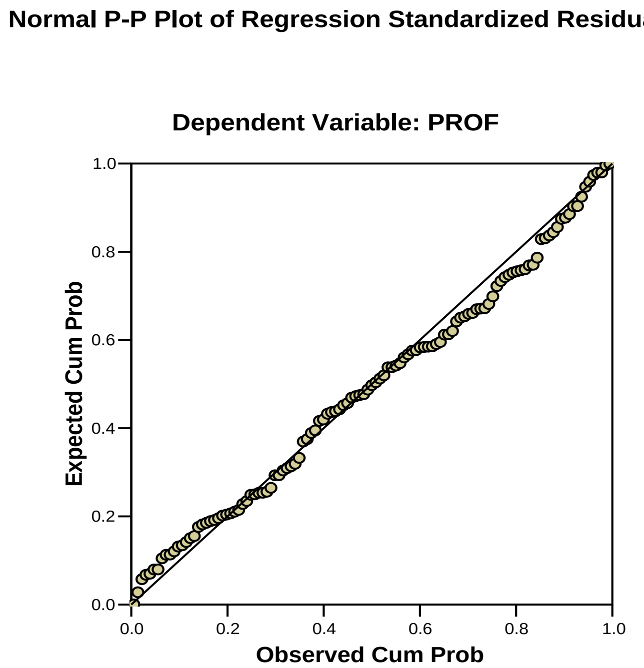

Figure 2. Normality Test

b.Multicollinearity Test

To detect the presence of multicollinearity can be seen from the Variance Inflation Factor (VIF). If the VIF value> 10 then multicollinearity occurs. And vice versa if VIF <10 then there is no multicollinearity. The results of this test get a value of VIF = 1,000 indicating that there are no symptoms of multicollinearity because the VIF value <10. The simple diagnosis of multicollinearity in multiple regression models is by looking at the value of Variance Inflation Factor or VIF, that one data occurs multicollinearity when the value The VIF is greater than 1 and smaller than 10. The test results show that there are no multicollinearity symptoms because the VIF value is greater than one and smaller than 10.

Table 1. Variance Inflation Factor Values

No	Variable	VIF
1	Manajerial (X1)	1.092
2	Funding(X2)	1.055

c. Heteroscedasticity Test

Heteroscedastic test is done through scatterplot graph analysis. If a scatterplot graph has a data distribution pattern that forms a certain pattern, then it shows homoscedastic. Conversely, if the scatterplot chart pattern does not form a particular pattern or randomly, then it shows there is no heterokedastik. Random patterns in the graph as shown in the figure below show the linear regression model does not meet heteroscedastic assumptions. So, the heteroscedastic test through scatterplot graphs shows that multiple linear regression models meet the homoskedastic assumption. Heterokedastisitas test results can be seen in Figure 3.

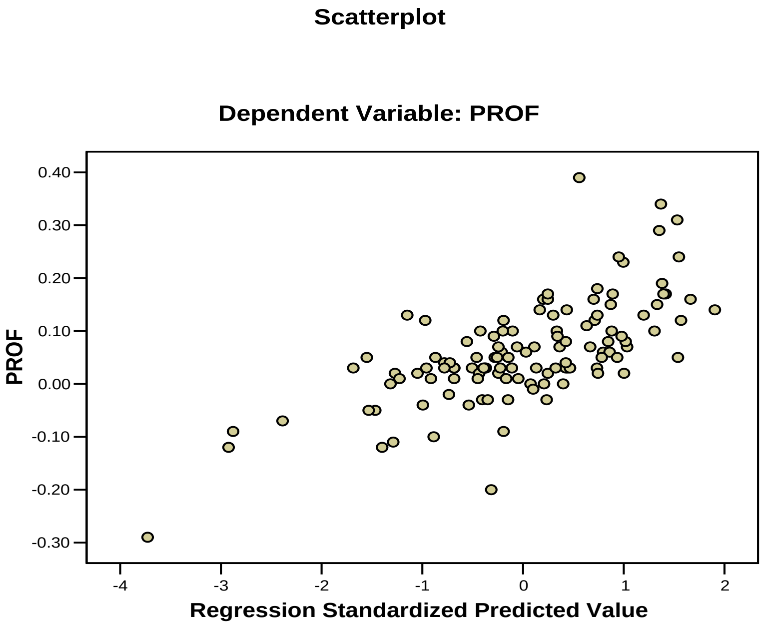

Figure 3. Heterokedasticity Test

c. Autocorrelation Test

To see the presence or absence of autocorrelation in this study, a Durbin Watson method was tested. From the results of data processing using the SPSS program, the Durbin Watson figure was 2.186. If seen from the Durbin-Watson table, the dL value is 0.824 and dU 1.320. The regression model in this study is said to have an autocorrelation because the DW value lies between 2,312 and 2,808.

Hypothesis test (F test)

This F test is used to determine whether the regression model can be used to test between managerial (X_1) and funding (X_2) simultaneously influencing financial performance (Y). F statistical test is used to determine the level of significance of the effect of independent variables simultaneously on the dependent variable. The significant value of the two independent variables (managerial and funding) is 0.000, meaning less than 0.05. So H_0 is rejected and H_1 is accepted, which means the regression model matches the data.

T test

To determine the effect of the independent variable and the dependent variable used multiple linear regression analysis. The results of multiple linear regression tests as in table 2 below.

Table 2. Multiple Regression Analysis

	Unstandardized Coefficients	t	Sig.
	B		
(*Constant*)	.161	6.797	.000
manajerial (X1)	.069	4.274	.000
funding (X2)	.299	9.795	.000

$Y = 0{,}161 + 0{,}069\ X_1 + 0{,}299\ X_2$

From the above equation, it can be explained as follows:

1. A constant value (α) of 0.161 means that if managerial (X1) and organizational culture (X2) are 0, then financial performance (Y) is 0.161.
2. Managerial has a positive effect on the financial performance of manufacturing companies listed on the Indonesia Stock Exchange in the 2012-2015 period
   Based on the results from table 2, we get the multiple regression equation that the value of the regression coefficient (β) for managerial means that if there is a managerial increase of one percentage, there will be an increase in financial performance of 0.069
3. Funding has a positive effect on the financial performance of manufacturing companies listed on the Indonesia Stock Exchange for the 2012-2015 period.
   Based on the results from table 2, the multiple regression equation is obtained that the value of the regression coefficient (β) for funding means that if there is an increase in organizational culture by one percentage, there will be an increase in financial performance of 0,000.

Discussion

Managerial has a positive effect on financial performance

The first hypothesis in this study that managerial has a positive effect on the financial performance of manufacturing companies listed on the Indonesia Stock Exchange for the 2012-2015 period is proven. The results of this study support research conducted by Daboub et al. (1995); in Qurahman (2008). The expertise of company leaders to implement appropriate planning as a result of managerial factors. Managerial has an influence on the financial performance of manufacturing companies. This study found sufficient evidence of managerial influence on financial performance in 120 manufacturing companies that were sampled.

Funding has a positive effect on financial performance

The second hypothesis in this study that funding has a positive effect on the financial performance of manufacturing companies listed on the Indonesia Stock Exchange for the 2012-2015 period is proven. From the results of Sig. shows the value of 0,000 (0,000 <0.05), it can be concluded that H0 is rejected and H1 is accepted, so it can be interpreted that funding has a positive effect on financial performance. The results of this study are the same as the research conducted by Barlian (2003) in Ujiyantho (2007) which concluded that funding has a positive influence on the profitability of manufacturing companies. Furthermore, this study indicates that funding affects the company's financial performance, especially the ROA ratio. The greater the company makes a profit, the greater the total assets (wealth) owned by the company.

CONCLUSIONS AND SUGGESTIONS

Conclusion

Based on the results of the analysis and discussion, the following conclusions can be obtained:

1. Managerial has a positive and significant effect on the financial performance of manufacturing companies listed on the Indonesia Stock Exchange in the 2012-2015 period. This can be caused by the presence of an MBA-educated company leader

that will be easier compared to non-MBA-educated leaders, because in general the MBA degree has managerial abilities that can increase company profitability.

2. Funding has a positive effect on the financial performance of manufacturing companies listed on the Indonesia Stock Exchange for the 2012-2015 period. This can be caused by the greater the company makes a profit, the greater the total assets (wealth) the company has.

Limitation

The results of this study are expected to provide an overview of managerial and funding effects on the financial performance of manufacturing companies. Therefore, this study still contains limitations, namely the absence of a classification of manufacturing companies.

Suggestion

Suggestions that can be given are as follows:

1. Academic Benefits
   Can be used as a reference or comparison for subsequent research in examining similar topics, namely profitability on the Indonesia Stock Exchange.
2. Practical Benefits
   a. For Management
      Can be used as consideration or thought for companies that will improve financial performance in manufacturing companies.
   b. For Investors
      Investors need to continue to pay attention to managerial and funding which can affect the financial performance of manufacturing companies.

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