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Indonesian and Singapore Manufacturing Companies: Analysis of Differences in Company Profitability during the Pandemic

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ABSTRACT

Profitability is the ability of a company to earn profits during a period. In 2019, the world was hit by the Covid-19 pandemic which caused disruption to the world economy. Researchers want to look for evidence regarding the company's financial, especially the company's profitability during Covid-19 in Indonesia and Singapore. This research aims to analyze and obtain empirical evidence regarding the differences in the profitability of Indonesia's manufacturing companies and Singapore. The research method uses the Independent Sample t Test of mean difference with samples from manufacturing companies listed on the Indonesia Stock Exchange (IDX) and Singapore manufacturing companies listed on the Singapore Exchange (SGX) during 2018–2022. Profitability variables use the Return on Assets (ROA) and Net Profit Margin (NPM) ratios. The research results show that there are differences in the average NPM and ROA between Indonesian and Singaporean manufacturing companies.

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1. INTRODUCTION

Investors in the capital market will base their investment decisions on various information they have by looking at signals given by companies such as financial reports, estimates of a country's economic conditions or other events (Febriyanti, 2020). Financial reports are very important information, apart from other information such as industry information, economic conditions, company market share, management quality and others (Indawati, 2018).

Financial reports are able to show the financial performance of a company. The financial performance of a company can be assessed using several financial ratio approaches, for example profitability ratios, liquidity ratios, leverage ratios, and others. Profitability is important for companies in maintaining business sustainability in the long term. This is because profitability describes the company's future desires. A good manager will manage the company well, when the costs incurred by the company will be less so that the profits generated will be more (Wijaya and Sedana, 2015).

In 2019, almost the entire world experienced the Covid Pandemic disaster, one of which is Indonesia and Singapore. The increase in COVID-19 cases is a concern for every country (Darmastuti, 2018). Every country is trying to implement policies to cut the chain of transmission of this virus. Restrictions on activities such as transportation, regional quarantine, restrictions on people's mobility are examples of policies taken to cut the chain of expansion of COVID-19. The restrictions implemented apparently also had an impact on economic activity which then also had an impact on the country's economy. The COVID-19 case is currently of concern to every country because this case not only has an impact on the health crisis, but in its development this case has had different economic impacts between one country and another. Regarding the economic impact, globally this case will have an impact on economic growth.

This resulted in an economic crisis that occurred in all countries with world economic growth - 4.3% on average (United Nations, 2020). During the global Covid-19 pandemic, Indonesia and Singapore are committed to strengthening and increasing cooperation in the bilateral economic sector. This decision encourages sustainable economic growth in Indonesia and Singapore. According to the Press Release of the Coordinating Ministry for Economic Affairs of the Republic of Indonesia (2020), the economic decline and global crisis due to the Covid-19 pandemic has actually seen an increase in the value of investment coming from Singapore to Indonesia Based on data from the second quarter (Q2) 2020, there was an increase in investment value of 36.19% (4.67 billion USD) compared to the same period in 2019 (3.43 billion USD). Meanwhile, in the first quarter of 2022, Singapore's economy grew positively by 3.7 percent (YoY). Global economic growth saw soaring inflation in various countries, mainly due to increases in energy and food prices at different levels in all regions. Meanwhile, Indonesia's economic growth in 2022 is estimated to be in the range of 5.0 – 5.5 percent.

Apart from that, the Covid-19 pandemic has had various impacts on industrial sectors. Among all industries and sub-sectors of listed companies, the food and beverage sub-sector is an interesting focus for research. The food and beverage industry is one of the leading industries that fulfills basic human needs. In this case, if the economic problems that arise as a result of this pandemic last for a long time, it is feared that a decline in profitability in every manufacturing company in every country will occur. This article attempts to analyze the differences in a company's profitability during the Covid-19 pandemic in Indonesia and Singapore.

2. RESEARCH METHOD

Researchers use secondary data in the form of annual financial reports of manufacturing companies, especially companies in the food and beverage sector whose shares have been listed on the Indonesia Stock Exchange (BEI) and Singapore Exchange (SGX) in 2018-2022. Researchers used the classic assumption test, namely the normality test. Then, to test the differences between the means, use the independent sample t test.

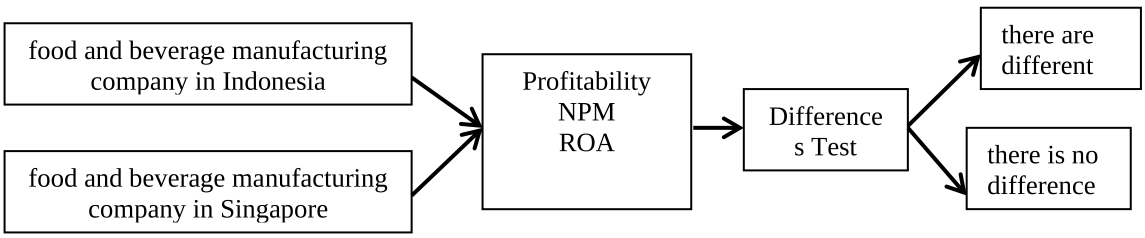

Figure 1. Framework

Profitability is the ability of a company to generate profits during a certain period. Another word for profitability in accounting is profitability, namely the ability to generate profits. profitability to assess the company's ability to earn profits in relation to sales levels, total assets and own capital (Sartono, 2010: 122). Meanwhile, according to Febriani (2022), profitability describes a company's ability to generate profits during a certain period from all the resources it owns such as sales, cash, capital, number of employees, number of branches, etc.

NPM is a ratio used to measure a company's ability to manage and optimize sales to generate maximum profits. Net Profit Margin is a ratio used to measure the percentage of net profit on net sales (Juwari, 2022). NPM is an important ratio used by companies to measure the net profit generated from sales made (Brigham & Houston, 2006 in Indraswono, 2022). NPM is a comparison between net profit after tax and total company sales. Net Profit Margin measures the percentage of net profit that can be generated from each sale. Net profit margin shows how large a percentage of net income is obtained from each company sale. The NPM formula is as follows:

$$NPM = \frac{Net\ Profit}{Sales}$$

H1: There is a difference in the NPM of food and beverage manufacturing company in Indonesia and Singapore.

Return on assets is used to measure how much the company's assets contribute to generating profits (Ayudhia, 2022). In the opinion of Gitman & Zutter, (2015) said that Return on Assets (ROA) is used to measure management's effectiveness in generating profits with available assets. The higher the ROA value, the better the company's performance in generating profits. On the other hand, if the ROA value is low, the financial performance will be less than optimal and gain profits.

$$ROA = \frac{Net\ Profit}{Assets}$$

H2: There is a difference in the ROA of food and beverage manufacturing company in Indonesia and Singapore.

3. RESULTS AND DISCUSSIONS

This research uses a sample of manufacturing companies listed on the Indonesia Stock Exchange (IDX) and Singapore Exchange (SGX), especially those that produce food and beverages. The number of Indonesian manufacturing companies is 100 companies and Singapore manufacturing companies are 47 companies. This research uses historical data sources from annual financial reports from 2018 to 2022. Secondary data was obtained from annual financial reports of manufacturing companies which were audited by auditors and published. The total sample is 735 samples (500 samples from companies in Indonesia and 235 samples from companies in Singapore). From the results of data processing, the following descriptive results were obtained:

Table 1. Descriptive Statistics

	NPM	ROA
Samples	735	735
Mean	0.0932987	0.0423550
Median	0.0625823	0.0333978
Variance	0.064	0.020
Std. Deviation	0.25317139	0.14025487
Minimum	-0.98801	-0.78451
Maximum	0.96775	0.95065

Normality test

This test is useful for determining whether data is normally or not normally distributed. This research uses a normality test, namely One Sample Kolmogorov-Smirnov. From the processed sample data, obtain normality test results in table 2 Normality Test below:

Table 2. Normality Test

Profitability Ratio	N	Sig.	Significance Level	Conclusion
NPM	735	0,000	0.05	Abnormal
ROA	735	0,000	0.05	Abnormal

The results in table 1 of the Normality test results using the One Sample Kolmogorov Smirnov Test show that the significance value of the NPM variable is 0.000 where 0.000 < 0.050 (alpha) which means the data is not normally distributed. Meanwhile, for the ROA variable, the significance value of the ROA variable is 0.000 where 0.000 < 0.050 (alpha) which means the data is not normally distributed.

Hypotesis Test

Table 3. Independent Samples Test Results for the NPM Variable

		Levene's Test for Equality of Variances		t-test for Equality of Means		
		F	Sig.	t	df	Sig. (2-tailed)
RESULTS_NPM	Equal variances assumed	88,917	,000	6,100	730	,000
	Equal variances not assumed			4,948	295,198	,000

The table above is the result of different tests using the Independent Sample Test with SPSS. As a result of the processed data, the significance value is 0.000. The significance result is smaller than the alpha tolerance value of 0.050, so the conclusion is that there is a difference in NPM between Indonesian manufacturing companies and Singaporean companies. There are significant differences in the profitability of Indonesian manufacturing companies and Singaporean companies. The ability of companies to generate profits varies between companies, including between Indonesian and Singaporean companies. Indonesia is a developing country while Singapore is a developed country. Each financial process and the conditions of each company are different. This research proves that the NPM of Indonesian companies is different from that of Singaporean companies.

Table 4. Independent Samples Test Results for the ROA Variable

		Levene's Test for Equality of Variances		t-test for Equality of Means		
		F	Sig.	t	df	Sig. (2-tailed)
RESULT_ROA	Equal variances assumed	1,693	,194	-3,256	733	,001
	Equal variances not assumed			-3,650	613.203	,000

The table above is the result of different tests using the Independent Sample Test with SPSS. The results of the processed data produce a Sig value. amounting to 0.194 and greater than the alpha tolerance value of 0.050, so it can be concluded that there is no difference in ROA between Indonesian manufacturing companies and Singaporean companies. There is no significant difference in the profitability of Indonesian manufacturing companies and Singaporean companies. The company's ability to generate profits between companies is identical, including between Indonesian and Singaporean companies.

4. CONCLUSION

The Covid-19 pandemic has had various impacts on industrial sectors. Among all industries and sub-sectors of listed companies, the food and beverage sub-sector is an interesting focus for research. The food and beverage industry is one of the leading industries that fulfills basic human needs. In this case, if the economic problems that arise as a result of this pandemic last for a long time, it is feared that a decline in profitability in every manufacturing company in every country will occur. Based on the results of this discussion, it is concluded that there are differences in the NPM variable between Indonesian manufacturing companies and Singaporean companies. The profitability of Indonesian manufacturing companies with Singaporean companies in measuring the company's ability to manage and optimize sales to generate maximum profits. Meanwhile, the ROA variable is no different or identical between Indonesian manufacturing companies and Singaporean manufacturing companies. The company's ability to generate profits by maximizing the assets owned by the two countries is the same or identical. Indonesia is a developing country and Singapore is a developed country, but the ROA ratio is similar or there is no difference. During Covid-19, both countries experienced turbulent economic conditions, but the profitability between Indonesian and

Singaporean manufacturing companies was different in the NPM ratio. Meanwhile, the ROA ratio has no difference or is identical.

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