

CHAPTER 1 INTRODUCTION

1.1. Background of Study

Food and beverage industries is one of the categories of industrial sectors in Indonesia Stock Exchange which have the opportunity to grow and develop. Food and beverage industry predicted will improve its condition. It is seen growing food and beverage industries mushrooming in the country. This condition makes the competition getting tougher so that the managers of the company looking for investors to invest their funds in the food and beverage companies.

Consumer goods became an important industry for the economic development of the nation. This is not apart from the companies that are engaged in the industry of consumer goods in Indonesia. It cannot be denied that in the process of production of consumer goods it takes lots of resources including human resources. Consumer goods industry has a role in absorbing the labor and increase income in a country. Food and beverage company is a company engaged in the manufacture of the product later sold for a huge profit. To achieve that goal required management with a high level of effectiveness. Measurement of the level of effectiveness of management shown by the profit resulting from the sale of investment income, and can be made by knowing how big the profitability ratios that are owned (Weston and Brigham 2010 Afrinda in 2013).

The among of food and beverage companies that are listed on the Indonesia stock Exchange more than other companies. This make the auhor interested to choose food and beverage companies as an object that will be examined, food and beverage

companies that are listed on the Indonesia stock exchange which will be presented in table 1.1:

Table 1.1 List of the food and beverages companies on the Indonesian Stock Exchange period 2011-2015

No.	Code	The name of the companies
1	ADES	Akasha Wira International Co., Ltd.
2	AISA	Tiga Pilar Sejahtera Food Co., Ltd.
3	CEKA	Wilmar Cahaya Indonesia Co., Ltd.
4	DLTA	Delta Jakarta Co., Ltd.
5	FAST	Fast Food Indonesia Co., Ltd.
6	ICBP	Indofood CBP Sukses Makmur Co., Ltd.
7	INDF	Indofood Sukses Makmur Co., Ltd.
8	MLBI	Multi Bintang Indonesia Co., Ltd.
9	MYOR	Mayora Indah Co., Ltd.
10	PTSP	Pioneerindo Gourmet International Co., Ltd.
11	ROTI	Nippon Indosari Corpindo Co., Ltd.
12	SIPD	Sierad Produce Co., Ltd.
13	SKBM	Sekar Bumi Co., Ltd.
14	SKLT	Sekar Laut Co., Ltd.
15	SMAR	Sinar Mas Agro Resources and Technology Co., Ltd.
16	STTP	Sintar Top Co., Ltd.
17	ULTJ	Ultrajaya Milk Industry & Trading Company Co., Ltd.
18	TBLA	Tunas Baru Lampung Co., Ltd.

Source : Indonesia Stock Exchange, processed by the author.

In this era of globalization the business world increasingly growing rapidly, there so many new companies, thereby encouraging companies to be more efficient and more selective in the operation, so that the objectives of the company in achieving high profits in the long run could be realized.

The above phenomena explained that company as profit oriented organization to always increase the quantity and quality of his efforts so that the expected benefits will be achieved. The company must always be monitored, can be done by analyzing the financial statements themselves are generally made up of balance sheets and

reports profit/loss report. Report on the balance sheet and profit/loss are inter-related and complementary. The balance sheet describes the State of the finances of a company at a certain period, while the income statement shows the results of the efforts and costs during the period of accounting. The financial statements will be more informative and useful, then the parties concerned towards financial information should do an analysis in advance.

Through the analysis of financial statements can be known of the success of the accomplished feats that are indicated by the absence of healthy financial report, which is the basis of the assessment of achievements/results of the work of the entire Department or part of an existing company. One of the basic considerations that serve as reference in measuring the company's performance was a financial report. The financial report is an important source of information for the company The financial report is a information describing the financial condition of a company and further the information can serve as the company's financial performance overview (Fahmi, 2012:2). The financial statements can be intended as an overview or a condition of an enterprise in a period that can be used as a tool of measurement or prediction in the next.. Of financial statements obtained a knowledge of some of the financial aspects of a company. The measurement tool used to analyze financial statements include ratio analysis, analysis of market value added (MVA), the analysis of the economic value added (EVA, the Balance Score Card (BSC), Analysis of capital asset, management, equity, and liquidity (CAMEL) and the du pont system (Warsono,2003:24).

In this study were used to analyze the financial statements is to use ratio analysis of profitability in terms of the return on equity (ROE). Return on equity is a

profitability ratio is one form that serves to measure a bank's ability level in generating profits. Return on equity is a measure of performance that is capable of assessing the ability of the company in generating profit from capital originating from the owner of the company. Return on equity is absolutely essential for the company because it is to measure the performance of the companies's own capital in generating profits. The higher the Return on equity indicates that the company is getting better in prosper shareholders that could be produced from each sheet stock. Increasing Return on equity gave a sign that the company's financial and operational strength of the better, then giving the positive influence towards equity markets.

Return on equity (ROE) was influenced by financial leverage multiplier (FLM), total asset turnover (TATO), and net profit income (NPM). net profit income can be broken down into three namely operating profit margins(OPM), interest burden (IB), and tax burden (TB). Financial leverage multiplier (FLM) used to measure the ability of management to manage its assets, due to the costs that must be incurred due to the use of assets (Cashmere, 2001:283). Research conducted by Animah (2009) and Kumalasari (2016) shows the results that leverage multiplier (LM) have negative influence and significant toward return on equity (ROE). This contrasts with the results of research conducted by Hamid, Lina, and Danar (2015) which suggests that leverage multiplier (LM) insignificantly toward return on equity (ROE).

Total assets turnover (TATO) shows ability assets the company in generating total net sales. The higher the ratio total assets turnover (TATO) shows amore effective company in the use of its assets to generate total net sales. The moreeffectively a company uses its assets generating sales of a white garment shows the better performance is achieved by the company. Research conducted by Billy

(2013) shows the results that Total assets turnover (TATO) positive and significant influence toward return on equity (ROE). This contrasts with the results of the research conducted by Fahrur Maulidin (2013) shows that total assets turnover (TATO) insignificant influence toward return on equity (ROE).

Operating profit margins (OPM) is used to measure the impact the profitability of the operations on return on equity (ROE). In addition, operating profit margin (OPM) is used to find out the trend towards increased or decreased performance and influence of indirect cost against profits generated. The larger OPM, then the greater ROE generated, meaning that the company's performance the better. Research conducted by Baah Aye Kusi (2015) and Davit Kharatyan (2016) shows the result that operating profit margins (OPM) positive and significant effect toward return on equity (ROE). Research conducted by Davit Kharatyan (2016) and Kijewska (2016) shows the results that the Interest Burden (IB) have positive and significant influence toward return on equity (ROE). This contrasts with the results of research conducted by Baah Aye kusi(2015) which suggests that the interest burden (ib) have insignificant influence toward return on equity (ROE).

The variables above have influence toward Return on Equity, that is one of the financial ratios that illustrate the ability of the companies in making a profit (profitability). Based on explanation above background phenomenon, then the author interested in taking the title of research “The Influence Of Financial Leverage Multiplier, Total Asset Turnover, Operating Profit Margin, Interest Burden, and Tax Burden Toward Return On Equity (Case Study on the Food and Beverage Companies that are Listed on the Indonesia Stock Exchange)”.

1.2 Problem Identification and the statement of the problem

1. Problem Identification

The problem identification of this research The development of an average Return on Equity (ROE) of year 2011 till 2014 food and beverage companies has decreased each year, while the competition is getting tougher. This makes the owner of the company improve its performance to retain their position in the face of competition.

1.2.2 Statement of the Problem

Based on the author's background pointed out above, than it can be formulated the problem of how the financial performance food and beverage companies that are listed on the Indonesian Stock Exchange period 2011-2015) with return on equity?

1.3 The formulation of the Problem

Based on the background of the above problems, so the formulation of a problem in this research are as follows:

1. Does Financial Leverage Multiplier (FLM) have positive significant influence toward Return on Equity(ROE) on the food and beverage companies in Indonesia?
2. Does Total Assets Turnover (TATO) have positive significant influence toward Return on Equity (ROE) on the food and beverage companies in Indonesia?

3. Does Operating Profit Margin (OPM) have positive significant influence toward Return on Equity (ROE) on the food and beverage companies in Indonesia?
4. Does Interest Burden (IB) have positive significant influence toward Return on Equity (ROE) on the food and beverage companies in Indonesia?
5. Does Tax Burden (TB) have positive significant influence toward Return on Equity (ROE) on the food and beverage companies in Indonesia?

1.4 The Aims of Study

Based on the outline of the issues that have been raised above, then the purpose of this research is:

1. Partially, to know the influence of financial leverage multiplier (FLM) toward return on equity (ROE) on the food and beverage companies in Indonesia.
2. Partially, to know the influence of total asset turnover(TATO) toward return on equity (ROE) on the food and beverage companies in Indonesia.
3. Partially, to know the influence of operating profit margins (OPM) toward return on equity (ROE) on the food and beverage companies in Indonesia.
4. Partially, to know the influence of interest burden (IB) toward return on equity (ROE) on the food and beverage companies in Indonesia.
5. Partially, to know the influence of tax burden (TB) toward Return on Equity (ROE) on the food and beverage companies in Indonesia.
6. Simultaneously, to know the influence financial leverage multiplier (FLM), total asset turnover(TATO), operating profit margins(OPM), interest burden(IB), and tax burden(TB) toward Return on Equity (ROE) on the food and beverage companies in Indonesia.

1.5 The benefit of research

Generally, this study is to get information and then this information expected can be applying properly by the user. Different users are different benefit. This below specify of benefit:

1. For manager or company

The information that will find out after analyzing data properly can help company to decide the decision making about their firms and wisely choose the initial capital accordance going concern.

2. For investor

Investors extremely need a lot of information before they decide whether they will invest on that firm or not. This information can help investor precisely when they choose some company and it can be some consideration.

3. For the next researcher

This study can be some valuation and addition information for the next researchers who needs similar information in the future. This study can be used as reference.

4. For the reader

The benefit for the reader is to gain some knowledge. By analyze this study, the reader are expected gain new knowledge and can use the information properly.