Analysis Of Competitive Strategy and Financial Performance on Profitability and Company Value in Textile Companies Listed on IDX for the 2016 – 2020 Period

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Abstract. The textile and garment sector is currently experiencing a crisis. Many workers were laid off by the company. To deal with these problems, management needs to determine the right strategy so that companies can improve financial performance and increase company value. It is hoping a prove that company's financial performance is indicated by the profitability variable which is influenced by liquidity, solvency and company activities. These variables influence each other in management's efforts to improve financial performance. Profitability seen from the Net Profit Margin indicator shows the level of company performance. Indicator liquidity is shown by the current ratio, and indicator of solvability is shown by the debt-to-equity ratio indicator and the company's activities are indicated by the total asset turn over indicator which together or individually affects the company's profitability. In addition, this study also proves that Competitive Strategy can be measured by applying low cost, differentiation and niche strategies and affects financial performance and firm value.

Keywords: Textile Industry; Financial Performance; Competitive Strategy

1 Introduction

The development of Indonesian Capital Market is now running quite rapidly, especially in this era of globalization. This capital market provides investment opportunities for investors to invest their long-term capital in the capital market. The manufacturing industry is one of the industrial fields that compete in the global economy. In Indonesia, there have been various types of companies engaged in manufacturing. Given the important role of the manufacturing sector, namely as a provider of various types of goods for human needs, the industrial sector should be given special attention to develop its products for the continuity and development of the manufacturing sector business in Indonesia, especially the textile industry and other textile products.

The classical problem in textiles industries (companies) is the need of big capital to be invested in machines and equipment's, and later payments from customers, while payments to suppliers must be made immediately. Another problem is the ability of the company's profit to affect the stock market price. To deal with these problems, management needs to determine the

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right strategy so that companies can improve financial performance and increase company value.

2 Research Framework

The aims of study are: to get picture about the growth level of financial achievement of the company, to know amount of all ratios, to know lowest amount of all ratios, and to know the highest value of all ratios. This description can be described in the Research Paradigm as shown in Figure 1 below.

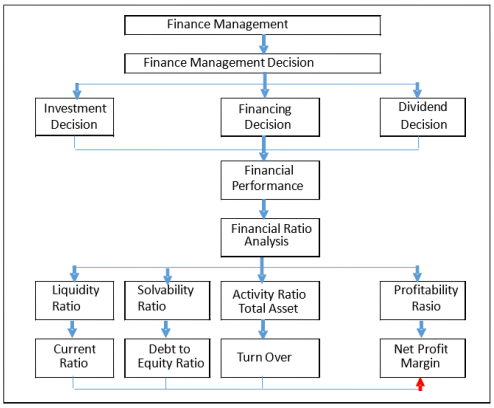

Fig1. Research Paradigm

The company's financial performance is indicated by the profitability variable which is influenced by liquidity, solvency and company activities. These variables influence each other in management's efforts to improve financial performance. Profitability seen from the Net Profit Margin indicator shows the level of company performance. Indicator Liquidity is shown of the current ratio, and indicator of solvability is shown of the debt-to-equity ratio, and the company's activities are shown of the total asset turn over indicator which together or individually affects the company's profitability.

3 Research Methodology

The approach used in this study is verification of and examination of related variables to get real picture about relationship between those variables. This research was conducted using a time series research design by focusing on Ratio of Liquidity, Ratio of Activity and Ratio of Solvability to Profitability of public companies in cluster of NDHI, using certain indicators Asset Turnover and Net Margin, and another indicator as shown below:

Table 1. Variable operationalization

No	Variable	Indikator	Ratio
1	Liquidity	Acid Test Ratio	Cash / Short Term Liabilites
2	Solvability	Leverage Ratio	Debt / Net Wealth
3	Aktivity	Asset Turn Over	Sales / Asset

No	Variable	Indikator	Ratio
4	Profitability	Net Margin	Sales / EBITDA
5	Competitive Strategy	Numeric	1 = low cost 2 - differentiation 3 - niche
4	Market Value	Stock Price	Ln(p)

4 Research Model

The relationship examined by the verification method in this study are:

a. Competitive Strategy affects the net profit margin of textile public cluster companies for the 2016-2020 period
b. Cash Ratio has an effect on net profit margin in textile public cluster companies for the 2016-2020 period.
c. Net margin is influenced by Debt to Equity Ratio in textile public cluster companies for the period 2016-2020.
d. Net margin is influenced by Total Asset Turnover in textile public cluster companies for the 2016-2020 period.
e. Net Margin is influenced by Competitive Strategy, Current Ratio, Debt to Equity Ratio and Total Asset Turnover in textile public cluster companies for the 2016-2020 period.
f. Competitive Strategy has an effect on stock market prices in textile public cluster companies for the 2016-2020 period
g. Net Profit Margin has an effect on stock market prices in textile public cluster companies for the 2016-2020 period
h. Competitive Strategy has an effect on stock market prices in textile public cluster companies for the 2016-2020 period.

5 Discussion

From the IDX data collected and then statistical data processing, it is hoped that the following conclusions can be drawn:

5.1 Linear Multiple Regression

In this multiple regression model using SPSS 23.0 using the Enter method. The Enter method is a method that includes all independent variables in the regression equation. The regression equation is shown from the results of SPSS 23.0 in the coefficients table as follows:

Table 2. Test Result of Coefficient Linear Multiple Regression

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant a)	-40.830	8.918		-4.579	.000
	CR	17.506	4.282	.699	4.089	.088
	DER	.752	.706	.169	1.064	.299

	TATO	23.412	4.587	.820	5.104	.070
a. Dependent Variable: NPM						

Source: Own processing

From the table above, it is hoped that the following regression equation can be obtained:

NPM = -40.83 + (17.50*CR) + (0.756*DER) + (23.41*TATO)

5.2 Competitive Strategy Hypothesis Testing on Net Margin, Working Capital Ratio, Leverage Ratio and Asset Turnover

The multiple regression equation processing using SPSS 23.0 in the coefficients table is indicated as follows:

Table 3. Test Result of t Current Ratio

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Standard Error	Beta		
1	(Constant)	-40.830	8.918		-4.579	.000
	NPM	4.543	.543	.235	2.256	.000
	CR	17.506	4.282	.699	4.089	.001
	DER	.752	.706	.169	1.064	.299
	TATO	23.412	4.587	.820	5.104	.000
a. Dependent Variable: NPM						

From the table above, it is hoped that the following regression equation can be obtained:

NPM = -40.83 + (17.50*CR) + (0.756*DER) + (23.41*TATO)

5.3 Simultaneous Test (F Test)

In order to know if an impact of Working Capital Ratio (WCR), Leverage Ratio (LR) and Asset Turnover on Net margin, should do a test of hypothesis simultaneously, which can be seen from the ANOVA table, which is expected to give the following results:

Table 4. Test Result F

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	815.327	3	271.776	10.552	.000b
	Residual	540.852	21	25.755		
	Total	1356.179	24			
a. Output Variable: NPM						
b. Predictors: (Constant), TATO, LR, WCR						

Table 4 shows it is hoped that it can be concluded that Fcount is 10,552 Fcount results compared to Ftable with the following criteria:

H0 is rejected if Fcount > Ftable ....3)

H0 is accepted if Fcount < Ftable ....4)

So, the results obtained from the comparison of Fcount with Ftable are that H0 is accepted and Ha is rejected because Fcount > Ftable is 10,552 > 3,44. From the results of this calculation, it is hoped that conclusions can be made regarding the influence between variables.

5.4 Partial Coefficient of Determination

Table 5. Result Test of Determination CoeffisienCurrent Ratio

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.308a	.095	.056	7.30546
a. Predictors: (Constant), CR				
Source: processed by author				

Table 5 indicated that it is hoped that conclusions can be drawn regarding measure the influence of Working Capital Ratio on the Net Margin (0.308)2 x 100%, namely 9.5%, and the rest 90.5% is determined by other factors.

Table 6. Result Test of Determination Coefficient Debt to Equity Ratio

Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.214a	.046	.004	7.50091
a. Predictors: (Constant), DER				
Source: processed by author				

Table 6 shows it is hoped that conclusions can be drawn regarding the magnitude of the effect of the Leverage Ratio on the Net Profit Margin (0.214)2 x 100%, which is 4.6% and the rest 95.4% is determined by another factors not examined.

Table 7. Result Test of Determination Coefficient Total Asset Turnover

Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.515a	.265	.233	6.58447
Predictors: (Constant), TATO Source: processed by author				

Table 7 shows that conclusions can be drawn regarding the magnitude of the influence of Asset Turnover on Net Margin (0.515) 2 x 100%, which is 26.5%, and the rest 73.5% is determined by not examined factors.

5.5 Multiple Coefficient of Determination

Table 8. Result Test of Determination Coefficient

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate

1	.861a	.741	.670	3.19166

a. Predictors: (Constant), TATO, DER, CR
Source: processed by author

Table 8 show it is hoped that conclusions can be drawn about how much influence the Working Capital Ratio, Leverage Ratio and Asset Turnover have on the net margin. Shown by R square or the square of the correlation coefficient multiplied by 100%. The R square amount is 0.741 or 74.1%, meaning that the change of net margin is influenced by 74,1% changes of Working Capital Ratio, Leverage Ratio and Asset Turnover and the rest 25,9% is influenced by another factors.

6 Discussion

a. Simple Multiple Regression Analysis can be done to see how much influence the Net Margin has on the Working Capital Ratio, Leverage Ratio and Asset Turnover.
b. Simple Multiple Regression Analysis can be done to see how much influence Competitive Strategy has on Net Margin, Working Capital Ratio, Leverage Ratio and Asset Turnover.
c. Simple Multiple Regression Analysis can be done to see how much influence Market Value has on Competitive Strategy, Net Margin, Working Capital Ratio, Leverage Ratio and Asset Turnover.
d. T-test results can be performed to see the impact of each variable Working Capital Ratio, Leverage Ratio and Asset Turnover on Net Margin and the significance of its increase.
e. T-test results can be carried out to see the effect of each variable Net Margin, Working Capital Ratio, Leverage Ratio and Asset Turnover on Competitive Strategy and the significance of its increase.
f. T-test results can be performed to see the effect of each variable Competitive Strategy Net Margin, Working Capital Ratio, Leverage Ratio and Asset Turnover on Market Value and the significance of its increase.
g. Simultaneous test results (F-test) can be carried out to draw conclusions on the hypothesis of the variables Working Capital Ratio, Leverage Ratio and Asset Turnover to net margin.
h. Simultaneous test results (F test) can be done to draw conclusions on the hypothesis of the variables Net Margin. Working Capital Ratio, Leverage Ratio and Asset Turnover to Net margin.
i. The Partial determination coefficient test for each variable can be carried out to draw conclusions about the magnitude of the significance of the influence of these variables compared to other variables.
j. The results of the Multiple Determination Coefficient Test can be carried out to draw conclusions about the significance of the influence of all dependent variables compared to other variables.

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