

CHAPTER I. INTRODUCTION

1. 1. Background

At the end of 2019. Started in Wuhan, China, An enormous epidemic initially appeared, having a significant influence on the global economy, not just in Indonesia but also throughout the world. Corona virus disease spreading fast and on March 2, 2020, the first case was reported in Indonesia which discovered two infected people. Due to the fast-spreading Covid-19 outbreak, the government move fast and has taken many steps to combat it, among others encourage the whole community to work together to minimize the spreading of the virus by implementing physical distancing and making various health protocol tools such as wearing mask, hand sanitizer, and vaccines. The government has implemented many policies to combat with Covid-19 which are through the Large- Scale Social Restrictions Policy and through the vaccination program, the policy for enforcing limitations on loosely regulated communal activities through the declarationn of a new normal.

The Indonesian economy is significantly impacted by the Covid-19 epidemic, especially in government programs such as the social restriction policy that requires everyone to work from home, which has an impact on various economic sectors. One of the sectors that are affected are companies in the food and beverages. According to the Central Bureau of Statistics, the food and beverage sector has the data with the most decline, around 92.47%. People tent to refrain from overconsumption and choose to prioritize fulfilment of basic needs. There is a change in people's consumption patterns that require food and beverage sector companies to be more active in developing innovations by paying attention to health protocols, maintaining cleanliness and maintaining the taste of food.



Figure 1. 1 Food and Beverage Industry Growth Data Trends from 2012 to 2022

Source: Badan Pusat Statistik (BPS)

Food and beverage companies are also one of the sectors Businesses that continue to experience growth along with the increase in population and Indonesia's economic conditions are not too good as well as staple goods that continue to increase do not affect consumer demand. The information above shows that the Covid-19 pandemic significantly hinder the expansion of the food and beverage business in 2020. Throughout 2020, the performance of the food and beverages experienced positive growth. However, the industry's growth in 2020 will still be less than that of the food and beverage sector in 2019 and earlier. The food and beverage sector has an important role in the growth of the value of Gross Domestic Product (GDP) in Indonesia, because Indonesian people tend to be consumptive in meeting basic needs in terms of clothing, food, and housing. (Rintjap, Friske and Sri. M. R, 2015)

Company aims for profit while doing their operating, nevertheless due to the Covid-19 outbreak. The company uses different measurement to determine if a company or organization is successful in turning a profit called financial performance. Firm performance can be identified using several ratios such as profitability to measure the company's effectiveness in making profit. Company experienced different conditions during Covid-19 due to economic uncertainty. The Covid-19 epidemic has increased fair value volatility, which is financial instruments, disruptions to company operations, trading halts unstable stock

markets, volatility in foreign exchange rates and tight liquidity. In this research profitability ratio will be used, to be exact Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM). Analysis of profitability ratios is crucial during the Covid-19 pandemic because a drop in consumer spending will result in lower firm profits than they were prior to Covid-19.

According to the Association of Indonesian Food and Beverage Entrepreneurs (GAPMMI, 2020) predicts the growth of the food and beverage industry only grow by 4% - 5% during the Covid-19 pandemic. The community prioritizes basic needs such as buying basic necessities while in the Food and Beverage industry it is not only basic necessities but there are various types of food and beverages that are currently being sold but are not selling or experiencing a decline. The government's regulation to not to leave the house and prohibit eating in all restaurants, greatly affects the Food and Beverage industry. The decline in income is very pronounced and has a negative effect on business continuity. The incidence of a decline in revenue for a firm may have an impact on its financial success.

Table 1. 1 Profit (Loss) of Three Food and Beverage Companies in 2019 to 2021

Company	Year	Total Profit (Loss)
PT Indofood CBP Sukses Makmur Tbk (ICBP)	2019	5.360.029.000.000
	2020	7.418.574.000.000
	2021	7.900.282.000.000
PT Mayora Indah Tbk (MYOR)	2019	2.051.404.000.000
	2020	2.098.169.000.000
	2021	1.211.053.000.000
PT Ultrajaya Milk Industry Tbk (ULTJ)	2019	1.035.900.000.000
	2020	1.109.700.000.000
	2021	1.276.800.000.000

From table 1 above, can be seen that three food and beverage companies, only PT Mayora Indah Tbk experienced an increase in 2019 to 2020 in the amount of profit of 2, 28% and a significant decrease in 2020 to 2021 in the amount of profit of 42, 3% during pandemic of Covid-19. Meanwhile, PT Indofood CBP Sukses Makmur Tbk has continued to make profits for the last three years with an average

increase of 22, 4%, as if the Covid-19 pandemic did not affect the profitability performance of one of the largest consumer goods companies in Indonesia. PT Ultrajaya Milk Industry also continued to make profits for the last three years with an increase of profit of 7, 1% throughout 2019 until 2020 and increase of profit of 15, 1% throughout 2020 until 2021.

As explained above regarding the difference condition experienced by MYOR, ICBP and UL TJ. This condition derived companies' competitiveness to survive during pandemic. So that it may continue to exist and grow into a sizable and powerful organization, the firm must be able to continuously improve its strategy. In order to survive and continue to develop and expand in line with the company's objectives, businesses must be able to manage their management to outperform the competition at a period of intense competition with numerous restrictions that have an impact on purchasing power. For this reason, research is required to compare the effects of Covid-19 on the financial performance of the food and beverage industry, which is undoubtedly impacted by this epidemic.

Based on the research of (Umam, K., Utami, A. A., Zahrudin, & Maya, 2021), there is no significant difference in the value of return on equity (ROE) before and during the Covid-19 pandemic, although in quantity there was a decrease in the number of ROE as many as 32 companies from a total of 52 companies. However, in the return on assets (ROA) value there are significant differences before and during the Covid-19 pandemic in manufacturing companies. This is consistent with the study of (Hilam, C., & Laturette, K., 2021) that there are differences in the performance of return on assets (ROA) in 80 companies listed on the Indonesia Stock Exchange (Shalini, W., Chistianity, R., & Pattinaja, E. M., 2022) added that working capital and liquidity management had a positive and significant effect on the profitability of 37 consumer goods companies partially in the 2017-2020 period. This means that a consumer goods company is one type of company that is able to survive and is relatively stable in the midst of the onslaught of the pandemic. The level of public consumption of daily needs is still high.

By using the compared company's financial statements, external parties can perform analysis in profitability ratio for determining the financial performance of the company which is useful for the company management. Following on the background above, determine Indonesia Company's financial performance before to and during Covid-19 on the Indonesian stock exchange is the motivation for the researcher.

1. 2. Research Problem

The global economy is significantly impacted by the Covid-19 epidemic, not just in Indonesia but everywhere in the globe. One of the sectors that are affected are companies in the food and beverages. According to the Central Bureau of Statistics, the food and beverage sector has the data with the most decline, around 92.47%. People tend to refrain from overconsumption and choose to prioritize fulfilment of basic needs. This significant decline in food and beverage companies has an impact on company profits.

Normative accounting theory concentrate on creating true income over an accounting period or on discussing the types of information useful in decision usefulness. This is in line with the reduction in profits experienced by food and beverage companies. Therefore, researcher tries to describe whether there are differences on financial performance of the food and beverage companies in Indonesia stock exchange before and during Covid-19.

1. How is the comparative analysis of the financial performance of food and beverage companies on the Indonesia Stock Exchange before and during the covid-19 pandemic as measured by Return on Assets (ROA) for 2018 Q4 -2021 Q3?
2. How is the comparative analysis of the financial performance of food and beverage companies on the Indonesia Stock Exchange before and during the covid-19 pandemic as measured by Return on Equity (ROE) for 2018 Q4 -2021 Q3?

3. How is the comparative analysis of the financial performance of food and beverage companies on the Indonesia Stock Exchange before and during the covid-19 pandemic as measured by Net Profit Margin (NPM) for 2018 Q4 -2021 Q3?

1. 3. Research Objectives

This study uses Net Profit Margin (NPM), Return on Asset (ROA), and Return on Equity (ROE) to compares the financial performance of Food and Beverage listed firms on the Indonesia Stock Exchange before and during Covid-19. Its goal is to provide empirical evidence about how profitability ratios may differ the financial performance of food and beverage companies.

1. 4. Research Contribution

Related parties should use and apply comparison between return on asset, return on equity, and net profit margin significantly before and during Covid-19. Regarding the effect of Covid-19 in Indonesia listed companies, this research adds new theories and concepts for the general public. Further research can also use it as a theoretical foundation of the field of economics.

1. 4. 1. Contribution to Practitioner

This study advances our understanding of food and beverage companies' financial performance before and after COVID-19 while also developing previously established ideas and studies. This research help practitioner to evaluate theories for decision making for the growth change before and during Covid-19.

1. 4. 2. Contribution to Theory Development

The contribution of this research is capturing the differences of growth on Dood and Beverage Company listed in Indonesia stock exchange before and during Covid-19, factor that will help explain the financial performance before and during Covid-19. Additionally, this

study integrates three ratios there are Net Profit Margin (NPM), Return on Asset (ROA) and Return on Equity (ROE).

1. 5. Writing Systematic

The following provides an explanation of the procedure and the initial structure of the research:

CHAPTER I Introduction

Research background, research problem, research purpose, research contribution, scope of discussion, and systematic writing are all included in Chapter I, the introduction to the study.

CHAPTER II Literature Review

The research's literature review, Chapter II, uses the covid-19, financial statements, financial performance, financial ratios, and profitability ratios as the foundation for developing hypotheses. It also includes a grand theory and logical justification for comparison analysis.

CHAPTER III Research Methodology

The research technique is described in Chapter III and includes the research type, sample, data collection, variable, and data analysis.

CHAPTER IV Result and Analysis

Chapter IV presented the findings of empirical study employing a quantitative method, including paired sample t tests and normality tests for inference.

CHAPTER V Conclusion and Suggestions

The entire investigation is deemed to have come to a conclusion in Chapter V, which also includes a limitation and suggestion.