

Analysis of the Effect of Cosmetics Industry Issuer Current Ratios on Indonesian CSPI

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Abstract: *The increasing popularity of cosmetics imports flooded the Indonesian market so that the issuers of the cosmetics industry were affected by these factors, and the slow growth of modern retail, which became their mainstay market, declined. Then their current ratio fluctuates and decreases, presumably affecting the development of the Indonesia Composite Index (ICI). Based on the situation, the purpose of this study is to determine the magnitude of the influence between the Current Ratio of the Cosmetics Industry Issuer to the ICI. This study uses a hypothesis that will be tested. The analysis techniques of secondary data time series from 2010 up to 2018, used linear regression. This research concludes, there is a significant influence, a negative and very strong relationship between the Current Ratio of the Cosmetics Industry Issuer to the Indonesia Composite Index.*

Keywords: Current Ratio, ICI, Significant Influence

1. Introduction

The Indonesian economy for the past six years has remained depressed due to an average of 5.0 to 5.30% which has not reached the target set by the government, which is 5.5% to 6.0% [1]. Industrial investment has not yet reached the expected growth rate. Indicators other than economic growth and stability in the inflation rate are accelerating the rise in the stock price index on the stock market.

Stock trading on the Indonesia Stock Exchange (IDX) is also very volatile, even last year it decreased by 2.53 percent from 2017. It will also affect the interest of the industry on the stock exchange because the risk is also high if the CSPI continues to slow down. Even predicted in July 2019 increasingly sluggish development [2].

The development of the Cosmetics industry continues to grow, the number of cosmetics manufacturers in Indonesia grows in line with advances in digital technology, so that businesses are faced with the ever-changing complexity of consumer tastes.

The Indonesian government, in this case, the Ministry of Industry, noted that fashion industry companies rose significantly to 760 in 2017, from 603 the year before. (Bisnis.com 2018). Despite the growth in the performance of listed companies which are Tbk. (Issuer) in the cosmetics industry has decreased.

The major cosmetics companies that have their names around 1988 - 2012, currently experiencing slowing liquidity performance are PT. Mustika Ratu, Tbk. had an IPO in 1995 and PT. Martina Berto, Tbk. in 2011, due to a flood of imported cosmetics both official and illegal at lower prices and innovative, which will be sought effective solutions to overcome these problems [3]

On the other hand, the rapid change of the industrial era 4.0 also helped push the closure of several large stores such as the Giant group already closed 6 of its outlets as reported (Samuel Pablo, CNBC Indonesia: 2019) [21]. This large retail is still a distribution destination for the cosmetics

industry and other suppliers. Supported by Industry 4.0 where all work is done quickly, precisely and based on technology, especially the internet, although the role of humans remains an important matter [23]

Current Ratio is an important measure of company liquidity, a ratio between current assets and current liabilities in the form of merchandise debt, short-term bank loans and other short-term debt (Financial Statement Mustika Ratu, 2018). Company performance that has gone public will affect the overall stock price index so that fluctuations determine the pros and cons of cosmetic companies in Indonesia. Below, IHSG growth is presented as an indicator of the economic sector in the financial sector.

Table 1: Development of CSPI

Tahun	IHSG	Perkembangan (%)
2007	2.745,83	-
2008	1.355,41	-50,64
2009	2.534,36	86,98
2010	3.703,51	46,13
2011	3.821,99	3,20
2012	4.316,69	12,94
2013	4.274,18	-0,98
2014	5.226,95	22,29
2015	4.593,01	-12,19
2016	5.296,71	15,32
2017	6.355,65	19,99
2018	6.194,50	-2,53

Source: Secondary data has been processed (2019) [4, 5]

The main problems formulated in this paper are how is the influence of the Current Ratio of Cosmetic Issuers on the CSPI? and what is the relationship between Current Issuers of Cosmetics Issuers to IHSG? The purpose of the research on the effect of the combined cosmetics company CR on the CSPI is to discuss whether there is an influence on the Current Ratio of Cosmetic Issuers on the CSPI and to find out how strong the relationship between the Cosmetics Issuer Current Ratio to the CSPI. Current ratio is one of the measurement tools used to calculate short-term debt by utilizing current assets in the company [22]

2. Related Work

Financial Management in the digital era is very important to learn and simultaneously implement in capital market transactions so that investors get the ease and benefits of investing in the financial sector. Scientific writing such as journals and articles requires a theoretical basis that is supported by the publication of literature books, scientific journals, and related news published through websites and other electronic media. Financial management is the knowledge of having the art in financial matters to analyze and manage financial resources in the company to obtain funds, process funds to provide the survival of the company or organization because it can generate profits (Muchlisin Riadi., 2019) [6]. If an industry or trade service company regulates how to obtain sources of funds and then make the best use of it efficiently to generate profits in the future, then the company has implemented financial management appropriately. According to Mekari (2018) [7], principles in financial management are:

- 1) Accountability, information disclosure regarding fund management in a company.
- 2) Consistency, to avoid fraud in the practices of using company funds.
- 3) Survival, a measure of a security level for future survival.
- 4) Transparency, report accuracy, timeliness is needed for the management to access financial information.
- 5) Integrity, financial statements must be maintained integrity.
- 6) Management, managing funds appropriately in achieving company goals, namely organizational profits.
- 7) Accounting standards, bookkeeping must be by applicable standards in Indonesia.

The Citing opinion of David Wijaya (2018: 117) [8] about accounting, a term for processing financial transactions becomes important information for external and internal users. Internal management of an organization represents each division's activities and elements of government, suppliers, customers, and others that exist in an external environment inseparable from the activities of the organization or company.

The current ratio is part of the liquidity ratio (Helmiatun: 2015) [9]. The current ratio can explain how many current assets can guarantee its current liabilities so that the company or organization can fulfill all its short-term obligations. The general formula of the current ratio is the number of current assets compared to current debt multiplied by one hundred percent.

$$\text{Current Ratio} = \frac{\text{Aktiva Lancar}}{\text{Utang Lancar}} \times 100 \%$$

Understanding Issuers according to the FSA, an explanation of the issuer is a company that listed its shares on the stock exchange, then regulates the requirements, provisions, obligations and rights for Issuers and Public companies in activities on the stock exchange (Chapter IX, Capital Market Law No. 8 Year 1995) [10]. Composite Stock Price Index (CSPI), which is an index of a stock, indicates that investors can find out the performance of shares held in general.

Likewise, investors can also know the general stock market conditions, policy changes from within and outside the country can be overcome (BEI, 2019) [11]. The Indonesia Stock Exchange uses one of the IHSG stock market indices, a macroeconomic indicator is the movement of stock prices in the stock trading. This index covers the price movements of all shares listed on the Indonesia Stock Exchange.

a) Research Framework

This research uses logical thinking flow in explaining the relationship between dependent variables which are influenced by the dependent variable in a model which is described as follows: K: "Relationship or correlation of the dependent variable Current Ratio (X) to the dependent variable CSPI (Y)"

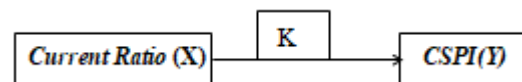


Figure 1: Research Framework

b) Hypothesis

Referring to business research writer Husein Umar (2002: 54) [12], in practice, experimentation and empirical analysis are the hypotheses of every business research. This hypothesis still needs further proof to get the truth.

The opinion expressed by Bungin, Burhan (2013: 90) [13] the initial conclusion is a hypothesis, and not final, therefore it still must be proven tested by statistical calculations. This research hypothesis is presented so that it is aligned with the research thinking framework, namely: 1). Provisional allegations there is an influence between the Current Ratio (X) to the CSPI (Y). 2). Provisional estimates there is a very strong relationship between Current Ratio (X) to the CSPI (Y).

3. Method

Samples were taken from the population then conducted research and testing of these samples (Sri Mulyono: 2017) [14]. The form of explanatory research (Uma, Now: 2006) [15] that the variables used in research are interconnected and used to make temporary conclusions. This study uses secondary data in the form of financial statements: Average Current Ratio at PT. Mustika Ratu, Tbk and PT, Martina Berto, Tbk, and the Composite Stock Price Index (CSPI) from 2010 to 2018.

The variables used in a study are grouped in the categories of independent, bound, moderator and intermediate variables. Suliyanto (2011: 7) [16]. This study only uses the independent variables and the dependent variables, namely the independent variable: Current Ratio (X) and the dependent variable: CSPI (Y).

The operational limitations of the variables used in this paper include the Current Ratio average ratio between current assets and current debt at PT. Martina Berto, Tbk and PT. Mustika Ratu, Tbk. taken from the 2010 Audit Report publications until 2018 [4, 5]. JCI is a Composite Stock Price Index downloaded from Bank Indonesia publications from 2010 to 2018.

The population referred to in this study is all for the average Current Ratio, which is a composite data taken from PT. Mustika Ratu, Tbk and PT. Martina Berto, Tbk. While the research sample is the same as the population. Data collection methods are as follows: collecting the required data from the company's financial statements of PT. Mustika Ratu, Tbk. and PT. Martina Berto, Tbk, period 2010 to 2018.

According to Gujarati Damodar (2007) [17], the Best Linear Unlimited Estimator Test is abbreviated as BLUE, so that the research results are more accurate because the researched data meets the requirements ie not biased. This test is to measure whether there is a linear relationship between one variable with another variable in the research model. (Suliyanto, 2011: 15) [16]. The correlation test in this study was given the symbol (R).

Inspired by Wirasasmitha's opinion, Yuyun (2013: 22) [18], if the results of the coefficient of determination of a study > 50%. then the model can be used as a tool for forecasting the future, so researchers always make a guideline for conducting research. R2 symbol of Kd. used to measure the amount of influence between independent variables both partially and simultaneously on the dependent variable. Simple linear regression test used in this study, among others: X (Current Ratio) to Y (CSPI). Regression is also a perspective, a future interpretation of empirical data, that is, what already exists. According to Joel M. Charon in Deddy Mulyana (2010: 7) [19], perspective can be described in figures as follows:

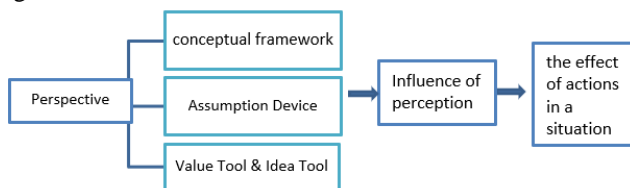


Figure 2: Summary of Meaning of Perspective [19]

4. Result and Discussion

The research data were obtained from data downloads via the internet on the independent variable average Current Ratio, from PT. Mustika Ratu, Tbk and PT Martina Berto, Tbk. which is thought to have a significant effect on the JCI dependent variable taken from the IDX data. Referring to the thought of Sudarsono (2013) [20], that for non-percentage data must be changed first to Ln form, using statistical calculations so that the data to be investigated is valid.

Table 2: Current Assets, Current Debt and CSPI Issuers of the Cosmetics Industry in Indonesia Period 2010 - 2018

tahun	Mustika Ratu (MRAT)			Martina Berto (mbto)			CR rata-rata	IHSG
	aset lancar	utang lancar	CR 1	aset lancar	utang lancar	CR 2		
2010	290.761.466	38.190.598	7,61	263.874,00	166.071,00	1,59	4,60	3703,51
2011	326.473.963	64.063.972	5,09	459.791,00	112.665,00	4,08	4,59	3821,99
2012	352.880.309	69.586.067	5,07	510.203,00	137.513,00	3,71	4,39	4316,69
2013	313.664.019	51.810.425	6,05	453.761,00	113.684,00	3,99	5,02	4274,18
2014	376.694.286	93.320.334	4,04	442.122,00	111.684,00	3,96	3,99	5226,95
2015	380.988.169	102.898.340	3,70	467.304,00	149.061,00	3,13	3,49	4593,01
2016	372.731.501	93.871.952	3,97	472.762,00	155.285,00	3,04	3,51	5296,71
2017	384.262.907	106.813.922	3,59	520.384,00	252.248,00	2,06	2,83	6355,65
2018	382.330.851	122.929.176	3,11	392.358,00	240.204,00	1,63	2,37	6.194,50

Data source: Audit report of PT. Mustika Ratu Tbk. and PT. Martina Berto, Tbk. (2019) [4, 5]

According to Sudarsono (2013) [20] to get valid data, the rupiah or non-percentage form. After the research data (raw data) has been changed in the form of Ln using the SPSS-22 program, the following results are obtained:

Table 3: Current Ratio (X) to IHSG (Y) Cosmetics Industry Issuer

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.877 ^a	.770	.737	.10045

a. Predictors: (Constant), CR

Source: secondary data that has been processed (2019)

Table 3 above shows the results of a simple correlation R = 0.877 is the relationship between Current Ratio (X) with JCI (Y), the relationship is very strong. Determinant Coefficient Test (Influence Size) from table 3 shows the calculation results that, Kd. (R2) = 0.770, indicating the magnitude of influence between Current Ratio (X) to the JCI (Y) = 77.00% and the remaining 23.00% influenced by other variables outside this model. (2019)

Table 4 Model Equation Y = f(X) Cosmetics Industry Issuer

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
1 (Constant)	9,218	,158			58,452	,000
CR	-,193	,040	-,877		-4,835	,002

Equation: $Y = a + b X + \epsilon$

$Y = JCI$, $a = \text{Constant}$, $X = \text{Current Ratio}$, $\epsilon = \text{Standard Error}$, $Y^{\wedge} = JCI \text{ Perspective}$. The Regression Result is $Y^{\wedge} = 9.218 - 0.193 X$

This model can be interpreted, if the constant $a = 0$, then the prediction of CSPI (Y^{\wedge}) will decrease = $- 0.193 \times \text{Current Ratio (X)}$. And if $X = 0$, then JCI (Y^{\wedge}) is predicted = 9.218, equal to the constant value. Another assumption is the paribus capacity.

Partial hypothesis test (t-test) Using a 2-tailed system to calculate t tables (Sulianto:2011), the result is known raw data $n = 9$, $k = 1$, $\alpha = 0.05$, then t table (NK) = $t_{8} = 2.306$, Table 4, explained, that the results obtained t count = $I - 4,835 > t \text{ table} = 2,306$. Significant test results obtained probability Sig. = 0.002 still < from the Standard p-value $\alpha = 0.05$, which means that CR has a significant effect on the CSPI. Proving the hypothesis of this study: H_0 is rejected and H_a is accepted. Conclusions: There is a significant influence between the Current Ratio of Cosmetics Industry Issuers to the Indonesian CSPI.

5. Conclusions

This research after going through the stages of analysis and discussion with explanatory research and answering the main problems in the previous chapter, the conclusions are as follows: 1). There is a significant influence of 77.0 percent, between the Current Ratio variables of the Cosmetics Industry Issuers to the Indonesian CSPI. 2). A very strong relationship of $R = 0.877$ between the Current Ratio of the Cosmetics Industry Issuer to the Indonesian CSPI.

Underlining the conclusion of this study, it can be suggested to the Issuer Cosmetics, in this case, the company PT. Mustika Ratu, Tbk. and PT. Martina Berto, Tbk. immediately carry out internal consolidation so that the increasing short-term debt is balanced by the addition of current assets which is vital, this is related to the current Ratio that each continues to decline. A very strong negative relationship between the average Current Ratio with the CSPI, this indicates that the trading of shares of these two industries in recent years has not liquified so that the Current Ratio of the cosmetics industry that has gone public is not able to increase the CSPI, even vice versa. To the FSA as the highest authority governing the company's registration statement for an IPO, post-IPO to provide an evaluation to improve the financial performance of the Issuer Cosmetics, so that public satisfaction as shareholders increases.

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