CHAPTER I

INTRODUCTION

1.1   Background of The Research

These last two years the world has experienced a crisis, all aspects of life are changed, caused by an outbreak of a disease that is spreading called COVID-19. The first human case of COVID-19, the disease caused by a new coronavirus that causes COVID-19 and is later called SARS-CoV-2, was first confirmed by officials in Wuhan City, China, in December 2019 (World Health Organization, 2020). In Indonesia, the first corona case was announced on March 2, 2020 by President Joko Widodo. This virus spreads very quickly along with very high mobility and has infected various countries in the world. The World Health Organization (WHO) officially declared the coronavirus as a pandemic on March 9, 2020. The government in each country implements lockdown regulations in which activities are restricted for citizens such as being prohibited from leaving the house to prevent more transmission of COVID-19.

COVID-19 has not only become a global pandemic and public health crisis, but it has also severely impacted the economy and financial markets. The threat of a recession and even depression is in sight. The issue of the impact of pandemic on the economy has been conveyed by a number of previous studies. Fiscal monitoring International Monetary Fund (IMF) conveyed information and few indicators forecast

fiscal countries affected. According to the IMF on their official website, the IMF is divided into three categories: advanced economies countries, emerging market and middle-income economies countries, and low-income developing countries.

The main criteria used by the IMF to classify countries are per capita income level, export diversification, and level of integration into the global financial system. An advanced economy typically have high per capita incomes, diversified export bases, and financial sectors integrated into the global financial system. Emerging market and middle-income countries experience rapid economic growth, high volatility, low per capita income, and highly volatile currencies. Furthermore, low-income developing countries are defined as those whose per capita income is less than US$400. The IMF team expects that during COVID-19 pandemic, advanced countries will contract between -5.5% (Germany) and -15.4% (US). On average the advanced countries is experiencing growth of -10.7%. Emerging countries and middle countries ranged from -4.8% (Russia) to -13.3% (South Africa) with average economic growth of -9.1%. And for the low-income developing countries, the IMF expects economic growth to slow to an average of -5.7% (Junaedi & Salistia, 2020).

In Indonesia the huge negative impact can already be seen from the industrial side as of April 7, 2020, the ministry of Manpower noted that there were already more than 1.4 million workers in Indonesia have already been directly affected by the COVID-19 outbreak. There are 41,876 formal sector companies that lay off as many as 1,052,216 people and there are 36,298 informal sector companies that have laid off

their workforce as many as 374,851 people, that most widely area is DKI Jakarta with a total of 202 thousand workers as of April 4, 2020 (Sihaloho, 2020).

The work termination happened because of the *Pembatasan Sosial Berskala Besar* (PSBB) policy implemented by the Indonesian government has had a very large impact on the decline in economic activity. Based on the official website of the Ministry of coordinating for human development and culture of the Republic of Indonesia, the large-scale social restrictions are one of the government efforts to suppress the spread of COVID-19. As follow the government regulations, many companies in Indonesia implement various new policies such as implementing work from home (WFH), operating with reduced capacity and continuing to operate as usual (Okta & Nanang, 2020).

Consequently companies have experienced a decline in sales during the COVID-19 pandemic. It affects the income that people usually get is reduced or even temporarily does not get income. This leads to a decrease in people purchasing power, which affects the company sales. Furthermore, market competition makes the company situation even more difficult as economic activity was significantly impacted and very unprofitable. In the face of new conditions that occur due to COVID-19 pandemic companies are still trying to find ways to keep stable. Various efforts were made to keep the company afloat to solve the economic problems that occurred.

In terms of seeing the performance of the company, such as how the company survives and continues to run when conditions are down, financial approach is one of the parameters that are frequently used. Financial performance is the performance achieved by a company over a period of time and is included in the company relevant financial reports. Measuring financial performance can be done by analyzing financial reports and evaluating financial ratios (Kasmawati & Asyik, 2022).

Keown et al., (2004), a company financial statements are the primary source of information used by investors and creditors when making investment decisions. A method of breaking down financial statement items into smaller pieces of information called financial statement analysis. Analysis of financial statements involves comparing a company performance to that of other companies in the same industry and assessing trends in the company financial position. Analyzing financial statements is usually done periodically. Several techniques are commonly used in financial statements analysis, in this study use the financial ratio analysis.

Some of these previous studies that has related topic were carried out by Devi et al., (2020), a study of the impact of the COVID-19 pandemic on the financial performance of all companies in IDX showed that sectors with higher liquidity ratios, profitability ratios, and short-term activity ratios but had lower in the leverage ratios was the consumer goods sector. In contrast, the sectors with lower liquidity ratio and profitability ratios were property, real estate and building construction, finance, trade, services, and investment sectors. Thi Xuan Nguyen, (2022) examined a logistics companies in Vietnam found that these companies had declining performance in

terms of returns on assets, receivable turnover, and leverage has decreased. Next Daryanto et al., (2021) found a lower financial performance during pandemic based on ratio analysis. Next Nurdiansari et al., (2021) found a decreased performance based on ratio analysis performed during COVID-19 pandemic. Moreover, a study by Hayati et al., (2021) found that all four observed companies during the four time periods before and during COVID-19 all experienced changes in ROE obtained, regardless of whether there was an increase or decrease did.

Food and beverage industry will always generate sales as both food and beverage are basic necessities for people. The high demand market continues to provide food and beverage companies profits. Therefore, the author is interested to utilize the financial performance of food and beverage companies listed on the Indonesia Stock Exchange (IDX) in the years 2018-2021 by using a financial ratio as a measuring tool.

1.2   Problem Statement

Based on the research background above, the problem statement in this paper is:

1. Does the financial ratios used affect the profit growth in food and beverage companies listed in IDX 2018-2021 period?

2. Does COVID-19 pandemic affect the profit growth in food and beverage companies listed in IDX 2018-2021 period?

1.3 **Research Purpose**

1. To analyze how financial ratios used affect the profit growth in food and beverage companies listed in IDX 2018-2021 period.

2. To analyze how the COVID-19 pandemic affect the profit growth in food and beverage companies listed in IDX 2018-2021 period.

1.4 **Research Benefit**

The benefits of this research are as follows:

1. For the author, this research aims to get a good understanding as well as develop the knowledge of financial ratio analysis.

2. For academic, this research can be a contribution of thoughts in the development of scientific insight and references in the future.

3. For the food and beverage industry, this research can contribute thoughts about they can evaluate its financial performance.

1.5 **Writing System**

CHAPTER I: INTRODUCTION

This chapter explains the background of the research, the problem statement, the purpose of the research, research benefits and the writing system.

CHAPTER II: LITERATURE REVIEW
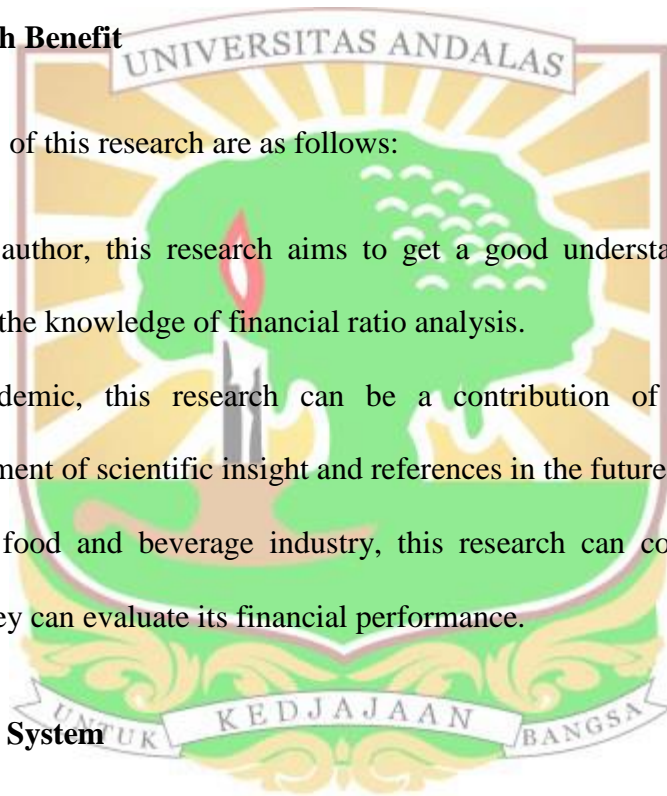
This chapter explains the literature review related to the research topics, theoretical basis, pandemic COVID-19, previous study, hypothesis development, and conceptual framework.

CHAPTER III: RESEARCH METHODOLOGY

This chapter explains the overview of the plan for conducting the research including the research design, population and samples, type and sources of data, research variables, data collection method, and data analysis method.

CHAPTER IV: RESULT AND DISCUSSION

This chapter explains the general description of the research object, data analysis, and the discussion

CHAPTER V: CONCLUSION

This conclusion chapter drew the conclusion of the research, research implications, the limitations and recommendations of the research.