

Analysis of Financial Performance through Profitability Approach at Culinary Center in Cimahi City

Ratna Meisa Dai

Faculty of social science and Political Science, Padjadjaran University

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ABSTRACT

This research aims at investigating financial analysis concerning profitability amongst culinary small-medium enterprise in Cimahi municipality. Aspects scrutinized comprise net profit, asset, gross profit, net profit, equity capital, sales, and cost of goods sold. Small-medium enterprise plays an essential role in a country's business given it results in implication for the sustainability of a country. It should be maintained and conducted continuously so it brings about profit for the country. Profitability is the extent to which a company is capable of profiting in one particular time period by employing its resources namely human resource, asset, and capital. Entrepreneurs of these businesses in Cimahi city continuously put efforts for improving their profitability since the improvement could influence the number of human resource, asset, and capital. The bigger the profitability is, the more secure the company's existence would be. Informants included in this research comprise 8 owners of small-medium enterprise in Cimahi city. This research employs qualitative method by conducting informal interview with the owners. The analysis is done by calculating the profitability as seen from several aspects comprising asset, equity capital, sales, cost of goods sold, gross profit and net profit. Calculated by profitability ratio is Gross Profit Margin, Net Profit Margin, Return on Asset, and Return in Equity. Financial performance with profitability approach is in based on GPM, NPM, ROA, and ROE so a culinary center small-medium enterprise in Cimahi city with good profitability is *Comring*, it is because from the 4 above-mentioned aspects, two aspects (ROA and ROE) is placed on the top spots. Afterwards, it is followed by *Bandrek Bajigur Hanjuang*, and *Donat Madu Cihanjuang*.

Keyword : Small Medium Enterprise, Profitability, Asset, Capital, Financial Performance

1. INTRODUCTION

Currently, small medium enterprise is undergoing development. They assist people's economy in Indonesia. Identical to other types of enterprises, within small medium enterprises are also aspects such as financial, production, marketing, and human resource. It is vital that the four aspects be in synergy so an enterprises' sustainability is guaranteed.

Current government policies adequately show their support for small medium enterprises. Within a period of the last 5 years, there have been numerous efforts and steps taken by the municipal government in order to develop these small-scaled businesses. This is aimed as a very accurate step in boosting one country's economy, especially in Indonesia. They have wide and promising prospect. Despite simplicity being common in their operation (learning by doing), such thing does not become an obstacle for the owners.

Cimahi is one of the municipalities in West Java with high number of small-medium enterprise. This encourages the municipal government to allocate budgets in developing

these businesses. The other reason is their potential to profit and increase Cimahi city's economy. Small medium enterprises in Cimahi are categorized into several centers, namely Culinary, craft, fashion, and animation. Culinary center is the one with most contribution for Cimahi city income. The number of entrepreneur in this business implies an increase on the number of business and profit. This indirectly shows improved profitability.

Profitability is the extent to which an enterprise is capable of profiting within a particular time period by employing its resources, such as human resource, asset, and capital. The entrepreneurs of these small scaled businesses continuously strive for improving their profitability since it can affect their number of employers, asset, and capital. The bigger the profitability of an enterprise is, the more the sustainability of the enterprise is guaranteed.

The following is the income of Culinary Centers small-medium enterprises in Cimahi in the year of 2010 – 2011.

Table 1.1 Profit of Culinary Center Small-Medium Enterprises Cimahi 2010 – 2011

Enterprise name	Yearly Profit (2010)	Yearly Profit (2011)
Minuman Tradisional Hanjuang	150.000.000	170.000,000
Batagor Hanimun	120.000.000	146.000.000
Peuyeum Ketan Soetardjo	100.000.000	85.000.000
Denish Bakery	120.000.000	115.400.000
Donat Madu	120.000.000	122.000.000
Yoel's cake and Bakery	140.000.000	143.200.000
Abon Sapi Sehati	450.000.000	420.000.000
Sumpia Chantika Dewi	144.000.000	141.400.000
Comring Mustika sari	146.600.000	145.000.000

Source : SME in Cimahi, 2013

Referring to the table, it could be seen that there is an increase on the profit Culinary center small medium enterprise in Cimahi. This is an interesting topic to be further put into scrutiny hence this research entitled "Analysis of Financial Performance Through Profitability Approach at Culinary Center in Cimahi City".

2. LITERATURE REVIEW

Performance is the result of that has been done by a company's performance can be seen in terms of finance. A company can assess the capabilities tailored to a company's performance. The financial performance of the company can diniliai with financial ratios. Financial ratios of the company there are several kinds. Based on this study, the authors simply create a profitability ratio that describes the state of a company to generate profit. This research was conducted in SMEs so that the limitations of existing data. Van Horne (2005: 234) explains that: "Financial ratio is a tool used to analyze the financial condition and performance of the company. We calculate the various ratios because this way we can get a comparison that might be useful rather than various raw numbers alone.

Brigham and Houston (2010: 133) financial statement analysis is useful to help anticipate future conditions, It can be concluded that understanding the financial ratio

analysis is comparing the number of activities that are within the financial statements so as to produce a more detail information regarding the performance of a company. in connection with the state of operations and financial condition of the company, there is also an element of the limited information that requires prudence in considering the issues contained in the company. Type of Financial Ratios Profitability Ratios Brigham and Houston (2010: 149) argues that the ratio of profitability is a group that shows the ratio of the combination of the effects of liquidity, asset management, and debt on operating results, From the above definition it is known that a ratio that provides information on a company's ability to benefit by utilizing the resources available within the company.

There are some measurement of the profitability of the company in which each measurement associated with the volume of sales, total assets and own capital. Third overall this measurement will allow an analyzer to evaluate the level of revenue relation to the volume of sales, total assets, and certain investments of the company owner. According to Brigham and Houston (2010: 136) Types of Profitability : Return On Equity, Demonstrate the ability of a company by comparing the net income with their own capital. Return On Asset, Demonstrate the ability of a company by comparing the net income and Asset. Gross Profit Margin, Demonstrate the ability of a company by comparing the gross profit to sales. Net Profit Margin Indicating the ability of a company by comparing net income to sales

3. RESEARCH METHOD

This research employs qualitative method and investigation approach due to the researcher usually obtains data by face-to-face interview with individuals in the research site (McMillan & Schumacher, 2003). The samples in this research are eight small-medium enterprises in culinary center in Cimahi city. Research data are obtained from several respondents or informants capable of providing accurate and relevant information; they are owners of food and beverage businesses in Cimahi city. The reason behind such choice is due to their playing big role in running their business, being the one with the most knowledge on their company's condition, including the profitability. The researcher uses in depth interview in form of informal conversation; document study, and triangulation.

The data analysis in this research refers to the model of qualitative data analysis proposed by Miles and Huberman. According to Miles and Huberman in Sugiyono (2007), the analysis is constituted of three steps, namely:

1. Data reduction

Data reduction comprises summarizing, sorting data into only essential matters, focusing on the sorted ones, and identifying their theme and pattern. Thus, the reduced data provide a more vivid depiction and allow researcher to conduct the next data collection more easily when considered necessary. In its application, the researcher would focus on

2. Data display

After being reduced, the next step is to present the data in order to more easily comprehend a condition and planning the next action plan based on what has been deduced. In a qualitative research, data display could be in form of short description, figure, inter-category relation, flowchart, or others. Concerning this, Miles and Huberman state that "the most commonly used method to display data in a qualitative study is narrative text".

3. Conclusion drawing/ verification

The initial conclusion stated is temporary and will change when no reliable evidence is available to support the claim in the next data collection. If, however, the initial conclusion is supported by valid and consistent evidence when the research revisits the site to obtain data, the initial conclusion is deemed a credible conclusion.

4. RESULT

4.1 Cimahi's small-medium enterprise profile

- a. *Bandrek dan Bajigur Hanjuang*; Cimahi city is known for its top culinary namely *Bandrek dan Bajigur Hanjuang*, a business established in 2000. The creative business idea is in form of a beverage product widely known as West Java's traditional beverage. Normally, one needs to go through the processes of making this beverage instead of making it instantly. Due to being instant, this beverage could then be enjoyed regardless one's being in the country or abroad. The uniqueness of this creative business idea sets Cimahi ahead of the pack.
- b. *Donat Madu*; *Donat Madu* is one of the most popular culinary in Cimahi. Each product possesses its own uniqueness; one of which is doughnuts made of honey and making doughnuts using honey. The honey doughnut is named *Donat Madu Cihanjuang*. Currently, its recipe has developed in four franchised stores and three business partners. According to the interview with the business owner, he could sell up to 2000 doughnuts daily which undoubtedly give more profit for his enterprise.
- c. *Batagor Hanimun*; *Batagor*, a dish comprising fried meatball and tofu with special seasonings and sauce, is one of Cimahi's top culinary. It is one of Bandung's traditional foods widely enjoyed by people in both urban and suburban area. *Batagor* which comprises of fried meatball and tofu may have already been familiar amongst Indonesian. . According to the interview with the business owner, he could sell up to 2000 doughnuts daily which undoubtedly give more profit for his enterprise.
- d. *Peuyeum Ketan Soetardja*; this business has been established since 1962. I tried their top menu which is *Peuyeum Ketan Hitam*, fermented black sticky rice. Similar to other types of fermented sticky rice, the first impression I got was that it is overly sweet flavor and has rather strong smell. However, this one, produced by Endah Gadjarsari's owned shop, is different. The sweetness is enough, and the water content is not too much so the product become more fresh when we eat it.
- e. *Yoel's Cake and Bakery*; *Yoel's Cake and Bakery* is one of Cimahi's most popular culinary which sells cake and bakery's for the consumption of people in the city. The shop provides ease for the people of Cimahi to enjoy the products without having to Financial Analysis of Yoel'S Cake and Bakery Bandung.
- f. *Abon Sapi Sehati*; *SEHATI* enterprise started as a family business since 2000. Apparently, the recipe, from their ancestor, is enjoyed not only by the family but also by others; thus, since the year 2008, we name this business *ABON SEHATI*.
- g. *Chantika Dewi*; *SUMPIA CHANTIKA DEWI* along with the increasing market demand, she increases her production up to the range of 60 – 100 kg product sold by the assistance of her close friends and neighbors who are always willing to help, she continuously develop her products to the point where she requested loan to a bank in order to develop her products and she plans to open an outlet in her neighborhood so people could get an easy access to her product.

- h. Comring; Comring is one of Cimahi's top culinary. It could be enjoyed as snack for family or as snack in formal meetings held by governments. Comring could enhance the economic well-being of areas surrounding it.

4.2 Financial condition of Culinary centre small-medium enterprises in Cimahi

**Table 1.2 Financial Data of Small-Medium Enterprise in Cimahi Year 2011
(in million Rupiah)**

SME	Net Profit	Total Asset	Gross Profit	COGS	Sales	Equity
Bandrek Bajigur Hanjuang	235	1,250	205	75	280	45
Donat Madu	175	835	384	36	420	38
Batagor Hanimun	30	115	58.5	97.5	156	17.5
Peuyeum Ketan Sotardja	15	87.5	27.5	87.5	115	13.5
Yoels Cake Bakery	38.5	160	45.7	97.5	143.2	32
Abon Sapi Sehati	125	314.5	146	274	420	60
Sumpia Chantika Dewi	42.5	105	56.5	85	141.4	14.5
Comring	52.5	98	71.8	73.2	145	10

Source : Researcher,2013

According to the table above, it could be seen that financial condition of Cimahi's small-medium enterprise is deemed well. *Bandrek Bajigur Hanjuang* is the one with the highest Net Profit whereas *Peuyeum Ketan Sotardja* has the lowest one. The lowest Gross Profit is identified to be attributed to *Peuyeum Ketan Sotardja* while the highest one being *Donat Madu*. Moreover, *Donat Madu* has the lowest cost of goods sold while *Abon Sapi Sehati* is with the highest cost of good sold. In other words, this financial condition is supported by the enterprises' asset. In addition, *Bandrek Bajigur Hanjuang* is the one with the highest sales compared to other businesses in culinary category.

Nevertheless, if one is to view from Cost of Goods Sold aspect, the highest position would be claimed by *Abon Sapi Sehati*, followed by *Bandrek Bajigur Hanjuang*, *Donat Madu*, *Yoels Cake Bakery*, *Batagor Hanimun*, *Sumpia Chantika Dewi*, *Peuyeum Ketan Sotardja*, and *Comring*.

4.3 Profitability calculation

Tabel 1.3. Profitability Ratio At Culinary Centre in Cimahi City 2011

No	SME	GPM	NPM	ROA	ROE
1	BAJIGUR HANJUANG	73%	84%	19%	522%
2	DONAT MADU CIHANJUANG	91%	42%	21%	461%
3	BAJIGUR HANIMUN	38%	19%	26%	171%
4	PEYEUM KETAN SOETARDJO	24%	13%	17%	111%
5	YOELS CAKE AND BAKERY	32%	27%	24%	120%
6	ABION SAPI SEHATI	35%	30%	40%	208%

7	SUMPIA	40%	30%	40%	293%
8	COMRING	50%	36%	54%	525%
RATA-RATA INDUSTRI		47.8%	35.1%	30.1%	301.3%

Source: Researcher, 2013

Referring to the above-mentioned data, it could be seen that in 2011, the average value of gross profit margin from culinary center of small-medium enterprises in Cimahi is at IDR 47,8 per IDR 1.00 sales. Consequently, the highest profitability is attributed to *Donat Madu Cihanjuang* due to this small business have gross profit of IDR 91,00 for every IDR 1,00 sale. Compared to the average value, it is fair to say that *Donat Madu Cihanjuang* is the one with the best performance while the lowest performance being *Ketan Soetardja*.

Referring to Net Profit Margin value, the enterprise with the best profitability is *Bajigur Hanjuang* since the business makes net profit of IDR 84,00 per IDR 1,00 sale. It becomes the highest profitability since it is above the average value of the competitors. The business with lowest profitability, on the other hand, is *Peuyeum Ketan Sohardja* due to being below the average value.

Seen from Return on Asset, the business with highest profitability is *Comring* for it makes net profit of IDR 54,00 for its every IDR 1,00 spending. Thus, *Comring* is the one with highest profitability whereas *Bajigur Hanjuang* is with the lowest profitability.

When Return on Equity is put as the primary perspective, *Comring* is the enterprise with the highest profitability since from the use of IDR 1,00 equity capital, the business could make net profit of IDR 525,00. *Comring* has the highest profitability for it is above average while *Peuyeum Ketan Soetarja* has the lowest profitability.

5. CONCLUSION

By taking GPM, NPM, ROA, and ROE into consideration, amongst small-medium enterprises on culinary center, *Comring* is the business with highest profitability. This is due to the business being the highest in two of the four aspects namely ROA and ROE. *Bandrek Bajigur Cihanjuang* and *Donat Madu* place second and third respectively.

6. SUGGESTION

The sustainability of small-medium enterprises on culinary center in Cimahi is supported by the municipal government which should keep striving for betterment such as in terms of capital support, innovation, and business management.

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