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Comparative Analysis of Franchising Company Performance Assessment

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ABSTRACT: The purpose of establishing a company is to survive in the future by earning a profit every year. The purpose of this study was to compare the financial performance of franchising companies, between PT. Master of Indonesian Culinary with Velvet Project, period 2018 and 2019.

The analysis method uses a comparative analysis of liquidity ratios, solvency ratios, activity ratios and profitability ratios for 2 (two) periods.

The conclusion of the study is that the liquidity ratio of the two companies is less than 200%, meaning that the company's performance can be said to be less good.

The solvency ratio of the two companies shows an up and down movement. The ratio of its activities, the company PT. This Indonesian Culinary Master is quite good and effective in managing company resources and the profitability ratios of both companies show a decrease in net profit.

KEYWORDS: liquidity ratio, solvency ratio, activity ratio, profitability ratio, company performance.

PRELIMINARY

The purpose of establishing a company is to make a profit, where profit is a profitable result of the business carried out by the company in a certain period. The company's profits can be used for additional financing in running its business and as a tool to maintain the company's survival.

Performance appraisal through non-financial aspects is relatively more difficult to do, because the assessment of one person is different from the results of the assessment of others, the company's performance assessment uses the financial aspect. Financial analysis that is often used to assess company performance is financial ratio analysis.

The increase in the fast food franchise business in today's business world, has led to the emergence of competitive competition among entrepreneurs. For this reason, business competition which is now rampant, needs to be anticipated with careful thought and precise calculations.

Because the fast food franchise business is growing day by day, it is increasingly in demand in Indonesia.

Based on the Indonesian Franchise Association (AFI), franchise sales growth until the end of 2018, is estimated to reach 5% - 6%. The figure is fairly stagnant, but the achievement is quite good, given the fluctuating macroeconomic conditions.

Franchise growth must start with the growth of Business Opportunity (BO). The current BO growth is directly proportional to the creation of new entrepreneurs in Indonesia. According to the Central Statistics Agency (BPS) in 2016, the ratio of entrepreneurs in Indonesia rose from 1.67 percent to 3.10 percent of the total population of 225 million people.

Financial ratio analysis is an effective analysis method and is easier to use to measure financial performance, when compared to other analytical tools, because it is very helpful for companies in assessing past management achievements and future prospects. There are four ratios used in this study, namely; liquidity ratios, solvency ratios, activity ratios, and profitability ratios.

Based on the statement above, the purpose of this study is to compare the Financial Performance of Franchising Companies, Case Studies at PT. Master of Indonesian Culinary and PT. Velvet Project.

LITERATURE REVIEW

Franchise

According to Sumarsono (2009), franchising or franchising from French for honesty or freedom are rights to sell a product or service or service. Meanwhile, according to the Indonesian government version, what is meant by a franchise is an agreement, where one party is given the right to utilize or use intellectual property rights (IPR) or a meeting of business characteristics owned by another party with a reward based on the requirements set by the other party. in the context of providing or selling goods and services.

While the Indonesian Franchise Association, franchising is a system of distributing goods or services to end customers, where the brand owner (franchisor) gives rights to individuals or companies to carry out business with brands, names, systems, procedures and methods that have been previously determined within a certain period of time. certain time covers a certain area.

Franchising as regulated in Article one paragraph one, Government Regulation Number 42 of 2007 namely; Franchise is a special right owned by an individual or business entity to a business system with business characteristics in the context of marketing goods and/or services that have been proven successful and can be utilized and/or used by other parties based on a franchise agreement.

From the definition of franchise, the elements included are: (a). There are special rights owned by individuals or business entities, (b). There is a business system with distinctive characteristics in order to market goods and/or services and the system has been proven successful, (c). The business system can be utilized and/or used by another party (the franchisee) based on the agreement.

Article three, Government Regulation Number 42 of 2007, concerning Franchising stipulates that franchisees must meet the following criteria: (a). Has business characteristics, (b). It has been proven to provide benefits, (c). Have a standard for the service of goods and/or services offered which is made in writing, (d). Easy to teach and apply, (e). There is ongoing support.

Franchisors and Franchisee

1. Franchisor or franchisor is a business entity or individual that grants rights to other parties to utilize and or use intellectual property rights or inventions or business characteristics they have.
2. Franchisee or franchisee, is a business entity or individual who is granted the right to utilize and or use intellectual property rights or inventions or characteristics owned by the franchisor.

The franchisee in running his business uses a business system provided by the franchisor based on an agreement. The agreement between the franchisor and the franchisee contains the rights and obligations of each party in accordance with the agreement they made.

Franchise Type

Business format franchising, the franchisor grants the franchisee the right (license) to sell products or services using the brand, the identity of the franchisor's system. The type that is mostly used by business people in Indonesia offers a complete and comprehensive system on how to run a business. This includes training and business consulting in terms of; marketing, sales, stock management, accounting, personnel, maintenance, business development.

The second type of franchise, namely product and trademark franchises, is the granting of licenses and management rights from the franchisor to franchisees to sell products using trademarks in the form of agents, distributors or sales licenses. In this type, the franchisor helps the franchisee choose a location and provides people services for decision making.

Financial Statements

Financial statements are the final result of the accounting process carried out by a company, which is used as a tool to communicate between financial data or activities of a company and parties with an interest in the data or activities of the company.

According to Fahmi (2012:21), financial statements are information that describes the company's current financial condition or future periods.

Munawir (2010:5), financial statements consist of a balance sheet and a profit and loss calculation as well as a report on changes in equity. The balance sheet shows or describes the amount of assets, liabilities and also the equity of a company at a certain date.

According to PSAK No. 1 (2015:1), financial statements are a structured presentation of the financial position and financial performance of an entity.

According to Kasmir (2013: 7), financial statements are reports that show the company's financial condition, while Sadeli (2014: 18) states that financial statements are written reports that provide quantitative information about the financial position and its changes as well as the results achieved during a certain period.

According to Hery (2012:11), users of accounting information are grouped into two categories, namely: (1). Internal users consist of: (a). Director and Finance Manager, (b). Operational Director and Marketing Manager and (c). Manager and Supervisor of Production and other Internal Users. (2). External Users consist of: (a). Investors (Investors), (b). Creditors, (c). Government, (d). Capital Market Supervisory Agency and (e). Economist, Practitioner, and Analyst.

Financial Statement Analysis

According to Prastowo (2011: 56), financial analysis is a considerate process in order to help evaluate the financial position and results of operations of the company in the present and the past, with the main objective of determining the best estimates and predictions regarding the condition and performance of the company in the future.

According to Jumingan (2008: 118), the ratio in the analysis of financial statements is a number that shows the relationship between an element and other elements in the financial statements.

Financial Statement Analysis Methods and Techniques

Analysis methods and techniques are used to determine and measure the relationship between items in the report, so that changes in each item can be seen when compared with reports from several periods for a particular company.

There are two analytical methods that can be used by financial statement analysis, namely: (a). Horizontal analysis is an analysis method that is carried out by comparing financial statements for several periods, so that developments and trends can be known. (b). Vertical analysis is an analytical method that is carried out by analyzing financial statements in a certain year, namely by comparing one post to another in the same financial report for the same period.

Types of Financial Ratios

Liquidity Ratio

According to Margaretha (2007:53), the liquidity ratio is used by various parties to help measure the company's ability to pay its short-term debt. This ratio is used by lenders to determine whether sufficient current assets can be converted into cash to pay off short-term debt.

Kasmir and Jakfar (2012), stated that the Liquidity Ratio is a ratio used to measure how liquid a company is. The trick is to compare all components in current assets with components in current liabilities (short-term debt).

Kasmir (2018), liquidity is the ability of a company to fulfill all obligations that must be paid immediately. The current ratio can also be said as a form to measure the level of safety (margin of safety).

Liquidity Ratio Benchmark

No	Kinds of Ratios	Standard Industry
1	*Current ratio*	200 %
2	*Quick ratio*	150%
3	*Cash ratio*	50%

Sources: Kasmir (2018:203)

Profitability Ratio

Profitability is a measuring tool to determine the company's ability to generate profits in relation to sales, assets, and own shares.

According to Hanafi and Halim (2014), the profitability ratio is used to measure the company's ability to generate profits (profitability) at a certain level of sales, assets, and share capital.

Profitability ratios have goals and benefits, not only for business owners and management, but also for parties outside the company, especially parties who have a relationship or interest with the company.

Profitability Ratio Benchmark

No	Kinds of Ratios	Standard Industry
1	*Net Profit Margin*	20 %
2	*Return on Investment*	30%
3	*Return on Equity*	40%

Sources: Kasmir (2018:208)

Solvency Ratio

According to Kasmir (2018: 150), the Solvency Ratio or Laverage Ratio is a ratio used to measure the extent to which company assets are financed with debt.

That is, how much debt burden is borne by the company compared to its assets. In a broad sense it is said that the solvency ratio is used to measure the company's ability to pay all its obligations, both short term and long term if the company is dissolved (liquidated).

Solvency Ratio Benchmark

No	Kinds of Ratios	Standard Industry
1	*Debt to Asset Ratio*	35 %
2	*Debt to Equity Ratio*	90%
3	*Long Term Debt to Equity Ratio (LTDtER)*	10 kali

4	*Times Interest Earned*	10 kali
5	*Fixed Change Coverage*	10 kali

Sources: Kasmir (2018:163)

Activity Ratio

According to Kasmir (2018:171), the activity ratio is a ratio used to measure the level of efficiency in the utilization of company resources or assess the company's ability to carry out daily activities.

Activity Ratio Benchmark

No	Kinds of Ratios	Standard Industry
1	*Receivable Turn Over*	15 kali
2	*Inventory Turn Over*	20 kali
3	*Working Capital Turn Over*	6 kali
4	*Fixed Asset Turn Over*	5 kali
5	*Total Asset Turn Over*	2 kali

Sources: Kasmir (2018:187)

RESEARCH METHODS

Population And Sample

According to Sugiyono (2006:61), the population is a generalization area consisting of objects and subjects that have certain qualities and characteristics determined by researchers to be studied and then drawn a conclusion. Population is not only people but also objects and other natural objects.

List of Franchise Companies That Become Population

No	Name of Company	Years
1	PT. Master Kuliner Indonesia	2018-2019
2	PT. Velvet Project	2018-2019

The sample is part of the population that will be taken for research and the research results are used as a representation of the population as a whole. Thus the sample can be expressed as part of the population taken by a technique or method to be studied and generalized to the population.

Variable Operational Definition

The definitions of each of the variables used in this study are as follows:

1. **Financial Performance (Y)**
   Financial performance is a good prospect or future, growth and development potential for the company. In general, financial performance is an effort made by every company in measuring and assessing every success achieved in generating profits, so that the company can see the prospects, growth and potential developments achieved in the company. A company can be said to be successful if it has achieved the standards and objectives set.
2. **Liquidity (X1)**
   According to Kasmir (2018: 134), the liquidity ratio is used by various parties to help measure the company's ability to pay off its short-term debt. In this study, to measure the liquidity ratio using the current ratio (Current Ratio) to measure the company's ability to pay short-term obligations or debts that are due immediately when billed.

$$\textit{Current Ratio} = \frac{\textit{Cuurent Asset}}{\textit{Current Liability}}$$

3. **Solvency (X2)**
   According to Kasmir (2018: 150), the Solvency Ratio or Laverage Ratio is a ratio used to measure the extent to which company assets are financed with debt. That is, how much debt burden is borne by the company compared to its assets. In this study, to measure the solvency ratio using the Debt to Equity Ratio ratio to find out each rupiah of own capital used as collateral for debt.

$$\textit{Debt to equity ratio} = \frac{\textbf{Total Debt}}{\textbf{Equity}}$$

4. **Activity (X3)**

   According to Kasmir (2018:171), the activity ratio is a ratio used to measure the level of efficiency in the utilization of company resources or assess the company's ability to carry out daily activities. In this study to measure the solvency ratio using the Total Assets Turn Over ratio is the ratio used to measure the turnover of all assets owned by the company and measure how much sales are obtained from each rupiah of assets.

$$\textit{Total Assets Turn Over} = \frac{\textbf{Sales}}{\textbf{Total Assets}}$$

5. **Profitability (X4)**

   According to Hanafi and Abdul Halim (2014), the profitability ratio is used to measure the company's ability to generate profits (profitability) at a certain level of sales, assets, and share capital. In this study, to measure the profitability ratio used Net Profit Margin.

$$\textit{NPM} = \frac{\textit{Net Profit After Tax}}{\textit{Sales}}$$

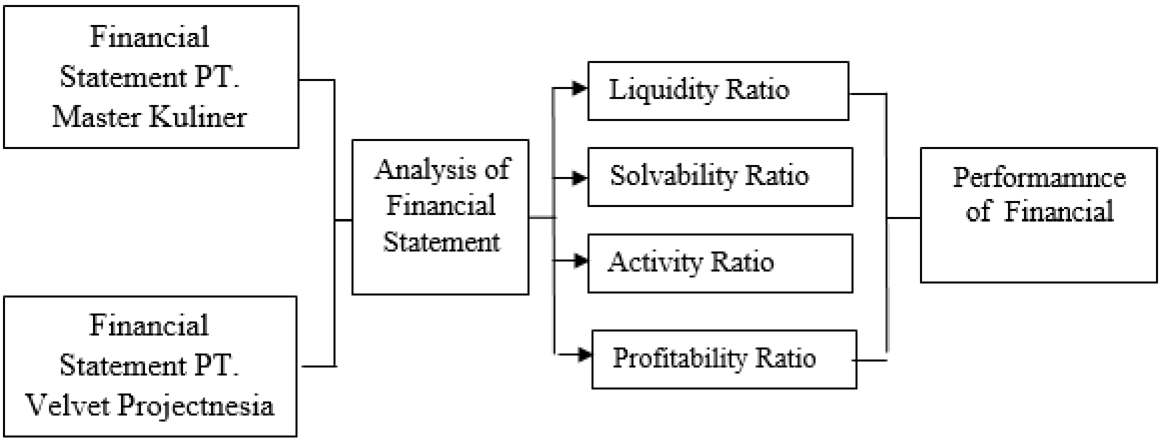
According to Ang (1997), ROI or commonly called Return On Assets (ROA) shows the company's ability to generate profits from the assets used. Return On Assets (ROA) is the most important ratio among existing profitability ratios.
According to Ang (1997), ROA can be measured using the formula:

$$\textit{ROA} = \frac{\textit{Net Profit After Tax}}{\textit{Total Assets}}$$

Research Model

Based on the theoretical basis above, the conceptual framework model used is as shown below:

Model Penelitian



The data analysis technique used is a qualitative analysis technique consisting of company profiles and financial statements of two companies which include balance sheets and income statements. The data will be used as a comparison tool between the financial performance of one company with other similar companies to show the company's financial condition by using financial ratio analysis.
The analysis technique used in this research is Liquidity Ratio Analysis, Solvency Ratio, Activity Ratio, and Profitability Ratio. From the results of financial ratio analysis, then it will be compared with industry standards of liquidity ratios, solvency ratios, activity ratios and profitability ratios from PT. Master of Indonesian Culinary with PT. Velvet Project.

ANALYSIS AND DISCUSSION

Recapitulation of Financial Performance of PT. Indonesian Culinary Master

Ratio	2018	2019	Average	Standard of Industry	Description
CR	97,92%	99,68%	98,80%	200%	Not good
DER	107,19%	68,27%	87,73%	< 90 %	Good

TATO	2,55 kali	2,56 kali	2,55 kali	> 2 kali	Good
NPM	53,26%	43,42%	48,47%	> 20 %	Good
ROA	136%	111%	123,5%	> 30 %	Good

Sources: PT. Indonesian Culinary Master

Recapitulation of Financial Performance of PT. Velvet Project

Ratio	**2018**	**2019**	**Average**	**Sdatndard of Industry**	**Description**
CR	95,85%	94,24%	95,05%	200%	Not good
DER	92,81%	132,77%	112,79%	< 90%	Not good
TATO	0,74	0,86	0,80	> 2 kali	Not good
NPM	72,71%	45,32%	59,02%	> 20%	Good
ROA	54%	39%	46,5%	> 30%	Good

Sources: PT. Velvet Project

Company Performance Comparative Analysis

The results of the comparison of financial performance using the financial ratios of PT. Master of Indonesian Culinary and PT. Velvet Project which includes Liquidity Ratio (Current Ratio), Solvency Ratio (Debt to Equity), Activity Ratio (Total Asset Turnover), Profitability Ratio (Net Profit Margin), and (Return On Asset) in the period 2018-2019.

Comparative Ratio

PERHITUNGAN RASIO KOMPARATIF					
No	Ratios	PT. MASTER KULINER INDONESIA		PT. VELVET PROJECT	
		2018	2019	2018	2019
1	*Current Ratio*	97,92%	99,68%	95,85%	94,24%
2	*Debt to Equity*	107,19%	62,87%	92,81%	132,77%
3	*Total Asset Turnover*	2,55 kali	2,56 kali	0,74 kali	0,86 kali
4	*Net Profit Margin*	53,26%	43,42%	72,71%	45,32%
	Return On Asset	136%	111%	54%	39%

CONCLUSION

Based on the results of research and data analysis, the following conclusions can be drawn: (1). The liquidity ratio shows that the current ratio of the two companies has fluctuated, this is due to an increase in liabilities that must be paid without being offset by current assets owned. Current ratio (CR), both companies are less than 200%, meaning that the company's performance can be said to be less good. (2). The solvency ratio at PT. Master of Indonesian Culinary and PT. The Velvet project in the 2018-2019 period showed an up and down movement caused by an increase in total debt, total assets, and the company's own capital. The results of the calculation of the Debt to Equity (DER) of PT. Velvet Project is more than 90%, meaning that the proportion of capital owned is smaller than the amount of loan capital, so the company's performance can be said to be less good. (3). The ratio of its activities, the company PT. This Indonesian Culinary Master is quite good and effective in managing company resources such as; receivables, inventories and other assets.

The company shows an increase in the activity ratio, which is due to an increase in sales followed by an increase in the number of fixed assets of the company, so that there is an efficiency of the company in increasing sales using its assets. (4). Profitability ratio at PT. Master of Indonesian Culinary and PT. Velvet Project in the 2018-2019 period, showed a decrease in net profit caused by an increase in the cost of goods sold that must be borne by the company.

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