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The manufacturing company performance: The effect of internationalization and funding decision

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ABSTRACT

This study aims to determine the effect of internationalization and funding decisions on the performance of manufacturing companies in the last 5 (five) years from 2014-2018 registered in Kompas 100. This study uses a descriptive quantitative approach with secondary analysis. The analytical tool used is multiple linear regression analysis with the help of the SPSS 26 program. Based on the results of data analysis, internationalization (foreign sales to total sales) and funding decisions (DER) partially affect the company's performance (Tobin's Q). Simultaneously internationalization and funding decisions affect company performance. This means companies that are able to increase their exports selectively and strategically will have an impact on the company's performance through increasing effective funding to finance export performance so that it will increase revenue and create better profits, overall affecting the performance of a company through better company value, seen by the increasing value of the company's shares. Finally, this article contributes to the knowledge and understanding of companies especially in Indonesia relating to the performance of a company and its impact on the manufacturing industry, challenges, and future prospects. Therefore it is recommended that in order to improve the performance of companies, especially manufacturing industries, companies when appointing managers, management of manufacturing companies must consider factors such as individual knowledge of the manufacturing industry, export-import, and corporate financial management.

Introduction

The increasing development of globalization has made companies enter the international world. Internationalization is the process by which companies establish and conduct transactions with other countries and have an impact on the company's financial condition (Beamish, 1990). The adoption of market-oriented economic reform policies and increased competition in the domestic market have caused many emerging market companies to enter international markets to improve performance (Pattnaik & Elango, 2009). Companies internationalize to expand markets and companies internationalize to remain competitive in the international market to increase company revenues and global competitiveness. Companies that sell higher internationalization show better financial company performance (Mcdougall & Oviatt, 1996).

Manufacturing industry has experienced many changes from each year, among others, the increasing needs of the community to meet the needs of life by consuming in the manufacturing sector. Manufacturing companies are one of the companies that have an important role in triggering Indonesia's economic growth. Manufacturing companies are needed because of the increasing needs of Indonesian society.

In this study, to measure the internationalization of companies proxied by exports (foreign sales to total sales). There are several arguments that expect that when a company has certain competitive advantages that can cover the costs incurred to do business abroad, the company's expansion in the international market will increase the performance or profit of the company. Then, internationalization will only be relevant if it can make a company grow bigger and gain greater experience when its domestic market

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has reached its saturation point. If the company is located in a very large domestic market, the company may not need to internationalize, while if the market in the country of origin is small, the company will be encouraged to internationalize to benefit from economies of scale (Glaum & Oesterle, 2007). To measure the Funding Decision in this study, it was proxied using Debt to Equity Ratio (DER). DER shows the comparison between financing and funding through debt with funding through equity (Brigham & Houston, 2001). The funding decision is related to the company's decision in finding funds to finance investment and determine the composition of funding sources (Kumar, Anjum, & Nayyar, 2012). Funding decisions with high debt and not followed by careful use because of the tendency of opportunistic insider behavior, the debt agency fees will be higher and ultimately will also hurt shareholders.

The development of the capital market cannot be separated from the economic and business development of a country. An investor is obliged to know the condition of the company which can be seen from the company's financial statements. To find out whether the company is healthy or cannot be analyzed from the information recorded in the financial statements. The financial statements describe as well the company's performance. A company that maintains good financial performance is one of the strategies to achieve the company's goals. Improving the company's financial performance is an obligation that must be done, so that the company's shares can attract investors to invest their funds in the company.

This provides evidence of contextual knowledge gaps about the effect of internationalization and funding decisions on company performance, especially in the context of manufacturing companies. As a result, this research fills in the existing contextual gaps and research gaps on the effect of internationalization through export activities (foreign sales to total sales) and funding decisions using DER (Debt to Equity Ratio) on company performance through Tobin's Q value in manufacturing companies in Indonesia. Therefore, this research focuses on the manufacturing industry in Indonesia by measuring the impact of internationalization on company performance. More specifically, the purpose of this research is to determine the effect of internationalization, funding and funding decisions on the performance of manufacturing companies in Indonesia.

Literature review

Internationalization

Internationalization is the process of corporate involvement in international operations (Fletcher, 2007). Johanson & Mattsson, (2015), argues that internationalization is a strategy of companies moving from the domestic market to foreign countries by forming relationships and communication with business partners abroad, which can help companies to expand new business partners and new markets. According to Calof & Beamisht, (1995), internationalization is the process of adapting companies, strategies, structures, resources, etc. to the international environment. According to Elango & Pattnaik, (2007), internationalization refers to the level of sales or operating income obtained by companies in foreign markets. So it can be concluded that internationalization is the company's strategy to expand the area of operation from the domestic market to the global market.

Internationalization can generally be understood as the activities of companies that cross national borders (Wright & Ricks, 1994). Internationalization occurs because of the influence of market globalization in the fields of technology, transportation, communication, and other factors that help companies enter the international world (Bamiatzi, Tamer, Jabbour, & Sinkovics, 2014; Knight, 2000). Internationalization is also related to the increasing involvement of companies in foreign markets. The presence of internationalization provides new opportunities for companies to create value for new resources, foreign stakeholders, new institutions, and internationalization provides knowledge to companies (Goerzen & Makino, 2007).

Several previous studies have suggested a positive linear effect of internationalization on company performance (Bamiatzi et al., 2014; García-garcía, García-canal, & Guillén, 2016). The reason for the positive influence of geographical diversification or internationalization on company performance is that the movement allows companies to benefit from economies of scale (Singla & George, 2013). Based on the discussion, the hypothesis for the effect of this variable on performance is as follows:

H1: Internationalization influences company performance

Funding Decision

Funding decisions can also be interpreted as decisions relating to the company's financial structure (financial structure). The company's financial structure is a composition of funding decisions which include short-term debt, long-term debt and equity capital. Every company will expect an optimal capital structure, which is a capital structure that can maximize the value of the firm and minimize the cost of capital (Fenandar & Raharja, 2012).

Funding decisions are the next decisions that financial managers must make to fund investments made by the company. In this decision, financial managers are required to consider and analyze the sources of funds to finance these investments. In this decision the financial manager must understand very well what proportion, composition, combination, and financing efficiency that the company needs. This decision is located on the right side of the balance sheet, which is current liabilities and long-term liabilities. Current liabilities include trade payables and other short-term liabilities. Long-term obligations include bank loans, issuance of shares & bonds, and other long-term obligations.

Funding decisions can be measured by the DER ratio (Debt to Equity Ratio), which is a ratio to measure how the company uses the source of funds from debt and reflects the company's ability to pay obligations in the long run, this means that the higher the debt, the greater the financial risk of the company.

Company Performance

The company's performance is a picture of the company's financial condition that is analyzed with financial analysis tools, so that it can be seen whether the company's financial condition is good or bad that reflects the company's performance in a certain period (Prastowo, 2012). Financial conditions can show the effectiveness and efficiency of company performance. Measurement of the company's financial performance can be seen through financial statements and financial ratios. Financial performance is important and must be maintained and improved so that the company can operate properly and is attractive to investors.

According to Prastowo (2012), there are two elements related to company performance defined as follows: 1). Income ; Income is an increase in economic benefits during an accounting period in the form of income or increase in assets or decrease in liabilities resulting in an increase in equity not derived from investment. Income consists of revenue (revenue) and profits (gains). In the income statement, profits are usually listed separately and reported in net amounts after deducting the expenses concerned. Besides being able to be received in the form of assets, income can also come from the settlement of obligations. 2). Expense ; Expense is a decrease in economic benefits during an accounting period in the form of outflows or loss of assets or the occurrence of liabilities resulting in a decrease in equity that does not involve distributions to investors. In the income statement, losses are usually listed splashed and reported in the net amount after deducting the income concerned.

Based on the discussion, the hypothesis for the effect of this variable on performance is as follows:

H3: Internationalization and funding decisions influences company performance

Research and Methodology

The population of this research is manufacturing companies in Kompas 100 for the period of 2014-2018 obtained through the websites of each company, the Indonesia Stock Exchange and related sites that provide secondary data on public financial reports, namely www.idx.co.id and official website of each manufacturing company. To get the right sample technique, purposive sampling was chosen as a sampling technique that was more appropriate for the purpose of this study. Sampling by purposive sampling for five years the company operates with a total of 8 companies in the manufacturing sector registered at Kompas 100.

Researchers use descriptive methods with quantitative approaches. Multiple linear regression analysis with the help of the SPSS 26 program was conducted to examine the effect of the independent variables (internationalization, funding decisions) with the dependent variable (company performance) contained in hypotheses 1-3.

Results and Discussion

The Normality Test

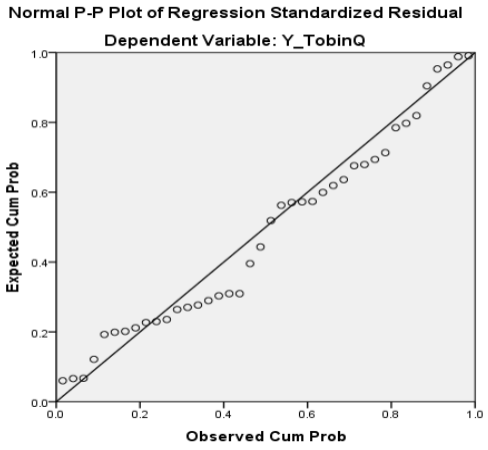

Figure 1: Normal P-P Plot of Regresion Standarized Residual

In Figure 1 above it can be seen that the points spread around the diagonal line and follow the direction of the diagonal line. Based on these results, the data in this study have a normal distribution and meet the data normality test.

The Multicollinearity Test

Table 1: Multicollinearity

Model		Collinearity Statistics	
		Tolerance	**VIF**
1	FSTS	.970	1.030
	DER	.970	1.030

Based on Table 1 above it can be seen the tolerance value for FSTS (X1) = 0.970, DER (X2) = 0.970 while VIF for FSTS (X1) = 1.030, DER (X2) = 1.030. This shows that VIF is smaller than 10 and the tolerance value is greater than 0.10. Then it can be concluded that between independent variables do not occur multicollinearity.

The Heteroscedasticity Test

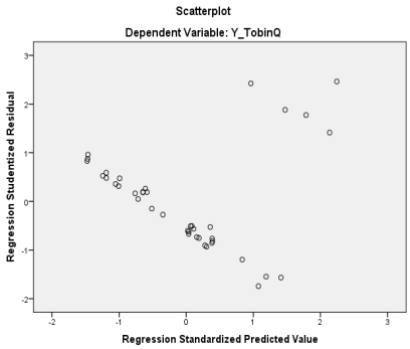

Figure 2: Residual Standard Regression Scatterplot

In Figure 2 above shows that the data points spread around zero and do not collect at a point. The distribution of these data points also does not form a pattern. So it can be concluded that the regression model of this study did not experience heterokedasticity problems.

The Autocorrelation Test

Table 2: The Autocorrelation Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.674[a]	.455	.425	46.48052	3.154

a. Predictors: (Constant), X2_DER, X1_FSTS

b. Dependent Variable: Y_TobinQ

Table 2 shows the Durbin-Waston value of 3.1540. This value is compared with the table value with a degree of confidence of 5%, then the value obtained dL = 1.3908 and dU = 1.6000. This Durbin-Waston value is greater than the value of dU = 1.6000 and dU is smaller than the value (4-dU) 4-1.6000 = 2.4000 or (4-DW)>dU<DW. So it can be concluded there is no autocorrelation problem.

Table 3: Development of Foreign Sales to Total Sales (Export) 2014-2018

Nama Perusahaan / Tahun	2018	2017	2016	2015	2014
ANTM	0,4337	0,6749	0,5951	0,7311	0,7110
ERTX	0,9925	0,9940	0,9962	0,9950	0,9866
TINS	0,9188	0,9202	0,8928	0,9245	0,9265
SMCB	0,0247	0,0266	0,0439	0,0246	0,0088
LSIP	0,2500	0,0337	0,0259	0,0404	0,0455
ASII	0,1111	0,1211	0,1177	0,1273	0,0985
UNVR	0,0552	0,0595	0,0560	0,0509	0,0589
INDF	0,1083	0,0944	0,0773	0,0839	0,0849
MAX	0,9925	0,9940	0,9962	0,9950	0,9866
MIN	0,0247	0,0266	0,0259	0,0246	0,0088
MEAN	0,3618	0,3656	0,3506	0,3722	0,3651

Source*: Data processed*

Based on Table 3 the results of processing regarding Foreign Sales to Total Sales in companies registered in Kompas 100 from 2014-2018 had the largest average score of 2015 amounted to 0.3722, while the lowest average score in 2016 was 0.3506.

The highest export score (foreign sales to total sales) is at PT. EratexDjajaTbk (ERTX) amounted to 0.9866 in 2014, 0.9550 in 2015, 0.9962 in 2016, 0.9940 in 2017, and 0.9925 in 2018. While the export value of the lowest score was found at PT. SolusiBangun Indonesia Tbk (SMCB) of 0.0088 in 2014, 0.0246 in 2015, 0.0259 in 2016, 0.0266 in 2017, and 0.0247 in 2018.

Table 4: Value of Funding Decisions (DER) 2014-2018

Nama Perusahaan/ Tahun	2018	2017	2016	2015	2014
ANTM	0,6873	0,6232	0,6287	0,6573	0,8261
ERTX	2,2914	2,3148	1,6328	2,0924	2,9520
TINS	1,3180	0,9593	0,6889	0,7277	0,7390
SMCB	1,9093	1,7270	1,4518	1,0499	1,0041
LSIP	0,2047	0,1971	0,2371	0,2059	0,2442
ASII	0,9770	0,8902	0,8716	1,0264	0,5361
UNVR	1,5762	2,6546	2,5597	2,2585	2,0087
INDF	0,9340	0,8768	0,8701	1,1296	1,1373
MAX	2,2914	2,6546	2,5597	2,2585	2,9520
MIN	0,2047	0,1971	0,2371	0,2059	0,2442
MEAN	1,2372	1,2804	1,1176	1,1435	1,1809

Source: *Data processed*

Based on Table 4 the results of processing regarding the value of funding decisions (DER) in companies registered in Kompas 100 from 2014-2018 have the largest average score value in 2017 of 1.2804, while the lowest average score in 2016 amounted to 1.1176.

The value of the funding decision (DER) with the highest score is found in the company PT. EratexDjajaTbk (ERTX) amounted to 2.9520 in 2014, 2.2585 in 2015, 2.5597 in 2016, 2.6546 in 2017 and 2.2914 in 2018. While the lowest value score of the funding decision was found in the company PT London Sumatra Indonesia Tbk. (LSIP) of 0.2442 in 2014, 0.2059 in 2015, 0.2371 in 2016, 0.1971 in 2017, and 0.2047 in 2018.

Table 5: Development of Company Performance (Tobin's Q) Year 2014 - 2018

Nama Perusahaan / Tahun	2018	2017	2016	2015	2014
ANTM	0,9593	0,8843	1,1034	0,6768	0,9140
ERTX	0,6974	0,6995	0,6223	0,6777	0,7843
TINS	4,2881	5,3497	6,3748	4,0890	10,3184
SMCB	16,8860	8,1190	8,6930	9,6266	19,3020
LSIP	8,6632	9,9938	9,5679	14,7374	15,0585
ASII	1,4601	1,5726	1,7876	1,9030	1,7643
UNVR	178,0449	226,3202	177,5072	180,1661	173,2429
INDF	7,2586	8,0403	8,8777	5,4782	7,4172
MAX	178,0449	226,3202	177,5072	180,1661	173,2429
MIN	0,6974	0,6995	0,6223	0,6768	0,7843
MEAN	27,2822	32,6224	26,8167	27,1694	28,6002

Source: *Data processed*

Based on Table 5 the results of processing regarding the value of company performance (Tobin's Q) on companies registered in Kompas 100 from 2014-2018 having the largest average score is in 2017 at 32.6224, while the lowest average score of the year 2016 amounted to 26.8167. The highest company performance score (Tobin's Q) is found in the company PT. Unilever Indonesia Tbk. (UNVR) amounted to 173.2429 in 2014, 180.1661 in 2015, 177.5072 in 2016, 226.3202 in 2017 and 178.0449 in 2018. While the value of the funding decision the lowest score was found at PT. EratexDjajaTbk. (ERTX) of 0.7843 in 2014, 0.6768 in 2015, 0.6223 in 2016, 0.6995 in 2017, and 0.6974 in 2018.

Tobin's Q value is high (Tobin, 1969), the company indicates that the cost of the company's market value is greater than the cost of replacing company assets, then this indicates that the market is good at the company. Conversely, if the cost of replacing company assets is greater than the cost of the company's market value, the market indicates that the company is considered bad. A high company

performance value can give maximum benefit to shareholders if the company's stock price continues to increase. To achieve good company performance, the investors (investors) submit the management of funds to professionals and are given to managers and commissioners of the company.

The Multiple Linear Regression Test

Table 6: The Regression Coefficient

Model		Unstandardized Coefficients		Standardized Coefficients	t	sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	5.680	14.899		-.381	.705		
	FSTS	-67.870	19.118	-.438	-3.550	.001	.970	1.030
	DER	49.320	10.238	.594	4.817	.000	.970	1.030

a. Dependent Variable: TOBINSQ

Based on the results of calculations with the SPSS program it is known that the multiple regression equation is as follows:

$Y=\alpha + \beta X_1 + \beta X_2 + e$

TOBIN'S Q = 5.680 + (-67.870) FSTS + 49.320 DER

Explanation:

Y = Company Performance (Tobin's Q)
X_1 = Internationalization (FSTS)
X_2 = Funding Decision (DER)

Based on the regression results above, it can be interpreted that the company's performance (Tobin's Q) in 2014-2018 in companies registered at Kompas 100 was 5,680. Furthermore, the magnitude of each independent variable can be explained that:

Foreign Sales to Total Sales (FSTS) has a regression coefficient of -67.870 stating that any increase in FSTS (assuming that the coefficient values of other variables are fixed or unchanged) will reduce the company's performance (Tobin's Q) by -67,870. But on the contrary if FSTS has decreased by 1% (assuming that the coefficient values of other variables are fixed or unchanged) then the company's performance (Tobin's Q) will increase by 67,870. The Funding Decision (Debt to Equity Ratio) has a regression coefficient of 49.320 stating that each increase in DER by 1% (assuming that the coefficient values of other variables are fixed or unchanged) then the company's performance (Tobin's Q) is predicted to decrease by 49.320 and conversely if DER has decreased by 1% then the company's performance (Tobin's Q) (assuming that the coefficient values of other variables are fixed or unchanged) is predicted to experience an increase of 49,320.

The t Hypothesis Testing (Partially)

The value of Foreign Sales to Total Sales (X1) has a t value of -3.550. By using a two-tailed test and a significance level of 5% and degrees of freedom df = n-k-l (40-2-1 = 37), then obtained t Table of 2.02619. Because t arithmetic is negative then the t test is done on the left side so that it can be concluded that the value of t arithmetic is greater than t Table that is 3,550> 2,02619. So it shows there is an influence between the FSTS variables on Company Performance (Tobin's Q). The Funding Decision Value (X2) has a t value of 4.817. By using a two-tailed test and a significance level of 5% and a degree of freedom df = n-k-l (40-2-1 = 37), then obtained t Table of 2.02619. Because the t value is positive then t test is done on the right side so that it can be concluded that the value of t arithmetic is greater than t Table that is 4,817> 2.02809. Then it shows there is an influence between the Funding Decision variable on Company Performance (Tobin's Q).

The F Test Hypothesis Testing (Simultaneous)

In testing this hypothesis aims to test whether all independent variables used in the regression model simultaneously or together can explain the dependent variable. Here, we examine together the influence of Foreign Sales to Total Sales and Funding Decisions on Company Performance (Tobin's Q). The following are the results of the F (Simultaneous) Test:

Table 7: The F Test Result

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	66628.009	2	33314.005	15.420	.000b
	Residual	79936.235	37	2160.439		
	Total	146564.244	39			

a. Dependent Variable:TOBINSQ
b. Predictors: (Constant), DER, FSTS

Based on Table 7 F test results (simultaneous) can be seen that the F count of 15.420 and f table obtained (df = nkl, then df = 40-2-1 = 37) with the denominator k = 2, then the f table can be equal to 3 25 years old. So it can be stated that the f count is greater than the F table (15.420> 3.25). Then it can be concluded that there is a joint effect of internationalization variables (FSTS) and funding decisions (DER) on company performance variables (Tobin's Q).

The Determination Coefficient Test

Analysis of the coefficient of determination is the square of the correlation value. This analysis is used to determine the amount of contribution of the influence of independent variables on the dependent variable.

Table 8: The Coefficient of Determination

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.674[a]	.455	.425	46.48052

a. Predictors: (Constant), X2_DER, X1_FSTS
b. Dependent Variable: Y_TobinQ

Based on Table 8 above that the value of R Square is 0.455. This means that by using a percentage that becomes 45.50%, the contribution or influence of the variable Foreign Sales to Total Sales (X1) and Funding Decisions (X2) on Company Performance (Y) is 45.50%, while the remaining 54.50% is influenced by other variables.

The results of the significance of the independent variable in influencing the dependent variable indicate that the independent variable in this study is foreign sale to total sales, and funding decisions can be taken into consideration by investors to invest their capital in the company and be able to maximize the company's performance.

The Hypothesis Testing Results

Based on the description of several hypotheses that have been formulated previously, it can be seen in Table 9 as a whole regarding the research hypothesis as follows:

Table 9: Summary of Research Hypothesis

Hypothesis	Hypothesis Testing Results
H_1 : Foreign Sales to Total Sales affect Company Performance	ACCEPTED
H_2 : Funding Decisions are proxied by Debt to Equity Ratio on Company Performance	ACCEPTED
H_3 :Foreign Sales to Total Sales and Funding Decisions simultaneously affect Company Performance	ACCEPTED

The test results show that internationalization (export) has a negative effect on company performance. This is because in internationalization, there are costs incurred related to the development of management systems and external business networks when conducting internationalization so that companies will face additional fixed costs and overhead, at least in the initial stages (Singla & George, 2013). Some recent research also mentions that the implementation of the internationalization strategy requires large investment costs and it can be considered that this internationalization as a large investment project and this causes a negative effect of the impact of this internationalization on company performance in the short term (Altaf & Shah, 2015; Vithessonthi, 2016).

Funding decisions affect company performance, so the proportion of debt increases, the available operational funds also increase, if the debt is managed well, it can increase the company's profit company performance will be high. If the company's performance is high, it will increase the company's stock price. This means that increasing funding decision variables will increase company performance. This is supported in the research of Wan Mohd Nazri Wan Daud, Norwani, Mansor, & Endut (2016), that capital structure influences company performance.

Conclusions

Internationalization of foreign sales to total sales (exports) has an influence on the company's performance (Tobin's Q) in 8 companies registered in Kompas 100 from 2014-2018. The funding decision (DER) has an influence on the company's performance (Tobin's Q) in 8 companies registered in Kompas 100 from 2014-2018. Internationalization of foreign sales to total sales (exports) and funding decisions (DER) together have an influence on the company's performance (Tobin's Q) in 8 companies registered in Kompas 100 from 2014-2018. Finally, this article contributes to the knowledge and understanding of companies especially in Indonesia relating to the performance of a company and its impact on the manufacturing industry, challenges, and future prospects.

For further research, it is better to use a larger sample by taking a sample of more than 5 five years and be able to examine the sample of all companies in Indonesia so that it can evaluate the performance of Foreign Sales to Total Sales and Funding Decisions as a whole. Adding the variable Company Value in terms of the Price Earning Ratio, or Price To Book Value ratio. This shows the company's ability to generate pure business operating income and net income in terms of operating income so that it can be seen how the Company's Value at Kompas 100 from different sides of the ratio. Therefore it is recommended that in order to improve the performance of companies, especially manufacturing industries, companies when appointing managers, management of manufacturing companies must consider factors such as individual knowledge of the manufacturing industry, export import and corporate financial management

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