

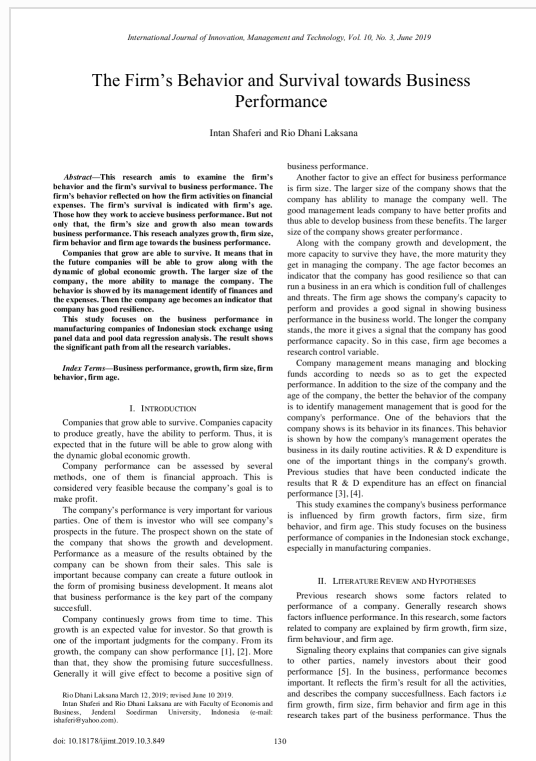


Digital Receipt

This receipt acknowledges that **Turnitin** received your paper. Below you will find the receipt information regarding your submission.

The first page of your submissions is displayed below.

Submission author: Intan Shaferi
Assignment title: DOSEN
Submission title: The Firm's Behavior and Survival to...
File name: IJIMT_Vol.10._NO.3_2019.pdf
File size: 500.44K
Page count: 3
Word count: 2,635
Character count: 13,636
Submission date: 25-Oct-2020 10:29PM (UTC+0700)
Submission ID: 1425787597



The Firm's Behavior and Survival towards Business Performance

by Intan Shaferi

Submission date: 25-Oct-2020 10:29PM (UTC+0700)

Submission ID: 1425787597

File name: IJIMT_Vol.10._NO.3_2019.pdf (500.44K)

Word count: 2635

Character count: 13636

The Firm's Behavior and Survival towards Business Performance

Intan Shaferi and Rio Dhani Laksana

Abstract—This research aims to examine the firm's behavior and the firm's survival to business performance. The firm's behavior reflected on how the firm activities on financial expenses. The firm's survival is indicated with firm's age. Those how they work to achieve business performance. But not only that, the firm's size and growth also mean towards business performance. This research analyzes growth, firm size, firm behavior and firm age towards the business performance.

Companies that grow are able to survive. It means that in the future companies will be able to grow along with the dynamic of global economic growth. The larger size of the company, the more ability to manage the company. The behavior is showed by its management identify of finances and the expenses. Then the company age becomes an indicator that company has good resilience.

This study focuses on the business performance in manufacturing companies of Indonesian stock exchange using panel data and pool data regression analysis. The result shows the significant path from all the research variables.

Index Terms—Business performance, growth, firm size, firm behavior, firm age.

I. INTRODUCTION

Companies that grow able to survive. Companies capacity to produce greatly, have the ability to perform. Thus, it is expected that in the future will be able to grow along with the dynamic global economic growth.

Company performance can be assessed by several methods, one of them is financial approach. This is considered very feasible because the company's goal is to make profit.

The company's performance is very important for various parties. One of them is investor who will see company's prospects in the future. The prospect shown on the state of the company that shows the growth and development. Performance as a measure of the results obtained by the company can be shown from their sales. This sale is important because company can create a future outlook in the form of promising business development. It means alot that business performance is the key part of the company successful.

Company continuesly grows from time to time. This growth is an expected value for investor. So that growth is one of the important judgments for the company. From its growth, the company can show performance [1], [2]. More than that, they show the promising future successfulness. Generally it will give effect to become a positive sign of

business performance.

Another factor to give an effect for business performance is firm size. The larger size of the company shows that the company has ability to manage the company well. The good management leads company to have better profits and thus able to develop business from these benefits. The larger size of the company shows greater performance.

Along with the company growth and development, the more capacity to survive they have, the more maturity they get in managing the company. The age factor becomes an indicator that the company has good resilience so that can run a business in an era which is condition full of challenges and threats. The firm age shows the company's capacity to perform and provides a good signal in showing business performance in the business world. The longer the company stands, the more it gives a signal that the company has good performance capacity. So in this case, firm age becomes a research control variable.

Company management means managing and blocking funds according to needs so as to get the expected performance. In addition to the size of the company and the age of the company, the better the behavior of the company is to identify management management that is good for the company's performance. One of the behaviors that the company shows is its behavior in its finances. This behavior is shown by how the company's management operates the business in its daily routine activities. R & D expenditure is one of the important things in the company's growth. Previous studies that have been conducted indicate the results that R & D expenditure has an effect on financial performance [3], [4].

This study examines the company's business performance is influenced by firm growth factors, firm size, firm behavior, and firm age. This study focuses on the business performance of companies in the Indonesian stock exchange, especially in manufacturing companies.

II. LITERATURE REVIEW AND HYPOTHESES

Previous research shows some factors related to performance of a company. Generally research shows factors influence performance. In this research, some factors related to company are explained by firm growth, firm size, firm behaviour, and firm age.

Signaling theory explains that companies can give signals to other parties, namely investors about their good performance [5]. In the business, performance becomes important. It reflects the firm's result for all the activities, and describes the company successfulness. Each factors i.e firm growth, firm size, firm behavior and firm age in this research takes part of the business performance. Thus the

Rio Dhani Laksana March 12, 2019; revised June 10 2019.

Intan Shaferi and Rio Dhani Laksana are with Faculty of Economis and Business, Jenderal Soedirman University, Indonesia (e-mail: ishaferi@yahoo.com).

factors can support giving a positive signal to an effect on performance. Previous studies have shown how firm growth [3], [4], firm size [6], [7], and firm age [3], [8], [9] and firm behavior [1], [2] show a positive direction. Thus the hypothesis is formulated as follows:

H1: There is a significant effect of growth on business performance.

H2: There is a significant effect of firm size on business performance.

H3: There is a significant effect of firm behavior on business performance.

H4: There is a significant effect of firm age on business performance.

III. RESEARCH METHODOLOGY

The study was conducted on manufacturing companies in the Indonesian Stock Exchange during 2016-2017. Panel data is used in research with pool regression analysis. Analysis is run by pool regression with Eviews. The dependent variable Y is business performance and measured by sales. The independent variable X1 is firm growth and it is measured by growth. Firm size X2 is measured by natural log assets, X3 firm behavior is measured by dummy R & D expenditure, and X4 age is measured by natural logarithm age.

IV. RESULTS AND DISCUSSION

The study was conducted on 124 data entries for manufacturing companies in Indonesia Stock Exchange during year of 2016-2017. This research uses pooled data regression, with the following results in Table I:

TABLE I: REGRESSION OUTPUT I

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	24.05566	1.283212	18.74643	0.0000
GROWTH	0.647406	0.342971	1.887640	0.0615
SIZE	0.667413	0.307579	2.169890	0.0320
DRND	3.715407	2.239334	1.659157	0.0997
AGE	0.008005	0.538705	0.014860	0.9882
R-squared	0.101787	Mean dependent var	24.73217	
Adjusted R-squared	0.071595	S.D. dependent var	4.965502	
S.E. of regression	4.784448	Akaike info criterion	6.008106	
Sum squared resid	2724.023	Schwarz criterion	6.121827	
Log likelihood	-367.5026	Hannan-Quinn criter.	6.054302	
F-statistic	3.371317	Durbin-Watson stat	1.103607	
Prob(F-statistic)	0.011875			

Total panel (balanced) observations: 124

The results show that firm growth, firm size and firm behavior have a significant effect on business performance. As for firm age, it has no significant effect. The equation of the regression from Table I presented as follows:

$$Y = 24.055 + 0.647 X_1 + 0.667 X_2 + 3.715 X_3 + 0.008 X_4 + e$$

In this case means Y shows an average yield of 24,055. Changes X1, X2, X3, X4 as big as coefficient will cause changes to Y. Coefficient for X1 is 0,647 means firm growth changes will effect to business performance for 0,647. Coefficient for X2 is 0,667 means firm size changes will effect to business performance for 0,667. Coefficient for X3 is 3,175 means firm behavior changes will effect to business performance for 3,175. Coefficient for X4 is 0,008 means firm age changes will effect to business performance for 0,008.

Thus the performance is effected by the factors of firm growth, firm size, firm behavior, and firm age. The test results show that firm growth has an effect with a probability value of 0.06 at a significance value of 0.1, the variable firm size with a probability of 0.032, the firm size has a significant effect on the significance value of 0.05, so does the firm behavior variable that dummy R & D expenses have a significant effect on the significance level of 0.05. Whereas the firm age variable in this study conclude that did not significantly effect sales. This result can be explained that with good product conditions and good promotion, age is not a guarantee to get good sales. Companies with a young age are also able to produce good sales when products can be accepted in the community.

Acceptance of H1 that firm growth effects business performance can explain and support previous research [1], [2]. Business growth is a signal that the company has a good business performance. Positive growth gives hope in the future that companies can develop and advance. This also indicates that companies can manage finances well so that they get good performance results. Business requires a high demand for promising future. A company that has growth is a company that can give what is expected from some parties not except investors. By its growth, company give a promising future to the investors. It also will give impact to new investors to invest in the company because the growth means a company not only survive but also improve. In this research, growth for manufacturing companies in Indonesia Stock Exchange has positive effect to business performance. Capital market will achieve it as good information to become a signal for investors.

Acceptance of H2 which states that firm size has a positive effect on business performance supports previous research [3]. Thus, it shows that companies with large assets indicate that they are able to manage their assets to improve their performance. The greater the effort, the more business success can be measured by performance. A company manage the assets well, so that the assets is valuable for company to get profit. Profitable company have assets more and larger than before. In this time, the company that have more assets will have change to have higher capital. Thus will up the business fund and up the operational activities. In the other hand, higher assets leads to have greater company image and value that supports business performance.

Acceptance of H3 is that the firm behavior effects business performance. Firm behavior is shown by the dummy R & D expenses shows that companies that allocate

their financial behavior to R & D expenses have an effect on good performance.

Whereas in the H4, the firm age shows the rejection of hypothesis. That there is no significant influence of firm age on business performance. If you look again at the performance measurement in this study using sales. Where sales achievement does not have to be measured with increasing age. New companies probable to provide good results of sales.

Output for business performance according to Table I include all factors in this research. Based on the result, that age is not significant, and to describe the difference, here Table II shows regression output without age as control variabel. The result here in Table II.

TABLE II. REGRESSION OUTPUT II

Variable	Coefficient	Std. Error	t-Statistic	Prob.
GROWTH	0.646622	0.337475	1.916061	0.0577
SIZE	0.667669	0.305814	2.183251	0.0310
DRND	3.720779	2.200732	1.690701	0.0935
	24.07320	500057	48.14089	0.0000
R-squared	0.101785	Mean dependent var	24.73217	
Adjusted R-squared	0.079330	S.D. dependent var	4.965502	
S.E. of regression	4.764476	Akaike info criterion	5.991978	
Sum squared resid	2724.028	Schwarz criterion	6.082955	
Log likelihood	-367.5027	Hannan-Quinn criter.	6.028935	
F-statistic	4.532780	Durbin-Watson stat	1.103238	
Prob(F-statistic)	0.004780			

Total panel (balanced) observations: 124

Result shows the difference R Adj Square in Table I and Table II. Table II shows R Adj Square is 0,079. Generally, firm age is a symbol of firm survival. The longer time it means the more ability to survive.

The significancy from each variable is significant. Additionally, result indicates that another factors should be explored in the next research to get the factors effecting the business performance. Moreover, extended research period for future research make it more valuable.

V. CONCLUSION

This study shows the results of the test that the firm growth, firm size and firm behavior have significantly effect to business performance. In this case it supports several previous studies and existing theories. Thus business performance can be improved according to the expected target by concerned on the factors that are influenced. In this research, result for firm age was not significantly effects

the business performance, but in some previous research it is indicated. So that, in the future research can use longer period to examine the involved of firm age to the company. On the other hand, in this research the firm age that reject the hypotheses, it can be explain that new companies probable to provide good results of business performance.

REFERENCES

- [1] H. R. Greve, "A behavioral theory of firm growth: Sequential attention to size and performance goals," *Academy of Management Journal*, vol. 51, no. 3, pp. 476-494, 2008.
- [2] M. S. Freel and P. J. Robson, "Small firm innovation, growth and performance: Evidence from Scotland and Northern England," *International Small Business Journal*, vol. 22, no. 6, pp. 561-575, 2004.
- [3] T. Yasuda, "Firm growth, size, age and behavior in Japanese manufacturing," *Small Business Economics*, vol. 24, no. 1, pp. 1-15, 2005.
- [4] S. Rafiq, R. Salim, and R. Smyth, "The moderating role of firm age in the relationship between R&D expenditure and financial performance: Evidence from Chinese and US mining firms," *Economic Modelling*, vol. 56, pp. 122-132, 2016.
- [5] S. A. Ross, "The determination of financial structure: the incentive-signalling approach," *The Bell Journal of Economics*, pp. 23-40, 1977.
- [6] N. Daskalakis and M. Psillaki, "Do country or firm factors explain capital structure? Evidence from SMEs in France and Greece," *Applied Financial Economics*, vol. 18, no. 2, pp. 87-97, 2008.
- [7] E. Claver, J. Molina, and J. Tarí, "Firm and Industry effects on firm profitability: A Spanish empirical analysis," *European Management Journal*, vol. 20, no. 3, pp. 321-328, 2002.
- [8] N. Michaelas, F. Chittenden, and P. Poutziouris, "Financial policy and capital structure choice in UK SMEs: Empirical evidence from company panel data," *Small Business Economics*, vol. 12, no. 2, pp. 113-130, 1999.
- [9] G. C. Hall, P. J. Hutchinson, and N. Michaelas, "Determinants of the capital structures of European SMEs," *Journal of Business Finance & Accounting*, vol. 31, no. 5-6, pp. 711-728, 2004.



Intan Shaferi is a Ph.D student in Faculty of Economics and Business Diponegoro University since 2016. Her home base lecture is at Management Departement in Faculty of Economics and Business in Jenderal Soedirman University since 2010. She was born on February 18th in 1985 in Indonesia. Now, she is active as the student and researcher with research publications in indexing journal.



Rio Dhani Laksana's home base lecture is at Management Department in Faculty of Economics and Business in Jenderal Soedirman University. He graduated master science from Gadjah Mada University and doctoral from Diponegoro University. He was born on November 14th 1982 in Indonesia. Now, he is active as the lecturer and researcher. His researchs has been published in International Journal with Scopus Indexing Journal.

The Firm's Behavior and Survival towards Business Performance

ORIGINALITY REPORT

9%

SIMILARITY INDEX

8%

INTERNET SOURCES

5%

PUBLICATIONS

7%

STUDENT PAPERS

PRIMARY SOURCES

1

www.ijhpdindia.com

Internet Source

1%

2

Submitted to Postgraduate Schools -
Limkokwing University of Creative Technology

Student Paper

1%

3

www.coursehero.com

Internet Source

1%

4

Submitted to University of Durham

Student Paper

1%

5

waset.org

Internet Source

1%

6

Submitted to Heriot-Watt University

Student Paper

1%

7

hal.archives-ouvertes.fr

Internet Source

1%

8

arno.uvt.nl

Internet Source

<1%

9

Submitted to University of Southampton

<1 %

10

www.emeraldinsight.com

Internet Source

<1 %

11

mafiadoc.com

Internet Source

<1 %

12

www.elsevier.es

Internet Source

<1 %

13

Ana Maria Moreno, Jose A. Zarrias, Jose L. Barbero. "The relationship between growth and volatility in small firms", Management Decision, 2014

Publication

<1 %

14

eprints.bournemouth.ac.uk

Internet Source

<1 %

15

Management Research Review, Volume 34, Issue 2 (2011-01-15)

Publication

<1 %

Exclude quotes On

Exclude matches Off

Exclude bibliography On