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Analysis of the Influence of Macro Economic Factors on the Financial Performance of the Nadira Fashion Company in Randugunting Village, Bergas District, Semarang Regency

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Abstract

This study investigates the relationship between macroeconomic factors and the financial performance of Nadira Fashion Company, located in Randugunting village, Bergas subdistrict, Semarang district. As a fundamental social necessity, clothing is intricately linked to daily life, with fashion trends evolving continually in the modern era. Despite its prominence, the fashion industry faces challenges influenced by macroeconomic conditions that impact company performance and value. Through path analysis utilizing data from banking financial reports and Indonesia's economic growth reports for 2021-2022, this research explores the impact of macroeconomic variables such as economic growth, inflation, interest rates, exchange rates, and government policies on Nadira Fashion Company's financial performance. The findings reveal that while fundamental macroeconomic factors may not significantly influence Nadira Fashion Company's financial performance or value, the company's internal financial metrics, notably profitability measured by return on equity (ROE), demonstrate a substantial positive correlation with company value. These results highlight the importance of considering company-specific factors alongside macroeconomic variables in assessing financial performance and value in the fashion industry. The study provides valuable insights for investors, policymakers, and business managers, aiding in strategic decision-making and risk management. Ultimately, by understanding the interplay between macroeconomic conditions and company dynamics, stakeholders can navigate challenges effectively and capitalize on opportunities for sustainable growth in the fashion sector.

Keywords: Macroeconomic Factors, Financial Performance, Inflation, Interest Rates, Fashion Industry

Introduction

Since clothing is a fundamental social necessity in this day and age, the fashion industry is closely related to our daily lives. We all know that fashion trends are constantly evolving in the modern period we live in. Nowadays, clothing is viewed not only for its practicality or utility but also as a status symbol, an expression of style that validates one's individuality, and a mark of distinction(Palupiningtyas & Mistriani, 2020). A person's habits reveal how and where they live their life, as well as their social standing. Lifestyle is closely linked to habits. A person's activities, interests, and self-perception serve as indicators of their lifestyle, which is defined as their behavior, routines, and ways of living that help them distinguish themselves from other people and their surroundings through their use of social symbols(Palupiningtyas & Pahrijal, 2023).

Macroeconomic conditions can have an impact on a company's performance and worth, which is why many fashion industry enterprises are currently facing development barriers. (Rachmawati, 2012) leads to financial challenges for businesses, which can lower their performance financially and lower the value of the business(Palupiningtyas et al., 2020). According (Palupiningtyas & Yulianto, 2018), changes in macroeconomic factors can be used to forecast changes in stock prices; however, as there is disagreement about which macroeconomic factors have an impact on stock prices, various researchers employ different macroeconomic factors (Palupiningtyas & Aryaningtyas, 2022). The financial performance of companies that go public indicates if they are successful in reaching their long-term objectives of growing corporate value(Nugraheni et al., 2020). When investing, investors take a number of things into account, including the company's financial success. The profitability ratio is one of the financial ratios that may be used as a gauge to assess the financial performance of a business(Octafian & Nugraheni, 2020). Because the stability of the share price is largely reliant on the level of profits made and the promise of future dividends, investors will evaluate a company's success in terms of profitability.

The research centers on "Analysis of the influence of macroeconomic factors on the financial performance of the Nadira Fashion Company in Randugunting village, Bergas subdistrict, Semarang district" in order to shed more light on current issues.

Literature Review

Macroeconomic Factors

Macroeconomic factors are major variables that play a key role in determining the overall condition of a country's economy. Economic growth, measured through the growth rate of gross domestic product (GDP), is a key indicator of economic health. In addition, the low unemployment rate indicates a strong workforce availability, while stable inflation maintains people's purchasing power. The trade balance, which records the difference between exports and imports, as well as the monetary and fiscal policies implemented by governments and central banks, also has a major impact on economic activity. Stable political conditions are also important because they can influence investor confidence and foreign investment flows. In addition, external factors such as global economic conditions and commodity price fluctuations also play an important role in determining the economic health of a country. A thorough analysis of the interactions between these factors is necessary to understand and forecast the overall direction of a country's economy.

A deep understanding of the interactions between these macroeconomic factors is very important in planning effective economic policies. For example, in the face of a recession, the government may decide to implement an expansionary fiscal policy by increasing public spending to stimulate economic growth. On the other hand, central banks can adopt loose monetary policies by lowering interest rates to encourage investment and consumption. However, these policies must be balanced with attention to other factors such as inflation and budget deficits. In addition, with increasing globalization, a country needs to pay attention to external factors such as global economic conditions and fluctuations in commodity prices. Changes in the global economy can have a significant impact on the domestic economy through international trade, capital flows, and currency exchange rates.

In order to achieve sustainable and inclusive economic growth, policymakers need to understand and consider all macroeconomic factors holistically. Careful analysis and responsiveness to changes in these factors will help create a stable and sustainable economic environment and improve the overall well-being of society.

Company Financial Performance

Evaluation of a company's financial performance involves monitoring various important metrics such as revenue, net profit, cash flow, and other financial ratios. From this data, stakeholders can get an idea of the company's financial health and operational performance. In-depth analysis is then required to interpret trends, compare with industry competitors, and make future projections. For example, increasing revenues accompanied by stable net profits can be considered a sign of healthy growth. However, if profit margins are decreasing, this may indicate a cost or pricing strategy issue(Octafian & Rahayu, 2022). Comparison of performance with industry competitors helps in understanding a company's relative position in the market, while future projections help management plan long-term strategies(Octafian et al., 2022). With careful analysis, companies can identify areas where they need to improve their performance(Octafian & Istiqomah, 2021), take necessary corrective actions, and direct resources where they will be most effective in achieving their financial goals.

Financial performance analysis also allows companies to identify long-term trends that may impact the sustainability of their business. For example, if the debt-to-equity ratio continues to increase year after year, this could indicate growing financial risk. Additionally, by understanding a company's cash flow, management can make strategic decisions about allocating funds for investment, new product development, or cost reduction. All this information helps management in formulating a business plan that is solid and responsive to changing market conditions(Nugraheni et al., 2016). Overall, evaluating a company's financial performance is not just about crunching the numbers, but also about devising the right strategy to ensure the company's long-term sustainability and growth(Nugraheni, 2020).

The Role of the Capital Market in Macroeconomic Factors and Company Financial Performance

The financial performance of companies and macroeconomic conditions are intimately associated with the stock market. Interest rates, inflation, economic growth, and political stability are examples of macroeconomic variables that can directly affect capital markets and business valuations. For instance, a rise in interest rates may prompt investors to move from stock market investments to safer options like bonds, which would lower stock values. Similarly, strong economic development can boost share prices by fostering optimism in the capital market.

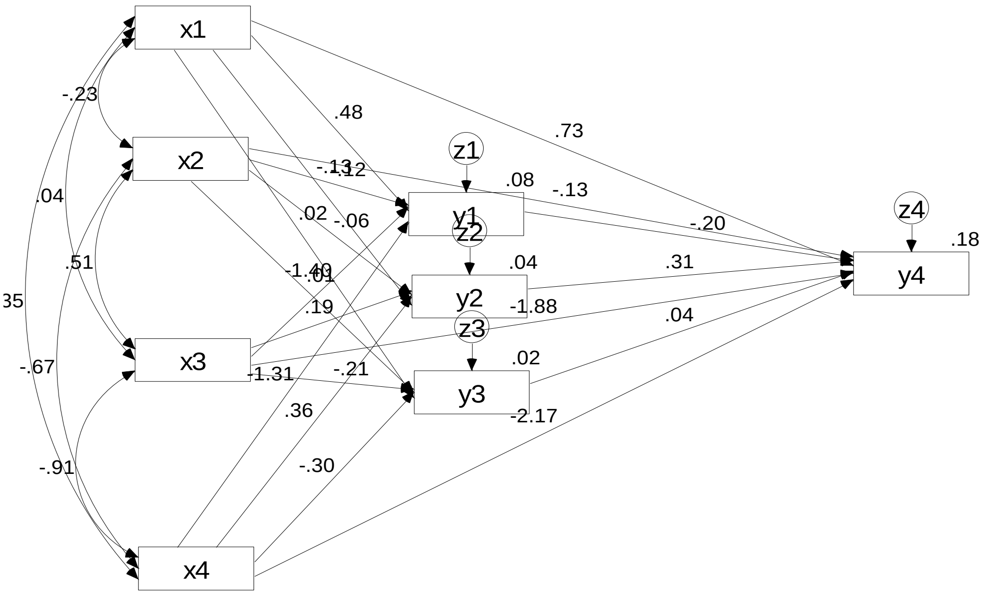
In addition, the company's financial performance has a significant impact on stock valuation and investor sentiment. Strong financial performance makes a company more appealing to investors, which could lead to a rise in share prices. In contrast, share prices may drop for businesses that perform poorly or inconsistently financially. The capital market also serves as a means of distributing cash to businesses that have strong financial performance and promising future growth. Businesses that can show steady increases in revenue and profit can frequently use the capital markets to get access to new funding sources through secondary stock offerings or initial public offerings (IPOs)(Nugraheni et al., 2020).

As a result, there is a relationship and mutual influence among capital markets, macroeconomic variables, and the financial performance of the company. Although a company's financial performance affects investors' valuation and interest in the company's shares, macroeconomic factors also have an impact on capital market mood and circumstances. Investors and other players in the capital market should keep a careful eye on corporate financial performance and macroeconomic conditions in order to make wise investment decisions and be aware of the opportunities and hazards involved(Octafian & Nugraheni, 2020).

Research Method

This research is in the form of associative research, namely research that looks for relationships between one variable and another. The type of data used is ratio data, or data presented in the form of absolute numbers. In this research, the ratio data used are banking financial reports listed on the Indonesian Stock Exchange for the period 2021 - 2022, as well as reports on Indonesia's economic growth for the period 2021 - 2022. Research in libraries is the method used to collect data(Novirsari & Ponten Pranata, 2021)(Nasib et al., n.d.). The analysis technique used is path analysis with the Amos Program. Macroeconomic factors are major variables that influence the overall economic condition of a country. These factors cover various aspects of Economic Activity, Including Production(Pranata, 2022), Consumption, Investment, And Government Policy and Company Financial Performance.

Result/Findings



Picture 1.

The causality hypothesis stated previously is tested using Figure 1. The analysis will reveal the suitability of the model as well as the causal relationships that have been established by the model being tested. The research results show that the significance level of the difference test is below the significance limit, with a chi-square of 36.442 and a probability of 0.000.

Goodness-of-fit

From Figure 1, it can be concluded that there is not a single construct used in the entire route model analysis procedure to develop a research model that complies with established goodness of fit standards(Pranata & Sinaga, 2023). However, because this research aims to determine whether or not there is a substantial relationship between variables, only this influence will be tested, meaning that failure to meet the requirements for goodness of fit or suitability of the model will not be a big problem. For more clarity, see the table. 1.

Table 1. Goodness-of-fit

Goodness of fit	**Cut-off value**	**Analysis Results**	**Model Evaluation**
Chi Square	< 7,814	36,442	Not good
Probability	> 0,05	0,000	Not good
RMSEA	≤ 0,08	0,435	Not Marginal
GFI	≥ 0.90	0,869	Not good
AGFI	≥ 0.90	-0,571	Not good
TLI	≥ 0.95	0,072	Not good
CFI	≥ 0.95	0.901	Not good
CMIN/DF	≤ 2,00	12,141	Not good

Path coefficient

Table 2. Path coefficient

	Estimate	S.E.	C.R.	P	Label
y1 <--- x1	.018	.020	.924	.355	par_1
y2 <--- x1	-.004	.017	-.237	.813	par_3
y3 <--- x1	.022	.723	.030	.976	par_4
y1 <--- x4	-.128	.141	-.906	.365	par_5
y2 <--- x4	.029	.118	.243	.808	par_6
y3 <--- x4	-1.017	5.121	-.199	.843	par_7
y1 <--- x3	-.150	.131	-1.141	.254	par_8
y2 <--- x3	.017	.110	.154	.877	par_10
y3 <--- x3	-.789	4.754	-.166	.868	par_11
y1 <--- x2	-.022	.050	-.430	.667	par_13
y2 <--- x2	-.009	.042	-.215	.830	par_14
y3 <--- x2	.085	1.819	.047	.963	par_15
y4 <--- x1	.042	.029	1.456	.146	par_2
y4 <--- x4	-.319	.204	-1.569	.117	par_9
y4 <--- x3	-.303	.190	-1.597	.110	par_12
y4 <--- x2	-.037	.071	-.521	.602	par_16
y4 <--- y1	-.305	.233	-1.312	.190	par_17
y4 <--- y2	.573	.286	2.005	.045	par_18
y4 <--- y3	.002	.006	.333	.739	par_19

From the table above, we can conclude that the multivariate data is < 2.58, which means the research data is normal.

The Influence of Fundamental Macroeconomic Factors on Company Financial Performance.

Research findings show that the company's financial performance, as measured by the cash ratio, return on equity (ROE), leverage level (DER), and liquidity level, is not significantly influenced by fundamental macroeconomic factors such as inflation and interest rates. Exchange rates and economic growth(Bertuah & Sakti, 2019).

The Influence of Fundamental Macroeconomic Factors on Company Value

It can be concluded that fundamental macroeconomic problems, such as inflation, interest rates, currency values , and economic growth, do not have much influence on company value based on the research findings. However, (Pranata, 2023)research supports this conclusion. Also, it states that the impact of all main macroeconomic indicators, including inflation, interest rates, currency values , and economic growth, on company value, is negligible (Egbunike & Okerekeoti, 2018).

The Influence of Company Financial Performance on Company Value.

Based on the results of research that has been carried out, company performance is represented by liquidity (Cash Ratio), profitability (Return on Equity), and leverage (Debt to Equity), one of which is the level of company profitability which has a significant influence on company value. However, these results are supported by research from (Bayhaqiy et al., 2022) and (Febriansyah et al., 2021) (2022), who found that financial performance does not have a significant influence on company value.

Conclusion

Based on the results of the analysis that has been carried out, several conclusions can be drawn regarding the relationship between fundamental macroeconomic factors, company financial performance and company value. First, the findings show that fundamental macroeconomic factors such as inflation, interest rates, exchange rates, and economic growth do not have a significant influence on a company's financial performance. This indicates that these macroeconomic variables may not directly influence the company's financial performance in the context of this research. Second, the analysis results also show that the same fundamental macroeconomic factors do not have much influence on company value. In this research, inflation, interest rates, currency values, and economic growth do not significantly influence company value. This result is in line with previous findings, which show that the impact of macroeconomic indicators on firm value is negligible. Third, the company's financial performance has a significant influence on company value. In particular, the level of company profitability, represented by ROE, has a positive and significant relationship with company value. This shows that investors tend to give a higher assessment to companies that are able to produce a high level of profitability.

In its conclusion, this research confirms that in the context studied, fundamental macroeconomic factors do not have a significant influence on a company's financial performance and company value. In contrast, the company's financial performance, especially the level of profitability, has a greater impact on company value. However, it is important to remember that the results of this research may be limited to certain contexts and need to be considered carefully in investment and economic policy decisions.

Declaration of conflicting interest

I'm, the authors of this research, declare that there are no conflicting interests that could influence the findings or interpretations presented in this study. We have conducted this research with integrity and impartiality, adhering to the highest ethical standards in academic research. Furthermore, we confirm that we have no financial or personal relationships with individuals or organizations that could inappropriately influence our work. We have disclosed all sources of funding and support for this research, and there are no competing interests to declare. This declaration is made to ensure transparency and trustworthiness in our research findings and to uphold the principles of academic integrity and ethical conduct.

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