ANALYSIS OF ECONOMIC FACTORS
THAT INFLUENCE NET PROFIT MARGIN
OF PT. UNILEVER INDONESIA FOR 2005 – 2012

By

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The Panel of Examiners declare that the skripsi entitled “ANALYSIS OF ECONOMIC FACTORS THAT INFLUENCE NET PROFIT MARGIN OF PT. UNILEVER INDONESIA FOR 2005 – 2012” that was submitted by Rumba Nella Theresia Tarigan majoring in Management from the Faculty of Business was assessed and approved to have passed the Oral Examinations on February 6th, 2014.

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This skripsi entitled “ANALYSIS OF ECONOMIC FACTORS THAT INFLUENCE NET PROFIT MARGIN OF PT. UNILEVER INDONESIA FOR 2005 – 2012” prepared and submitted by Rumba Nella Theresia Tarigan in partial fulfillment of the requirements for the degree of Economy – Bachelor in the Faculty of Business has been reviewed and found to have satisfied the requirements for a skripsi fit to be examined. I therefore recommend this skripsi for Oral Defense.

Cikarang, Indonesia, January 17th, 2014

Acknowledged by, Recommended by,

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Head, Management Study Program Advisor
DECLARATION OF ORIGINALITY

I declare that this skripsi, entitled “ANALYSIS OF ECONOMIC FACTORS THAT INFLUENCE NET PROFIT MARGIN OF PT. UNILEVER INDONESIA FOR 2005 – 2012” is the best of my knowledge and belief, an original piece of work that has not been submitted, either in whole or in part, to another university to obtain a degree.

Cikarang, Indonesia, January 17th, 2014

Rumba Nella Theresia Tarigan
ABSTRACT

The company was founded with the aim of increasing the value of a company that can provide prosperity for owners or shareholders. In analyzing and assessing the financial position and the potential or the progress of the company, there are several factors that need to be considered, and one of the most important is profitability. Sample taken from one of the largest manufacturing company in Indonesia, Unilever Indonesia, that has grown to be a leading company of Home and Personal Care as well as Foods, Beverages, and Ice Cream products in Indonesia. The performance of Unilever Indonesia could be maintained so that continuity of business also could be well maintained. Those performances could be measured by the size of the company’s profitability. The factors affecting the profitability of Unilever Indonesia that used in this study are the Exchange Rate, Inflation Rate, Current Ratio, and Sales Growth Rate. While the purpose of this study was to determine the factors among Exchange Rate, Inflation Rate, Current Ratio, and Sales Growth Rate that dominantly affect the Net Profit Margin (NPM) as one of the profitability ratios in company’s financial performance.

The population used for the study are Unilever’s financial statements (internal factors) that have been audited by public accountant, and the external factors are taken by Bank Indonesia and Indonesia Bureau of Labor Statistic official website. All the data, which are secondary data, are taken from 2005 to 2012. For its sampling in this study used purposive sampling and the method of data analysis which is used is multiple linear regression analysis.

The results of this study indicate that the Inflation Rate variable has a negative insignificant effect on NPM, Exchange Rate and Current Ratio have negative significant on NPM, while Sales Growth Rate has a positive significant effect on NPM.

Keywords: Profitability, Exchange Rate, Inflation Rate, Current Ratio, Sales Growth, Net Profit Margin.
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Writer apologizes for any inconveniences and mistakes done during this research completion and would be responsible for everything written in this skripsi. Writer expects this research would bring positive contribution(s) to many parties including students and staffs of President University. Finally, the writer also admits that if this skripsi still requires a lot of improvements concerning the limited knowledges and abilities. Therefore, writer would be glad to accept any constructive comments or suggestion given.

Cikarang, Indonesia, January 17th, 2014

Rumba Nella Theresia Tarigan
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LIST OF ACRONYMS

ER : Exchange Rate
IR : Inflation Rate
CR : Current Ratio
SGR : Sales Growth Rate
NPM : Net Profit Margin
ROI : Return On Investment
ROE : Return On Equity
ROCE : Return On Capital Employed
CROCI : Cash Return On Capital Invested
CPI : Consumer Price Index
VIF : Variance Inflationary Factor
SPSS : Statistical Package for Social Science
MNC : Multi National Company
CHAPTER I

INTRODUCTION

1.1. Research Background

Profitability is a key point in doing business, without any profitability measurement, the business will not run so long. Profitability on company always related to the income and expenses things. Business people need to analyze the profitability of the business, whether its current profits even the past, so it can be used to identify the future profits (projecting profitability). For example, if crops and livestock are produced and sold, income is generated. Borrowing money to be counted as cash in debit does not create money as the profits. In business, the transaction of borrowing money to generate the cash is categorized as loan for operating expenses or buying assets.

Profitability of a company will affect the company policy of investors on investment. Company’s ability to generate profits will be able to attract the investors to invest their funds in order to expand its business. And the vice versa, lower profitability will cause investors to withdraw their funds. As for the company, profitability itself can be used as an evaluation of the effectiveness for managing the business. As stated by Peavler, “every firm is most concerned with its profitability. Profitability measurements are important to company managers and owners alike. Profitability ratios show a company's overall efficiency and performance.” (Peavler, 2011).

Profitability ratio is the ratio that aims to determine the company's ability to generate profits for a certain period and also give an idea of the effectiveness of management in carrying out its operations. Management effectiveness here seen from the profit generated on sales and investment companies. This ratio is also
called the profitability ratio. Profitability ratio also describes the company’s ability to gain profit through all existing capabilities and resources such as sales activities, cash, capital, number of employees, number of branches, etc.

There are several ratios that used to describe the profitability. Grimsley explains that “common examples of profitability ratios include return on sales, return on investment (ROI), return on equity (ROE), return on capital employed (ROCE), cash return on capital invested (CROCI), gross profit margin and net profit margin (NPM).” (Grimsley, 2003). All of these ratios indicate how well a company performed in generating profits or revenues relative to the certain metric.

This research uses Net Profit Margin as the dependent variable. Net profit margin is being used because this research only identifies the basic of profitability, not to expand the profitability into return or investment side. Companies with profit margins reflecting competitive advantages are able to improve their market share during the hard times - leaving them even better positioned when things improve again. According to McClure, “margin analysis is a great way to understand the profitability of companies. It tells how effectively management can wring profits from sales, and how much room a company has to withstand a downturn, fend off competition and make mistakes.” (McClure, 2011).

Profitability assessment is a process to determine how well the business activities carried out in order to achieve strategic objectives, eliminate redundancy, and provide the information in a timely manner to carry out improvements continuously. Different ratio of profitability has a different role also in determine the profitability itself, either for the company’s health or for its performance. For instance, gross profit and net profit ratios are generally used to determine the expenses thing of the company. More specific, those ratios tell how well the company manages its expenses.

The use of profitability ratios can be done by using a comparison between the various components are reported financial balance sheet and profit and loss.
Measurements can be made for some period of operation. The goal is to make a look of the company’s development during certain time, whether it decreases or increases, as well as find the cause of these changes.

Economic factors are divided into two kinds, macroeconomics and microeconomics. Macroeconomic factor is the economic factor or variable that focus on the larger pattern of the economic condition. Most of the macroeconomic factors are depend on the government decision on economic stability. As stated by Beggs, *macroeconomic is the study of whole economic systems aggregating over the functioning of individual economic units. It is primarily concerned with variables which follow systematic and predictable paths of behaviour and can be analysed independently of the decisions of the many agents who determine their level. More specifically, it is a study of national economies and the determination of national income.* (Beggs, 2010)

While in the contrast, microeconomic factors is the study that more focus on the economic condition of the business in the company or household industry. Microeconomic factors may not affect the economic condition globally because it is more depend on the company management decision. As explained by Anderson, *microeconomics looks at the behavior of individual people and companies within the economy. It is based on the idea of a market economy, in which consumer demand is the driving force behind the prices and production levels of goods and services.* (Anderson, 2008)

The financial condition of beneficial company in one country is an interesting object to be identified. In this research, PT. Unilever Indonesia is chosen as the object because of its effect on economic stability of Indonesia. Most of the households cares in Indonesia are the brands of Unilever, which means most of Unilever products are using every day by every people for daily needs. People importance on Unilever products shows that this company has great impact on Indonesia economic growth by its market share.
1.2. Statement of Problem

Unilever Indonesia as a multinational company surely has a fluctuating net profit margins for every year. The graph follow shows the fluctuations of NPM of Unilever Indonesia.

![Net Profit Margin Graph]

Source: constructed by researcher

Figure 1.1. NPM of Unilever Indonesia

Margin analysis is a great way to understand the profitability of companies. It tells how effectively management can wring profits from sales, and how much room a company has to withstand a downturn, fend off competition and make mistakes. Regarding on this research, there is a question that stated as the problem of this research:

a. Which one of the exchange rate, inflation rate, current ratio, and sales growth rate that most significantly affect the net profit margin of PT. Unilever Indonesia for period 2005 – 2012?

b. Why does Net Profit Margin important to be analyzed?
1.3. **Research Objectives**

This research has objectives that wanted to be achieved, such as:

a. To identify the dominant factor from both of macro and microeconomics factors that affects net profit margin of PT. Unilever Indonesia for period of 2005 - 2012.

b. To identify the role of Net Profit Margin on a multinational company.

1.4. **Research Limitation**

The scope and limitation of the study are made in order to identify the areas to be included and those which are not included in the study. Since the title of the research is about analysis of economic variables that influence net profit margin of PT. Unilever Indonesia for period of 2005 – 2012, there are several scopes and limitations that being made.

The variables of macroeconomic / external factors (exchange rate and inflation rate) and microeconomic / internal factors (current ratio and sales growth rate rate) will be compared to the net profit margin. These variables were selected by researcher because of the willing to assess how much macroeconomic (external) and microeconomic (internal) variables influence the net profit margin.

The scope of company that being investigated is one of the giant companies in Indonesia, PT. Unilever Indonesia. The period of research also limited from January 2005 to December 2012 due to the researcher’s expectation to have 8 years quarterly data, so there will be 32 data. The length period of data research is considered sufficient to obtain the expected and also to know the performance of the company in last eight years, included the years when Indonesia was in monetary crisis around 2008 – 2009.

The data was collected from reliable source. Exchange rate and inflation rate were collected from Bank Indonesia, while the Current Ratio, Sales growth rate,
and Net Profit Margin were collected from PT. Unilever Indonesia. The data from Unilever itself were original and after audited by public accountant.

1.5. Definition of Terms

a. Profitability: The state or condition of yielding a financial profit or gain.

b. Return on Sales: Ratio measuring the operating performance of a firm, expressed as a percentage of sales revenue.

c. Return on Investment: A performance measure used to evaluate the efficiency of an investment or to compare the efficiency of a number of different investments.

d. Return on Equity: The amount of net income returned as a percentage of shareholders equity.

e. Return on Capital Employed: Ratio of net profit of a company to its capital employed.

f. Cash Return on Capital Invested: A method of valuation that compares a company’s cash return to its equity.

g. Gross Profit Margin: Ratio of gross profit (gross sales less cost of sales) to sales revenue.

h. Net Profit Margin: A financial ratio comparing a company’s net profit after taxes to revenue.

i. Dependent Variable: the variable (Y) in regression model that in which the element that is being predicted.

j. Independent Variable: the variable (X) in a regression model that is used to help predict the dependent variable

1.6. Significance of The Study

This research is held for some reasons that absolutely gives several benefits for the company and academic aspect.
1.6.1. **For PT. Unilever Indonesia**
   a. Allow the company to better serve its customers through the contributions and analysis of the research.
   b. Stimulate the investors to invest their money in this company.
   c. Provide short-term direction to increase the net profit margin based on the research’s analysis.

1.6.2. **For Academic**
   a. This research can be used as the reference for next research.
   b. Provide the reader with a huge of information about the company itself and also the factors that influence company’s success.
CHAPTER II

REVIEW OF LITERATURE

2.1. Theoretical Review

2.1.1. Exchange Rate

The exchange rate states the price, in terms of one currency, at which another currency be bought, and thus translate one country’s prices into the currencies of other nations. Exchange rates therefore influence patterns of world trade. There is an exchange rate between every pair of currencies. Baumol stated that “for international trade to take place there must be some way to convert one currency into another. The rates at which such conversions are made are called exchange rate.” (Baumol, 2006).

Exchange rate has two condition during the fluctuation, there are condition when exchange rate appreciate and depreciate. According to Pettinger (2008), “demand for a nation’s currency is derived from foreigners’ desires to purchase that country’s goods and services or to invest in its assets. Under floating rates, anything that increases the demand for a nation’s currency will cause its exchange rate to appreciate. Several effects of appreciation are:

a. Exports more expensive, therefore less exports will be demanded
b. Imports are cheaper, therefore more imports will be bought
c. Lower inflation

Adams (2011) also explains a condition when exchange rate said depreciated. “Supply of a nation’s currency is derived from the desire of that country’s citizens to purchase foreign goods and services or to invest in foreign assets. Under floating rates, anything that increases the supply of a nation’s currency will cause its exchange rate to depreciate. Several effects of depreciation are:
a. Exports more competitive and appear cheaper to foreigners. This will increase demand for exports

b. Imports will become more expensive, then will reduce demand for imports

c. Higher inflation

Economists divide the exchange rate into two: Nominal and Real exchange rate.

Nominal exchange rate is the relative price of domestic currency in terms of foreign currency. This is the most common type of exchange rate that people used. Based on Mankiw, “real exchange rate is the relative price of domestic goods in terms of foreign goods.” (Mankiw, 2007).

Exchange rates are determined by supply and demand. Pettinger stated that “several factors which determine the demand and supply of a currency, such as: inflation, interest rate, speculation, changes in competitiveness, relative strength of other currencies, and balance of payments.” (Pettinger, Exchange Rate - Macroeconomics, 2008).

Below the chart of Indonesian Rupiah for 2005 – 2012:

Source: www.tradingeconomics.com | OTC Interbank

Figure 2.1. Indonesian Rupiah toward Dollar Graph
i. **Exchange Rate Fluctuation on Company’s Profitability**

The fluctuations of exchange rate is affecting both of economic value and the company’s value. However, not all company maybe are affected by those fluctuations. The key point of the fluctuations is its impact on the profits of company.

Changes in the exchange rate becomes important implications for financial decision making and profitability of the company. Several empirical studies have been conducted to analyze the effect of exchange rate changes on the profitability of the company.

Although the company operates domestically, it may also be influenced by the exchange rate, if the input and output prices are affected by changes in currency. The exchange rate is always associated with the net income of the foreign currency and the profit margin of the company so that the impact of the exchange rate can be seen directly. Based on Riley statement, “companies with overseas branches or those trades internationally, are at the mercy of global currency fluctuations. Currencies change in value against each other all the time. This is because most currencies are based on flexible exchange rates. Currencies change in value because there is a change in demand for holding that currency” (Riley, Economy - Exchange Rates, 2012). Households, governments and businesses need other countries currencies to buy their goods and services. A change in exchange rates might affect a business in the following ways:

a. Exchange rates changes can increase or lower the price of a product sold abroad
b. The price of imported raw materials may change
c. The price of competitors’ products may change in the home market

For example an increase in the exchange rate will mean that price abroad goes up, lowering sales; price of imported raw materials falls, either leading to a fall in price and more sales, or an increase in profits; competitors’ prices fall, meaning lower sales.
“Dealing with currency exposure is all about managing risk, as fluctuations are by their very nature unpredictable. There are four options to counteract the currency exposure.” (EuroInvestor, 2012).

The simplest approach is just to monitor the changes, and this can be the best option if companies do not think that they are at a particularly high risk from exchange rate fluctuations.

Another option is to lock into an exchange rate for a fixed period of time by setting up a forward contract. If the exposure estimates are correct, this can be a beneficial approach. Some businesses will also purchase currency in advance if they know that they will be making big purchases and are concerned about volatility.

A third option is to hedge against this exposure via derivatives. Although this may be the most complicated option, it can be effective in limiting exposure to volatility. It can also give a clearer picture of how a company's overseas operations are really performing.

Finally, firms can choose to manage their currency exposure through business practices. Having a truly international company can help with this as, theoretically, losses made when one currency falls will be recovered when another rises. Where contracts are concerned businesses can also set up clauses that reduce this exposure. In many cases this comes in the form of an agreement to protect the client and the company should exchange rate movements exceed the agreed-upon level. Some businesses also agree on setting all contracts in their core currency, protecting them from any exposure as they will always be paid the same relative amount.

2.1.2. Inflation Rate

Inflation is a trend of increasing in the price level commonly and persistently. The increase in the price of only one or two items are not referred to as inflation, unless the increase is extended (or resulting increase) to most of the price of other
goods. For a better understanding, “inflation means that your money won’t buy as much today as you could yesterday.” (Pettinger, 2010)

Increasing prices continuously which can cause inflation caused by the increase in the value of foreign currency exchange rates significantly the domestic currency. Inflation rate is the rate at which the general level of prices for goods and services are rising, and, subsequently, purchasing power is falling. “Central banks attempt to stop severe inflation, along with severe deflation, in an attempt to keep the excessive growth of prices to a minimum. As inflation rises, every dollar will buy a smaller percentage of a good. For example, if the inflation rate is 2%, then a $1 pack of gum will cost $1.02 in a year. Most countries' central banks will try to sustain an inflation rate of 2-3%.” (Investopedia, 2013).

But if the increased price in goods and services only one or a few types, cannot be said to have occurred inflation, as well as the increase of goods and services that are a surprise (once upon a time or seasonal) such on holidays Islam and Christmas, also cannot be called with inflation. There is often misunderstanding of the concept of inflation in the society. Misunderstanding that exist in the community such as the presumption that level of inflation makes goods prices become more expensive, and also high inflation rate being a sign that people are becoming poor.

Inflation actually means the average level of prices has increased. Inflation also does not always make people become poor if it is followed by an increase in people's income during the inflation period. Inflation can be both beneficial to economic recovery and, in some cases, negative. If inflation becomes too high the economy can suffer; conversely, if inflation is controlled and at reasonable levels, the economy may prosper.

Inflation is likely to occur because:

a. Imports are more expensive causing cost push inflation.

b. Printing too much money
c. Increases in production cost  
d. Tax rises  
e. Declines in exchange rates  
f. Decreases in the availability of limited resources such as food or oil  
g. War or other events causing instability  
h. With exports becoming cheaper manufacturers may have less incentive to cut costs and become more efficient. Therefore overtime costs may increase.

i. **Classification of Inflation**

In economics theory, inflation can be classified into several categories (Permatasari, 2008), such as:

**Based on its degree of severity:**

a. **Light Inflation**: it happens if there is a price increase that is still below 10% per year.  
b. **Medium Inflation**: it happens if there a price increases for about 11% - 30% per year.  
c. **Heavy Inflation**: it happens if there is a price increase for about 31% - 100% per year.  
d. **Hyper Inflation**: it happens if the inflation is out of control because the price increases above 100% per year.

**Based on its origin:**

a. **Domestic Inflation**: inflation is entirely due to the mismanagement of the economy either in the real sector or in domestic monetary sector by economic factors and society.  
b. **Imported Inflation**: inflation is due to increases in prices of commodities from abroad (in foreign countries that have trade relations with the countries concerned).
ii. Benefit of Inflation

When people see the costs of inflation, they hope economists can help reduce inflation to zero point. But, some economists believe that sometimes inflation can bring benefit to the society. Such as:

a. Labor Market Adjustments

Low rate inflation, around 2 to 3 percent a year can bring benefit like nominal of wages are rarely reduced, even when the equilibrium real wage falls. Inflation allows the real wages to reach equilibrium levels without nominal wage cuts. Therefore, low rate inflation improves the functioning of labor markets.

b. Debt Relief

Another benefit is debt relief. Debtors who have debts with a fixed nominal rate of interest will see a reduction in the “real” interest rate if the inflation rate rises. The “real” interest on a loan is the nominal rate minus the inflation rate.

c. Economic Growth

Low rate inflation can increase national income and get people excited to work, make savings and make investment.

Below the chart of Indonesia inflation rate for 2005 – 2012:

Source: www.tradingeconomics.com | Statistics Indonesia

Figure 2.2. Indonesia Inflation Rate Graph
iii. Inflation Rate Towards Company’s Profitability

Inflation makes it harder to create value for several reasons, especially when its annual growth rate exceeds long-term levels of between 2 and 3 per cent, and becomes unpredictable for managers and investors. When that happens, it can push up the cost of capital in real terms and lead to losses on net asset positions that are fixed in nominal terms.

“A country with a low inflation trend makes an attractive proposition for investment because it suggests economic stability, economic maturity and less risk associated with the investment. Countries with persistently low inflation make an attractive place for investment because they offer economic stability which encourages firms and investors” (Tejvan, 2008).

The business will be affected as the value of all required raw materials like oil, steel and copper increases. This will also have impact on turnover as there will be a fall in business due to increased prices. Inflation makes it harder for businesses to sell goods and services because they are less competitive due to their high prices.

Constantly increasing prices lead to uncertainty, making planning of production difficult. Prices need to be raised and this infuriates the consumers who blame producers for increasing prices. So businesses try to keep from raising prices. As stated by Mahon, “the raising prices squeeze profit margin and can cause companies to produce products that sell for less in real terms than they cost to produce. This surely is a recipe for bankruptcy in the long term.” (Mahon, 2013).

A low inflation rate is beneficial to a country and zero or negative inflation is considered as bad. Also, a high inflation is harmful to an economy.

According to Manivasugen, “inflation may sometimes actually have this effect in its early stages. If it raises final selling prices more than it raises wages and other costs, and if it is expected to be only a temporary condition, it can stimulate increased investment and increased production.” (Manivasugeni, 2011). But when the inflation continues and is expected to continue, people begin to make
compensating adjustments. Wages, interest rates, raw material prices and other costs begin to go up as fast as or faster than final retail prices. Profit margins begin to narrow or to become increasingly uncertain for individual firms. The "stimulus" of inflation becomes a deterrent.

2.1.3. Consumer Price Index

CPI (Consumer Price Index) is data that measures the average change in prices paid by consumers (in average) for a certain group of goods and services. CPI is an inflation indicator that most commonly used and considered also as an indicator of the effectiveness of government policy. The rise in the CPI indicates that inflation rates will cause a drop in bond prices and rising interest rates. Unlike other indicators of inflation, which only cover items of local production, the CPI also includes imported goods.

As explore on Investopedia, “hard assets, such as a home or real estate, often increase in value as the CPI rises; however, fixed income instruments - Treasuries or bank Certificate of Deposits, for example - lose value, because their yields don't increase with inflation. One notable exception, however, are treasury inflation protected securities (TIPS). Interest on these securities is paid twice yearly at a fixed rate as the principal increases in step with the CPI, thus protecting the investment against inflation.” (Investopedia, 2010)

Bureau of Labor Statistics of Indonesia calculate consumer price index by measures a price change for a constant market basket of goods and services from one period to the next within the same area (city, region, or nation). Inflation is measured by the percentage increase in an index number of prices, which shows how the cost of some basket of goods has changed over a period of time.

\[
\text{CPI in given year} = \frac{\text{Cost of market basket in given year}}{\text{Cost of market basket in base year}} \times 100
\]

\text{Equation 1- Consumer Price Index formula}
Because relative prices are always changing, and because different families purchase different items, no price index can represent precisely the experience of every family.

2.1.4. Current Ratio

Current ratio is very useful to measure the company's ability to repay its short-term obligations, which can be seen to how extent the actual amount of current assets of a company can ensure its current liabilities. Higher ratio means that the company can assure its debts to the creditors. Loth said that “the current ratio is a popular financial ratio that used to test a company’s liquidity by deriving the proportion of current assets available to cover current liabilities. The concept behind this ratio is to ascertain whether a company’s short-term assets are readily available to pay off its short-term liabilities.” (Loth, 2010).

The formula of current ratio:

\[
\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}
\]

Equation 2 – Current Ratio

Current ratio is the primary measure of company’s liquidity. Minimum levels of current ratio are often defined in loan covenants to protect the interest of the lenders in the event of deteriorating financial position of the borrowers. The current ratio is used extensively in financial reporting. When looking at the current ratio, it is important that company’s current assets can over its current liabilities; however, investors should be aware that his is not the whole story on company liquidity. Try to understand the types of current assets the company has and how quickly these can be converted into cash to meet current liabilities. As stated by Riley, “there is no such thing as an ideal current ratio. Different businesses and industries work with different levels of cover. However, a ratio of less than one is often a cause for concern, particularly if it persists for any length of time.” (Riley, 2011). By digging the deeper into current assets, that will gain a greater understanding of a company’s true liquidity.
A current ratio of 2.0 is considered good for most industries. A higher ratio is generally an indication of a stronger financial position, and may mean there is cash available for the owner to withdraw. But there are exceptions; high ratios can sometimes mask hidden financial problems. For instance:

a. An inventory backlog
b. Slow collections on accounts receivable
c. Recent sales of fixed assets

Any of these conditions may reduce the productive capacity of the business or indicate financial trouble. It is important to look at why the current ratio is high or low, as well as looking at the number itself.

2.1.5. **Sales growth rate Rate**

Sales growth rate ratio is ratio measures the company's sales growth rate by measuring the difference in the value of sales in the period. Sales growth rate is an indicator of market acceptance of the products or services that produced, and revenue generated from the sales can be used to measure the rate of sales growth rate. According to Farlex, “*it may result in increasing dividends for shareholders and / or higher stock price.*” (Farlex, 2012).

Sales growth rate helps the management to grow the business by examining the sales records to identify the sales trends. The company needs new customers, repeat customers, and more sales in order for the business to grow and profitable. In most companies, even a five percent sales improvement will have a positive effect on the bottom line. If a business does not grow its sales volume, it will become stagnant. Rarely does a company that maintains the same sales volume year after year thrive.

As a matter of fact, sales growth rate does not occur magically. Revenue growth is a planned process that takes place as a result of analysis and decision making by the management. Based on Dunsford statement, “*the decisions made by management are thereafter implemented to result in sales growth rate. The*
decisions could do with the introduction of new products, expanding to new markets, new staff and training programs, additional promotional campaigns, better customer service, better pricing, logistics etc” (Dunsford, 2009). Sales growth rate must be planned since it affects cash in a big way. Sustaining sales growth rate takes a lot of planning as it means looking at the business ability to generate cash without increasing its debt, since this means even more risk. Because of this, the business might incur more interest charges since suppliers and lenders might manage their receivables based on the increased risk. This could place constraints on the inventory, getting in the way of production and merchandizing.

Sales growth rate can simplify defined as a measure of the percentage increase in sales between the two time periods.

The formula of sales growth rate rate:

\[
\text{Sales growth rate} = \frac{\text{Current month's sales} - \text{Last month's sales}}{\text{Last month's sales}} \times 100\% \quad \text{or} \quad \frac{\text{Current year's sales} - \text{Last year's sales}}{\text{Last year's sales}} \times 100\% \\
\]

\text{Equation 3 – Sales growth rate Rate}

2.1.6. Net Profit Margin

According to Alexandri, “net Profit Margin (NPM) is a ratio that used to indicate the company’s ability to gain the net profit after taxes” (Alexandri, 2008).

As stated by Bastian in his book, “net profit margin is a comparison or ratio between net income and sales” (Bastian, 2006). High NPM ratio indicates a better productivity of the company that can improve the belief of the shareholders to invest in that company. This ratio shows how much the percentage of net income from every sale, the higher the ratio, the better company’s ability to gain higher profit.
Net profit margin is very useful when comparing companies in similar industries. A higher profit margin indicates a more profitable company that has better control over its costs compared to its competitors. The formula of Net Profit Margin:

\[
\text{Net Profit Margin} = \frac{\text{Net Income}}{\text{Sales Revenue}} \times 100\%
\]

\text{Equation 4 – Net Profit Margin}

This figure shows how large a percentage of revenue generated any sales. The greater this ratio, the better because it is considered the company's ability to earn income is high enough.

It is important to reiterate that, in some cases; lower net profit margins represent a pricing strategy and are not a failure on part of management. As stated by Kennon, “some businesses, especially retailers, some discount hotels, or some chain restaurants, may be known for their low-cost, high-volume approach. In other cases, a low net profit margin may represent a price war which is lowering profits.” (Kennon, 2009).

The higher the margin is, the more effective the company is in converting revenue into actual profit. “A low net profit margin indicates a low margin of safety: higher risk that a decline in sales will erase profits and result in a net loss. Net profit margin is an indicator of how efficient a company is and how well it controls its costs.” (C.C.D. Consultants, 2009).

Net profit margin is mostly used to compare company’s results over time. To compare net profit margin, even between companies in the same industry, might have little meaning. For instance, if a company recently took a long-term loan to increase its production capacity, the net profit margin will significantly be reduced. That does not mean, necessarily, that the company is less efficient than other competitors.
2.2. Previous Research

Based on Fitri, “changes of currency exchange rates also affect the profitability of the company. Company’s profitability negatively affected by the exchange rate. The company does not earn profits due to the depreciation of the local currency. Depreciation also results in decreased market share of the manufacturing industry." (Fitri, 2008).

According to Wibowo, “for a company, inflation is leading to higher costs of productions and operations that will ultimately harm to the company itself. Thereby, inflation has a negative effect on profitability." (Wibowo, 2012).

According to Grant and Mathews, “inflation influences the recorded level of business profits through what may describe as its accounting effects, while inflation also affects the volume and source distribution of external finance.” (Grant, 1956).

As stated by Bisma, “if company put more emphasis on liquidity, causing more current assets settles, and it will cause the decreasing of profitability. Vice versa if the company emphasizes profitability, means that all assets should be productive that can bother the liquidity. From the description above can be concluded that between liquidity and profitability, there is an inverse relationship.” (Bisma, 2009).

According to Kadir and Stefanie on the research (2012), “the greater the ratio of sales growth rate rate, the better because it is considered that sales activities are running quickly, and then produces a better profit rate. Means the faster inventory turnover, will gives a positive effect on profitability” (Abdul Kadir, 2012).
2.3. Theoretical Framework

This research is using NPM as the independent variable in which this variable is used in the company to indicate the ability to generate the net income from the sales revenue. According to Kadir and Stefanie (2012), “analysis of financial ratio can be used for every kind of analysis model to manage the operation effectiveness, evaluate and improve the performance.”

Current ratio is used as one of the independent variables that affect the NPM because this ratio indicates the company’s ability to pay the short-term liabilities. Amount in current ratio also gives impact to investor side, because higher the current ratio means the company has no significant problem in pay back the dividends to the investor. Kadir and Stefanie also stated that “sales growth rate also gives impact on company’s NPM by the profit that gained after sales. If the sales activities run faster, it will gain more profit. It means the amounts of sales by time affects the profitability of the company.” (Abdul Kadir, 2012).

Macroeconomic factors also play roles as the important factors that affect the NPM of a company. For instance, exchange rate movements can affect the value of MNC’s value. Based on Madura statement in his book, “MNC (Multi National Company) with less risk can obtain funds and higher income at lower financing
cost in which this cost is mostly affected by exchange rate movements.” (Madura, 2003). As Grant and Mathews stated in the book, “inflation, as one of the macroeconomic factors, also affects profits by reacting on sales volume, by influencing the level of costs and by changing the relationship between costs and prices.” (J. McB. Grant, 2007).

2.4. Hypothesis

H₀: β₁ = Exchange Rate has no significant influence on net profit margin
H₁: β₁ = Exchange rate has significant influence on net profit margin
H₀: β₂ = Inflation rate has no significant influence on net profit margin
H₁: β₂ = Inflation rate has significant influence on net profit margin
H₀: β₃ = Current Ratio has no significant influence on net profit margin
H₁: β₃ = Current Ratio has significant influence on net profit margin
H₀: β₄ = Sales growth rate has no significant influence on net profit margin
H₁: β₄ = Sales growth rate has significant influence on net profit margin
H₀: β₅ = Inflation rate, exchange rate, current ratio, and sales growth rate have no significant influence on net profit margin
H₁: β₅ = Inflation rate, exchange rate, current ratio, and sales growth rate have significant influence on net profit margin.
CHAPTER III

RESEARCH METHODOLOGY

3.1. Research Method

In this chapter, the researcher will explain about the methodology that applied in this research. There are two types of research, such as quantitative and qualitative research. Quantitative research uses numbers to prove or disprove a notion or hypothesis. Quantitative research uses data that are structured in the form of numbers or that can be immediately transported into numbers; it is very controlled, exact approach to research (President University, 2010).

In contrast, qualitative research is placed in general category of non experimental method because they do not directly test for cause and effect. General purpose of qualitative research is to examine human behavior in the society, cultural, and political context in which they occur. Done through a variety of tools such as interview, historical method, case, study, and ethnography (President University, 2010).

In this thesis, the researcher use quantitative method because of use data that are structured in the form of number to analyze. In doing this quantitative analysis, the researcher uses secondary data to collect the data and information, in which this information mostly gets from internet. This research also used factor analysis method to determine the dominant factor of the result in this research. Factor analysis is used to reduce the number of variables, so that the researcher can get new dominant factor that makes inflation rate, exchange rate, sales growth rate, and current ratio are affecting the net profit margin of PT. Unilever Indonesia for 2005 – 2012.
3.2. **Operational Definitions**

This research divides the variables into two types, dependent variable and independent variables. In this research, it is important to know the definition of each variable, both of dependent and independent variables.

a. Dependent variable: the variable \( Y \) in regression model that in which the element that is being predicted.

b. Net Profit Margin (NPM): net profit margin is a comparison or ratio between net income and sales.

c. Independent Variable: the variable \( X \) in a regression model that is used to help predict the dependent variable.

d. Exchange Rate: Price for which the currency of a country can be exchanged for another country's currency.

e. Inflation Rate: The rate at which the general level of prices for goods and services are rising, and, subsequently, purchasing power is falling.

f. Current Ratio: Indicator of a firm's ability to meet short-term financial obligations, it is the ratio of current assets to current liabilities.

g. Sales growth rate: The amount by which the average sales volume of a company's products or services has grown, typically from year to year.

h. Hypothesis: a supposition or proposed explanation made on the basis of limited evidence as a starting point for further investigation.

i. Qualitative research: Research that placed in general category of non experimental method because they do not directly test for cause and effect.

j. Quantitative research: Research uses numbers to prove or disprove a notion or hypothesis.
3.3. **Research Instrument**

Research instruments that used in this research are:

3.3.1. **Instrument for Data Collection**

The data that used in this research is the secondary data. Secondary data in this study is essentially gathered from audited financial statements including income statement and balance sheet published by PT. Unilever Indonesia. In addition, this study also use number of books, journal,, and internet sources as supporting data or information. Hence, this study is conducted with the use of secondary data obtained from number of sources as books, journal, and internet sources.

As propose the intention of this study is mainly to analyze factors that influencing net profit margin, multiple regression models is used to analyze the data.

3.3.2. **Instrument for Data Analysis**

a. SPSS version 20

SPSS (Statistical Package for Social Science) is software that used for statistical purpose. Further information, this software serves to analyze data, perform statistical calculations both parametric and non parametric. It makes the researcher easier to calculate the data and analyze the statistical data result.

b. Microsoft Excel

Microsoft excel is used to record and calculate some data that needed to be inputted to SPSS. This software is really useful because helps the researcher in doing some data calculation.

c. Data Collection

The researcher being use is secondary data, the data that already published by the companies in their web site. The important data such as exchange rate and inflation rate historical data are taken from Bank Indonesia website; Current Ratio, Sales growth rate rate, and Net Profit Margin are taken from PT. Unilever Indonesia official website. All of these data are
used to identify the dominant factor that directly affects the NPM of PT. Unilever Indonesia.

3.4. Data Collection

Data collection is a process used in research to get the data that needed in completing the research process. The methodology used to sample from a larger population will depend on the type of analysis being performed, but will include simple purposive sampling.

The researcher uses secondary data and gets the population from quarterly reports of PT. Unilever Indonesia. This research takes the period of January 2005 until December 2012 as the period of data analyzed so the number of N is 32 samples.

3.5. Data Analysis

The researcher use Multiple Regression Analysis as the analysis of data. Multiple regression analysis is a statistical technique that predicts values of one variable on the basis of two or more other variables.

The purpose of this analysis is to fulfill the regression model that most suitable for identifying the relevant factors which is correlated with the dependent variable. The predicted value of Y is linear transformation of the X variables such that the sum of the observed and predicted Y is a minimum. That will be consisted the F-test, T-test, and other assumption to get the research objectives.

3.5.1. Multiple Regression Analysis

In this study, the researcher analyzed the data set through the use of multiple regression models. Through this analysis, the researcher would like to examine the influence of the independent variables (ER, IR, CR, SGR) toward the dependent variable (NPM).
The relationship model of independent variable with dependent variable can be arranged in linear regression equation as follow:

\[ Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + e \]

*Equation 5 – Multiple Regressions*

Whereas:

\[ Y \] Net Profit Margin
\[ a \] Constants
\[ X_1 \] Exchange Rate
\[ X_2 \] Inflation Rate
\[ X_3 \] Current Ratio
\[ X_4 \] Sales growth rate
\[ b_1, ..., b_n \] Regression Coefficient
\[ e \] Error term

### 3.5.2. Classical Assumption Testing

#### A. Normality Test

Normality test is the first classic assumption test using the SPSS application for evaluating whether data are normally distributed or not. Generally, this test is used by implementing Kolmogorof – Smirnov (K-S) and can be seen through graphic of Normal P-P of Regression Standardized Residual through SPSS application. The plot is used to estimate how well the data while approaching a normal distribution. The data will be analyzed as normal if the actual data plotting is located close to diagonal line, it means that the data is normally distributed and if the actual plotting is located spread far from the diagonal line or do not follow
directions diagonal line, it means the data is not normally distributed or nearly normal (Gujarati, 2003).

**B. Autocorrelation Test**

Autocorrelation is the correlation that happens between the variables from the observation data in the time series. If autocorrelation happens in the regression model, so the sample cannot show its variance of population and the result of regression model cannot be used to predict the value of dependent variable toward particular independent variable.

In testing the existence of autocorrelation, an autocorrelation test is implemented, which generally uses Durbin-Watson test. Santoso said in his book, that the value of Durbin Watson should be in range between -2 and +2 to be no correlation (Santoso, 2000).

**C. Heterocedasticity Test**

Heterocedasticity test is a test that is used to analyze whether there is a disturbance or error (e) owned by the same variant from one observation to the other observations. This test will use a scatter plot to see the spread of data. A good regression model is not incurred heterocedasticity. In this case, the significance value of each independent variable that would be used is the one gained from the regression analysis between the values of absolute residual with the independent variables.

If it does not form a specific pattern ad spread randomly above and below the zero spot, it can be assumed that the heterocedasticity does not exist in this regression model. On the other words, the regression model does not have any different variability in the residual (error) variances that indicates it is a good model to be analyzed.
D. Multicollinearity Test

This test is to find out any correlation between independent variables. One method of measuring collinearity is the Variance Inflationary Factor (VIF) for each independent variable. Multicollinearity test aims to assess whether two or more independent variables within the regression model are highly correlated (Ghozali, 2009). One alternative to detect the presence of multicollinearity within the regression model is the use of value of tolerance and its opponent (Variance Inflation Factor). However, formula that might be used to determine value of tolerance and Variance Inflation Factor (VIF) are shown as follow:

\[
\text{Tolerance} = 1 - R_j^2 \\
\text{VIF} = \frac{1}{\text{Tolerance}}
\]

*Equation 6 – Tolerance and VIF*

Where \( R_j^2 \) is the coefficient of determination of regression explanatory j on all other explanatory. Both of these measurements might indicate which independent variable that is explained by other predictors. In addition, Gujarati stated that a regression model is assumed to have multicollinearity if the value of tolerance is less than 0.10 or if the value of VIF is more than 10.

3.5.3. Hypothesis Testing

A. F-test

Simultaneous affect test is used to see whether all independent variables affect dependent variable (Ghozali, 2006). In order to measure the collective influence of all independent variables tested in this study, the hypothesis statement that might be used is:

\[
H_0: \beta_5 = 0 \\
H_1: \beta_5 \neq 0
\]

In testing the null hypothesis \( H_0 \), the value of all independent variables within the regression model used in this research including ER, IR, CR, and SGR are
assumed to be significant toward the dependent variable, NPM, if all the coefficient regression ($\beta_1$, $\beta_2$, $\beta_3$, $\beta_4$) is equal to zero.

On the other words, there is no collective influence of all independent variables (ER, IR, CR, SGR) on dependent variable (NPM). Whereas if all of the coefficient regression ($\beta_1$, $\beta_2$, $\beta_3$, $\beta_4$) is unequal to zero, it means there is collective significant effect from independent variables to dependent variable.

ANOVA table shows the value of F calculation. If the significance result is below 0.05, it means a set of independent variables in the regression model can influence the dependent variable. If the significance value is greater than the given parameter (0.05) then, accept the null hypothesis which means there is no collective influence of all independent variables tested in this research on the dependent variable.

B. T-test

The researcher used t-test in order to identify the significance of independent variables individually toward dependent variable in the regression model. The test measures the contribution of a variable while the remaining variables are included in the model. The hypothesis statement to test the significance of particular independent regression coefficient ($\beta_x$) are:

$H_0 : \beta_x = 0$

$H_1 : \beta_x \neq 0$

Same like f-test, the level of significance to determine the relationship is below 0.05.

In testing the null hypothesis, particular independent variable within the regression model is assumed to be a significant variable as if the regression coefficient is unequal to zero. That means the independent variable seems to be unimportant. While tests the alternate hypothesis ($H_1$), particular independent variable is viewed to be significant variable if the value of regression coefficient is greater than zero. If the value is smaller than zero, the independent variable is then unimportant.
The hypothesis statement used to test the significance of each independent regression coefficient in this research would be expressed as follow:

\[ H_0 : \beta_1 = 0 \]
\[ H_1 : \beta_1 \neq 0 \]

The researcher tries to acknowledge whether ER is significant variable within the regression model used in this research. In order to measure the significance of ER toward NPM, the researcher might test either null or alternate hypothesis. In testing the null hypothesis, the ER is supposed to be significant variable if the regression coefficient is not equal to zero unless it is insignificant. Yet, in testing the alternate hypothesis, ER has to be significant if regression coefficient is greater than zero otherwise unimportant.

If the significance value of certain independent variable tested in this research such as ER is greater than the given parameter (0.05), accept the null hypothesis. It indicates there is no influence of ER on the NPM. But if the significance value of particular independent variable tested in this research such as ER is less than given parameter, reject null hypothesis that signifies ER is significant toward the NPM.

The hypothesis statement used to test the significance of each independent regression coefficient in this research would be expressed as follow:

\[ H_0 : \beta_2 = 0 \]
\[ H_1 : \beta_2 \neq 0 \]

The researcher tries to acknowledge whether IR is significant variable within the regression model used in this research. In order to measure the significance of IR toward NPM, the researcher might test either null or alternate hypothesis. In testing the null hypothesis, the IR is supposed to be significant variable if the regression coefficient is not equal to zero unless it is insignificant. Yet, in testing the alternate hypothesis, IR has to be significant if regression coefficient is greater than zero otherwise unimportant.
If the significance value of certain independent variable tested in this research such as IR is greater than the given parameter, accept the null hypothesis. It indicates there is no influence of IR on the NPM. But if the significance value of particular independent variable tested in this research such as IR is less than given parameter, reject null hypothesis that signifies IR is significant toward the NPM.

The hypothesis statement used to test the significance of each independent regression coefficient in this research would be expressed as follow:

\[
H_0 : \beta_3 = 0 \\
H_1 : \beta_3 \neq 0
\]

The researcher tries to acknowledge whether CR is significant variable within the regression model used in this research. In order to measure the significance of CR toward NPM, the researcher might test either null or alternate hypothesis. In testing the null hypothesis, the CR is supposed to be significant variable if the regression coefficient is not equal to zero unless it is insignificant. Yet, in testing the alternate hypothesis, CR has to be significant if regression coefficient is greater than zero otherwise unimportant.

If the significance value of certain independent variable tested in this research such as CR is greater than the given parameter, accept the null hypothesis. It indicates there is no influence of CR on the NPM. But if the significance value of particular independent variable tested in this research such as CR is less than given parameter, reject null hypothesis that signifies CR is significant toward the NPM.

The hypothesis statement used to test the significance of each independent regression coefficient in this research would be expressed as follow:

\[
H_0 : \beta_4 = 0 \\
H_1 : \beta_4 \neq 0
\]

The researcher tries to acknowledge whether SGR is significant variable within the regression model used in this research. In order to measure the significance of SGR toward NPM, the researcher might test either null or alternate hypothesis. In
testing the null hypothesis, the SGR is supposed to be significant variable if the regression coefficient is not equal to zero unless it is insignificant. Yet, in testing the alternate hypothesis, SGR has to be significant if regression coefficient is greater than zero otherwise unimportant. If the significance value of certain independent variable tested in this research such as SGR is greater than the given parameter, accept the null hypothesis. It indicates there is no influence of SGR on the NPM. But if the significance value of particular independent variable tested in this research such as SGR is less than given parameter, reject null hypothesis that signifies SGR is significant toward the NPM.

C. **Coefficient of Determination (R^2)**

In multiple regressions, the coefficient of determination (R^2) represents the proportion of the variation in dependent variable (Y) that is explained by the set of the independent variables. This will ensure how strong correlation exists between independent variables on the dependent variable. R^2 values are out of range high low 0 to 1 as follows:

i. If $R^2 = 0$, it states if X as the independent variables explained 0% of the variability in Y as the dependent variable, or it can be said that the correlation between X and Y is low.

ii. If $R^2 = 1$, it states that all points contained in the sample have been in the regression line and do not have the error (e=0). Moreover, it stated that X has a strong correlation to Y and can explain the variability of Y using the regression equation. That is the reason why the value has to be closed to 1.
CHAPTER IV
ANALYSIS AND INTERPRETATION

4.1. Company Profile

4.1.1. History of Unilever Indonesia

Unilever products touch the lives of over 2 billion people every day – whether that's through feeling great because they've got shiny hair and a brilliant smile, keeping their homes fresh and clean, or by enjoying a great cup of tea, satisfying meal or healthy snack. Unilever Indonesia was established on 5th December 1933. Unilever Indonesia has grown to be a leading company of Home and Personal Care as well as Foods and Ice Cream products in Indonesia. The Company offered its shares to the public in 1981 and has been listed on the Indonesia Stock Exchange since 11th January 1982. As at the end of 2011, the Company ranked six on the Indonesia Stock Exchange in terms of market capitalization. The Company has two subsidiaries: PT Anugrah Lever (in liquidation), a 100% owned subsidiary (previously a joint venture marketing company for soy sauce) that has been consolidated and PT Technopia Lever, a 51% owned subsidiary that engages in distribution, export, and import of goods under the Domestos Nomos trademark. The Company owns six factories in Jababeka Industrial Estate, Cikarang, Bekasi and two factories in Rungkut Industrial Estate, Surabaya, East Java, with its head office in Jakarta. Its products consist of about 43 key brands and 1,000 SKUs which are sold through a network of about 500 independent distributors covering hundreds of thousands of outlets throughout Indonesia. Products are distributed through its own central distribution centers, satellite warehouses, depots and other facilities.
j. **Unilever Indonesia Nowadays**

Rising inflation, in combination with a weaker rupiah and a higher interest rate environment in Southeast Asia’s largest economy, will hurt sales at consumer-goods firms such as Unilever Indonesia. A weakening rupiah would result in an increase in the cost of imported foodstuffs, in which Unilever Indonesia imports many of its food requirements such as soybeans.

Despite this, strong income growth could still provide good prospects for companies like Unilever. Some consumers reduce their usage, or move to less costly brands. Luckily, Unilever have brands and products in many different segments.

Banking on strong consumer goods spending in Indonesia, Unilever Indonesia has been able to keep annual profit growth of above 15 percent in the last 15 years. Despite of the challenges, Indonesia still offered lots of opportunities. The $900 billion economy, the largest in Southeast Asia, still has a low per capita use of some consumer goods. In the past three years, Unilever has boosted investment, as it races to cash in on higher demand for fast-moving consumer goods in Indonesia. Domestic consumption, accounting for around two-thirds of the economy, is expected to drive the growth in Indonesia.

ii. **Timeline**

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1920-30</td>
<td>Import by van den Bergh, Jurgen and Brothers</td>
</tr>
<tr>
<td>1933</td>
<td>Soap Factory - Lever’s Zeepfabriek en NV – Angke, Jakarta</td>
</tr>
<tr>
<td>1936</td>
<td>Margarine and oil production van den Bergh’s Fabrieken NV - Angke, Jakarta</td>
</tr>
<tr>
<td>1941</td>
<td>Cosmetics factory - Colibri NV, Surabaya</td>
</tr>
<tr>
<td>1942-46</td>
<td>Unilever control discontinued (World War II)</td>
</tr>
<tr>
<td>1965-66</td>
<td>Under government control</td>
</tr>
<tr>
<td>Year</td>
<td>Event</td>
</tr>
<tr>
<td>------</td>
<td>-------</td>
</tr>
<tr>
<td>1967</td>
<td>Control of business back to Unilever under foreign investment law</td>
</tr>
<tr>
<td>1981</td>
<td>Go public and listed in Jakarta Stock Exchange</td>
</tr>
<tr>
<td>1982</td>
<td>Construction of Elida Gibbs Factory in Rungkut, Surabaya</td>
</tr>
<tr>
<td>1988</td>
<td>Transfer of the Toilet Soap Factory from Colibri to Rungkut Factory, Surabaya</td>
</tr>
<tr>
<td>1990</td>
<td>Enter into the tea business</td>
</tr>
<tr>
<td>1992</td>
<td>Opening of ice cream factory</td>
</tr>
<tr>
<td>1995</td>
<td>Construction of detergents and foods factory in Cikarang, Bekasi</td>
</tr>
<tr>
<td>1996-98</td>
<td>Consolidation of manufacturing facilities – Cikarang, Rungkut</td>
</tr>
<tr>
<td>1999</td>
<td>NSD Liquid Detergents – Cikarang</td>
</tr>
<tr>
<td>2000</td>
<td>Enter into soya sauce business</td>
</tr>
<tr>
<td>2001</td>
<td>Opening of tea factory – Cikarang</td>
</tr>
<tr>
<td>2002</td>
<td>Opening of central distribution centre Jakarta</td>
</tr>
<tr>
<td>2003</td>
<td>Enter into mosquito coil business</td>
</tr>
<tr>
<td>2004</td>
<td>Enter into snack business</td>
</tr>
<tr>
<td>2005</td>
<td>Opening of liquid / shampoo factory Cikarang</td>
</tr>
<tr>
<td>2008</td>
<td>Enter into fruit-based Vitality drinks business</td>
</tr>
<tr>
<td>2010</td>
<td>The company enters the water purification business by launching Pureit</td>
</tr>
<tr>
<td>2011</td>
<td>The new Dove soap factory opens in Surabaya, while the Wall’s ice cream and Skin Care factories in Cikarang are expanded</td>
</tr>
</tbody>
</table>
4.1.2. Vision of Unilever Indonesia

a) We work to create a better future every day
b) We help people feel good, look good and get more out of life with brands and services that are good for them and good for others.
c) We will inspire people to take small everyday actions that can add up to a big difference for the world.
d) We will develop new ways of doing business with the aim of doubling the size of our company while reducing our environmental impact.

4.1.3. Company Structure

![Organizational Structure of Unilever Indonesia](image)

Source: constructed by researcher

Figure 4.1. Organizational Structure of Unilever Indonesia
4.1.4. Products

A. Food and Drink Brands: Bango, Blue Band, Buavita, Lipton, Royco, Sariwangi, Unilever Food Solution, Wall’s.
C. Personal Care Brands: Axe, Brylcreem, Citra, Clear, Close Up, Dove, Lifebuoy, Lux, Pond’s, Rexona, She, Vaseline, Zwitsal, TRESemme.

4.1.5. Most Significant Awards during 2011 – 2012

Unilever Indonesia’s policies, programs, and other activities in areas related to sustainability were recognized in a long list of awards, of which the most significant are set out below:

i. Awards 2011
1. Asia’s Best Managed Companies 2012 (1st Rank) from Finance Asia.
2. Ranking Companies in Asia (1st Rank Asia Sustainability Rating).
3. Best Managed Company 2011 (Large Cap, ASIAMONEY)

ii. Awards 2012
1. Asia’s Best Companies 2012 by Finance Asia
2. 3rd Asia’s Best Employer Brand Awards by Universum
5. Anugrah Peduli Pendidikan 2012.
7. Indonesia Sustainability Reporting Award 2012.

4.1.6. Economic Performance Indicators

In general, the creation and distribution of economic value is based on the revenue and expenditure of the operational activities of Unilever. The increasing national economic growth has expanded the range of consumer goods offered to the market.
In 2012, Unilever presented an outstanding performance improvement. The revenue increased by 16% from 23,469 billion in 2011 to 27,303 billion in 2012, despite intense competition. This growth is supported by an increase in the volume growth from two principal product divisions, Home and Personal Care with total sales of Rp. 17,200 billion (2011) and Rp. 19,900 billion (2012) and Foods & Beverages with total net sales of Rp. 6,300 billion (2011) and Rp. 7,400 billion (2012). This growth was driven by capacity expansion in manufacturing plant sand product innovation. Total net profits before income tax moved up by 16.2 percent to Rp. 4,839 billion in 2012 from Rp. 4,164 billion in 2011.

During 2012 and 2011, Unilever successfully increased its economic value of Net Sales to Rp. 27,384 billion in 2012, up from Rp. 23,615 billion in 2011. The increasing of sales every year indicates the rotation of goods in inventory goes fast, and result the higher income, then higher Net Profit Margin as one of the profitability ratios. Unilever also continues to invest in Indonesia to increase capacity for growth. Unilever yesterday unveiled expansion to production facilities in Indonesia that will help drive sustainable growth for the company in the fast-growing developing and emerging markets.

The company has invested about €90 million to build a new, state-of-the-art personal care factory and to expand existing ice cream and personal care factories to increase Unilever’s capacity for growth and service increasing demand for beauty products and ice cream in Indonesia and in other parts of Asia and Africa. These developments complement the additional capacity already being built in the Home Care and Foods categories in Indonesia this year and will better enable Unilever to deliver bigger and better innovation more quickly to consumers.

These markets contribute significantly to the 54% that Unilever currently generates from emerging markets, a figure that expected to rise substantially over the next ten years. Unilever is excited by the enormous possibilities these markets offer and more investments will undoubtedly follow.

With almost 80 years of Unilever history in Indonesia, Unilever has demonstrated long-term commitment to its growth and prosperity so far. Unilever continuing and significant investment in Indonesia shows that Unilever company is equally
committed to Indonesia’s future growth, economic and environmental development.

4.2. Data Analysis

The instrument that used to analyze the data is SPSS 20.0. The researcher analyzed the data gained and gathered during the research of the study. The data analysis done in order to find out the correlation of NPM (Y) as the dependent variable to ER, IR, CR, and SGR (X) as the independent variables.

After the researcher gathering the data collection from the PT. Unilever Indonesia, Bank Indonesia, and Indonesia Bureau of Labor Statistics reviewed the related literature, theories, and the methodology that has been used, the researcher are going to analyze the data and to interpret the result has been made using SPSS 20.0. So, in this chapter the null hypothesis and alternative hypothesis are going to be tested whether the hypothesis is rejected or accepted.

The data analysis in this study presented in both descriptive and statistical. This research utilizes the multiple regression models and the hypothesis testing was initially conducted in this research prior to the classical assumption testing which including the normality test, multicollinearity, autocorrelation, and heteroscedasticity test.

4.2.1. Descriptive Statistic

The descriptive statistic might provide an illustration of data used in this research. The population in this research is PT. Unilever Indonesia, where the limits of the research for the period 2005 – 2012, and then there will be 32 quarterly data that being analyzed. The descriptive statistic includes the average value and the standard deviation of all variables tested in this research. The following table might offer descriptive analysis that being used.
The table above shows the result of descriptive statistic for five variables with 32 samples. The table is described as the following:

a) Net Profit Margin of Unilever Indonesia for period 2005 – 2012 has been averaged and its mean is 0.1694 while the value of standard deviation is 0.01134.

b) Exchange Rate (USD/IDR) of Indonesia for period 2005 – 2012 that already converted to decimal form and have mean as 1.0028 while the value of standard deviation is 0.04623.

c) Inflation Rate of Indonesia for period 2005 – 2012 has been averaged and its mean is 0.5747 while the value of standard deviation is 0.58417.

d) Current Ratio of Unilever Indonesia for period 2005 – 2012 has been averaged and its mean is 1.1172 while the value of standard deviation is 0.28696.

e) Sales growth rate Rate of Unilever Indonesia for period 2005 – 2012 has been averaged and its mean is 0.0406 while the value of standard deviation is 0.09761.

4.2.2. Classical Assumption Testing

The classical assumption testing is supposed to be conducted to acknowledge the quality of data used to test the multiple regression models in this study. The classical assumption testing including the normality test, multicollinearity, autocorrelation, and heteroscedasticity test might indicates whether deviation exist within the results gain from the regression analysis.
A. Normality Test

In conducting the normality test, the researcher uses scatter plot graphic. This test aims to find out how likely the dependent and independent variables in this research are normally distributed. If the data are spread around the diagonal line or histogram charts then it illustrates a normal distribution pattern.

![Normal P-P Plot of Regression Standardized Residual](image)

**Figure 4.2. Histogram of Regression Standardized Residual**

Looking at the histogram, the curve has a bell shaped normal distribution. Also from P – P plot, the actual data plot is surrounding the diagonal line telling the distribution of the data is normal.

B. Multicollinearity Test

In detecting the presence of multicollinearity within a regression model, one might use the value of tolerance and its opponent, VIF. A regression model is assumed to have multicollinearity if the value of tolerance is less than 0.10 or if
the value of VIF is more than 10. The result of collinearity testing in this research is shown as follows:

Table 4.2. Tolerance and VIF for Multicollinearity Test

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
</tr>
<tr>
<td>1</td>
<td>.257</td>
<td>.028</td>
<td>-</td>
</tr>
<tr>
<td>Exchange Rate</td>
<td>-.001</td>
<td>.027</td>
<td>-.248</td>
</tr>
<tr>
<td>Inflation Rate</td>
<td>.003</td>
<td>.082</td>
<td>-.136</td>
</tr>
<tr>
<td>Current Ratio</td>
<td>.025</td>
<td>.055</td>
<td>-.530</td>
</tr>
<tr>
<td>Sales Growth</td>
<td>.071</td>
<td>.014</td>
<td>.010</td>
</tr>
</tbody>
</table>

Table above expressed that the tolerance values of Exchange Rate, Inflation Rate, Current Ratio, and Sales growth rate Rate are 0.987; 0.813; 0.727; 0.796. As shown also by the table, all of the independent variables have the VIF values are below 10 and the tolerance values are above 0.10. It means there is no multicollinearity among the independent variables in the regression model of this research. On the other words, no one of the independent variables in this research that correlated between each other.

C. Autocorrelation test

This test aims to examine whether a correlation of a time series with its own past and future values exist or not within the model used in this research. In detecting the presence of autocorrelation within the model, the researcher uses Durbin – Watson test. This table below shows the result of autocorrelation test:

Table 4.3. Durbin Watson for Autocorrelation

<table>
<thead>
<tr>
<th>Model Summary</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.816</td>
<td>.667</td>
<td>.617</td>
<td>.00702</td>
<td>1.574</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Sales growth rate, Exchange Rate, Inflation Rate, Current Ratio
b. Dependent Variable: Net Profit Margin

According to Santoso (2004), the autocorrelation does not exist when the value of Durbin – Watson is between +2 and -2. From the table above, the Durbin – Watson shows the value of 1.574 which means there is no autocorrelation in this regression model.

D. Heterocedasticity test

Heterocedasticity test intends to examine whether the regression model have a different variability in the residual (error) variances. In detecting the presence of heterocedasticity within the model, the researcher uses the scatterplot model.

![Scatterplot for Heterocedasticity Test](image)

**Figure 4.3. Scatterplot for Heterocedasticity Test**

From displayed figure above, there is no heterocedasticity because the pattern of the plots is spread randomly. In other word it is called homocedasticity. It indicates the regression model is good to be analyzed since it does not have
different variability in residual (error) variances that could invalidate the statistical
test of significance.

4.2.3. Hypothesis Testing

In order to approve or disapprove the hypothesis in this research, there are several
statistical test used as follow:

A. F – Test

Simultaneous effect test is used to see whether all independent variables affect the
dependent variable. In assessing the collective influence of all independent
variables in this research including ER, IR, CR, SGR on the dependent variable,
NPM, the hypothesis statement used are:

\[ H_0 : \beta_3 = 0 \]
\[ H_1 : \beta_3 \neq 0 \]

The null hypothesis \( (H_0) \) suggests that there is no collective influence of all
independent variables including ER, IR, CR, SGR on NPM. However, the
alternate hypothesis \( (H_1) \) implies that at least one of independent variable tested in
this research influence the dependent variable.

ANOVA table shows the value of F calculation. If the significance result is below
0.05, it means a set of independent variables in the regression model can influence
the dependent variable. This ANOVA table below shows the result of F-test:

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>.003</td>
<td>4</td>
<td>.001</td>
<td>13.492</td>
<td>.000</td>
</tr>
<tr>
<td>Residual</td>
<td>.001</td>
<td>27</td>
<td>.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>.004</td>
<td>31</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Net Profit Margin
b. Predictors: (Constant), Sales growth rate, Exchange Rate, Inflation Rate, Current Ratio
The table above shows that significance (sig.) value is 0.000. It means there is collective influence of the independent variables on dependent variable significantly in the regression model, and subsequently the null hypothesis \((H_0: \beta_5 = 0)\) is rejected. The alternative hypothesis is accepted \((H_1: \beta_5 \neq 0)\), which means all independent variables tested in this research including ER, IR, CR, and SGR have collective influence on NPM.

**B. T - Test**

The researcher uses T-test in order to identify the significance of independent variables individually toward dependent variable in the regression model. Same like F-test, the level of significance to determine the relationship is below 0.05. The significance value is shown by the table of coefficient:

Table 4.5. T-test for Variable Significance Test

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td>T</td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>0.257</td>
<td>0.028</td>
<td>0.079</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>Exchange Rate</td>
<td>-0.01</td>
<td>0.027</td>
<td>-0.248</td>
<td>-2.215</td>
<td>0.036</td>
</tr>
<tr>
<td>Inflation Rate</td>
<td>-0.003</td>
<td>0.002</td>
<td>-0.136</td>
<td>-1.105</td>
<td>0.279</td>
</tr>
<tr>
<td>Current Ratio</td>
<td>-0.025</td>
<td>0.005</td>
<td>-0.830</td>
<td>-4.830</td>
<td>0.000</td>
</tr>
<tr>
<td>Sales Growth</td>
<td>0.071</td>
<td>0.014</td>
<td>0.610</td>
<td>4.898</td>
<td>0.000</td>
</tr>
</tbody>
</table>

According to the data shown in the table above, the regression model in this study might be presented as:

\[
NPM = 0.257 - 0.248 \text{ER} - 0.630 \text{CR} + 0.610 \text{SGR}
\]

*Equation 7 – Regression Model of the Research*

Where:

NPM = Net Profit Margin (Y)

ER = Exchange Rate (X1)

CR = Current Ratio (X3)

SGR = Sales growth rate (X4)
The model regression above might be interpreted as following statement:

i. The value of constant (NPM) is 0.257 which shows the value of NPM increases when the value of ER, IR, CR, SGR are zero.

ii. The regression coefficient ER is equal to -0.248. That interprets the NPM might decrease 0.248 for each increasing of ER with assumption all other factors remained the constant value.

iii. The regression coefficient of CR is equal to -0.630. That NPM might decrease 0.630 for each increasing of the CR with assumption all other factors remained the constant value.

iv. The regression coefficient of SGR is equal to 0.610. That interprets the NPM might increase 0.610 for each increasing of SGR with assumption all other factors remained the constant value.

According to the data shown by the T-test table above, the researcher also gain the several analyses for each hypothesis of this research as follow:

a. Exchange Rate (ER)

The hypothesis that used to examine the significance of ER towards NPM might be shown as follow:

\[ H_0: \beta_1 = Exchange \ Rate \ has \ no \ significance \ influence \ on \ net \ profit \ margin \]
\[ H_1: \beta_1 = Exchange \ rate \ has \ significance \ influence \ on \ net \ profit \ margin \]

The null hypothesis states that ER has no significant influence on NPM while the alternate hypothesis states that ER has significant influence on NPM.

The alternate hypothesis would be accepted if the significance value of the exchange rate is below the given parameter (0.05) otherwise it would be rejected. On the other words, ER supposed to have significant influence on net NPM if the significance value is less than 0.05. However, the data in T-test table show the significance value of ER is 0.033. That value is less than the given parameter (0.05), which indicates the alternate hypothesis is accepted
and null hypothesis is rejected. It means the ER has significant influence on NPM.

b. Inflation Rate (IR)
The hypothesis that used to examine the significance of IR towards NPM might be shown as follow:

\[ H_0: \beta_2 = \text{Inflation Rate has no significance influence on net profit margin} \]
\[ H_1: \beta_2 = \text{Inflation rate has significance influence on net profit margin} \]

The null hypothesis states that IR has no significant influence on NPM while the alternate hypothesis states that IR has significant influence on the NPM. The alternate hypothesis would be accepted if the significance value of the IR is below the given parameter (0.05) otherwise it would be rejected. On the other words, IR supposed to have significant influence on NPM if the significance value is less than 0.05. Yet, the data in T-test table show the significance value of IR is 0.203. That value is greater than the given parameter (0.05), which indicates the null hypothesis is accepted and alternate hypothesis is rejected. It means the IR has no significant influence on NPM.

c. Current Ratio (CR)
The hypothesis that used to examine the significance of CR towards NPM might be shown as follow:

\[ H_0: \beta_3 = \text{Current Ratio has no significance influence on net profit margin} \]
\[ H_1: \beta_3 = \text{Current Ratio has significance influence on net profit margin} \]

The null hypothesis states that CR has no significant influence on NPM while the alternate hypothesis states that CR has significant influence on the NPM. The alternate hypothesis would be accepted if the significance value of the CR is below the given parameter (0.05) otherwise it would be rejected. On
the other words, CR supposed to have significant influence on NPM if the significance value is less than 0.05. Yet, the data in T-test table show the significance value of CR is 0.000. That value is less than the given parameter (0.05), which indicates the null hypothesis is rejected and alternate hypothesis is accepted. It means the CR has significant influence on net NPM.

d. Sales growth rate
The hypothesis that used to examine the significance of SGR towards NPM might be shown as follow:

\[ H_0: \beta_4 = \text{Sales growth rate has no significance influence on net profit margin} \]
\[ H_1: \beta_4 = \text{Sales growth rate has significance influence on net profit margin} \]

The null hypothesis states that SGR has no significant influence on NPM while the alternate hypothesis states that SGR has significant influence on NPM.
The alternate hypothesis would be accepted if the significance value of the SGR is below the given parameter (0.05) otherwise it would be rejected. On the other words, SGR supposed to have significant influence on NPM if the significance value is less than 0.05. Yet, the data in T-test table show the significance value of SGR is 0.000. That value is less than the given parameter (0.05), which indicates the null hypothesis is rejected and alternate hypothesis is accepted. It means the SGR has significant influence on NPM.

4.2.4. \( R^2 \): Coefficient of Determination
In multiple regressions, the coefficient of determination \( (R^2) \) represents the proportion of the variation in dependent variable (Y) that is explained by the set of independent variables (X). \( R^2 \) value falls between 0 and 1. The larger the value, the better the prediction of \( Y \) by the independent variables within regression model used in this research. On the other words, the closer \( R^2 \) value to 1, the better the
independent variables in providing information required to predict dependent variable. The value of coefficient of determination is shown as follow:

Table 4.6. Coefficient of Determination ($R^2$)

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.816$^a$</td>
<td>.667</td>
<td>.617</td>
<td>.00702</td>
<td>1.574</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Sales growth rate, Exchange Rate, Inflation Rate, Current Ratio
b. Dependent Variable: Net Profit Margin

From the output calculation by SPSS 20 software, the value of coefficient of determination ($R^2$) is 0.667. It illustrates only 66.7% of the dependent variable could be explained by the variation of the independent variable. Further, this value means only 66.7% the proportion of the total variation in dependent variable (NPM) that might be explained by all the independent variables in regression model in this research, including ER, IR, CR, and SGR. Therefore, it might be assumed that independent variables that used in this research are good enough in providing the information required to predict dependent variable.

4.3. Interpretation of Results

In accordance to F-test and the result on the F-test table that shows the significance value is 0.000 which is less than the given parameter (0.05). This significance value indicates that all the independent variables are collectively significant affecting the dependent variable. It means the ER, IR, CR, and SGR is collectively influencing the NPM of Unilever Indonesia for period 2005 – 2012.

From the result of regression analysis, the value of $R^2$ is 0.672. It means that all the independent variables are able to explain the dependent variable 67.2 %. The rest is explained by other variables that are not included in the regression equation model. In other words, the independent variables used in the research (ER, IR, CR, SGR) are able to explain the variability of NPM in PT. Unilever Indonesia.
For each independent variable that affects the dependent variable, the researcher concludes the hypothesis as follow:

4.3.1. Analysis Each Variable

a. Exchange Rate

The data in T-test table shows the significance value of ER is 0.035. That value is less than the given parameter (0.05), which indicates the alternate hypothesis is accepted and null hypothesis is rejected. It means the ER has significant influence on NPM.

As stated by Walker in his journal, the fact that profit margins among European car makers seem to be less sensitive or low significant affected by bilateral exchange rates during the local depreciation or appreciation (Walker, 2007).

As said by Sancoyo Antarikso (director and corporate strategy), the value of exchange rate is influencing on the profitability of Unilever Indonesia because this company is importing the raw material such as food requirements from another country for around 50% of total raw material. That is why exchange rate value has an important role on profitability of Unilever Indonesia.

Exchange rate also as the independent variable has a vice versa relationship with net profit margin as the dependent variable. As shown in the T-test table, the ER variable has negative relation toward the NPM. It means when the NPM is decreasing, the ER will increase. And the vice versa, when the ER is decreasing, then, the NPM is increasing. In accordance to prove this result, the researcher searches the previous research which states the same result. Based on Fitri, company’s profitability negatively affected by the exchange rate. The company does not earn profits due to the depreciation of the local currency. Depreciation also results in decreased market share of the manufacturing industry (Fitri, 2008).

The researcher concludes that actually ER has negative or vice versa relation with NPM and it is significantly affecting the NPM.
b. Inflation Rate

The data in T-test table show the significance value of IR is 0.279. That value is greater than the given parameter (0.05), which indicates the null hypothesis is accepted and alternate hypothesis is rejected. It means the IR has insignificant influence on NPM.

Inflation rate is insignificantly affecting the profitability of Unilever Indonesia because from the data that analyzed, the rate of inflation refers to the stable condition. There is no significant fluctuation of inflation rate during the period that used in this research while the income of people is increasing every year. Then, the increasing income can cover the change of inflation rate so the sales of Unilever Indonesia still at the stable condition and won’t affect the profits too much. According to Lalisang as the Director of Unilever Indonesia, the company has set up some strategic steps, such as the efficiency of the company's internal financing in anticipation of subsidized fuel price-hike, so the overall inflation impact will not significantly affect the company's performance.

Inflation rate also as the independent variable has a vice versa relationship with net profit margin as the dependent variable. As shown in the T-test table, the IR variable has negative relation toward the NPM. It means when the NPM is decreasing, the IR will increase. And the vice versa, when the IR is decreasing, then, the NPM is increasing. In accordance to prove this result, the researcher searches the previous research which states the same result. According to Wibowo, for a company, inflation is leading to higher costs of productions and operations that will ultimately harm to the company itself. Thereby, inflation has a negative effect on profitability (Wibowo, 2012).

The researcher concludes that actually IR, although has negative or vice versa relation, it has insignificant influence on the NPM of a company.

c. Current Ratio

The data in T-test table show the significance value of CR is 0.000. That value is less than the given parameter (0.05), which indicates the null hypothesis is
rejected and alternate hypothesis is accepted. It means the CR has significant influence on NPM.

As stated by Vieira, a statistical relation between two or more variables such that systematic changes in the value of one variable are accompanied by systematic changes in the other. It was observed for all the studied years a significant and negative correlation between the liquidity and the profitability variables (Vieira, 2010).

Current ratio also as the independent variable has a vice versa relationship with net profit margin as the dependent variable. As shown in the T-test table, the CR variable has negative relation toward the NPM. It means when the NPM is decreasing, the CR will increase. And the vice versa, when the CR is decreasing, then, the NPM is increasing. In accordance to prove this result, the researcher searches the previous research which states the same result. As stated by Bisma, if company put more emphasis on liquidity, causing more current assets settles, and it will cause the decreasing of profitability. Vice versa if the company emphasizes profitability, means that all assets should be productive that can bother the liquidity. From the description above can be concluded that between liquidity and profitability, there is an inverse relationship (Bisma, 2009).

The researcher concludes that actually CR, although has negative or vice versa relation, it strongly has a significant influence on the NPM of a company.

**d. Sales growth rate**

The data in T-test table show the significance value of SGR is 0.000. That value is less than the given parameter (0.05), which indicates the null hypothesis is rejected and alternate hypothesis is accepted. It means the SGR has significant influence on NPM.

SGR also as the independent variable has a proportional relationship with NPM as the dependent variable. As shown in the T-test table, the SGR variable has positive relation toward the NPM. It means when the NPM is decreasing, the SGR will decrease. And the vice versa, when the SGR is increasing, then, the NPM is increasing. In accordance to prove this result, the researcher searches the previous research which states the same result. According to Kadir & Phang, the greater the
ratio of sales growth rate rate, the better because it is considered that sales activities are running quickly, and then produces a better profit rate. Means the faster inventory turnover, will gives a positive effect on profitability and exactly significantly affects the net profit margin as one of the profitability ratio (Abdul Kadir, 2012).

The researcher concludes that actually SGR that has positive relationship toward the NPM also strongly has a significant influence on that dependent variable on a company.
CHAPTER V

CONCLUSION AND RECOMMENDATION

5.1. Conclusion

The purpose of this research is to identify whether there is correlation between ER, IR, CR, and SGR toward the NPM of PT. Unilever Indonesia. The data used are quarterly basis data from year 2005 to 2012. In order to answer the statement of problem, several tests are done.

1.1.1. Answer for Statement of Problem

Based on the research and test done in this study, the answers to the statement of problem are:

1. Based on F-test, yes there is correlation between ER, IR, CR, and SGR to NPM of Unilever Indonesia. The score of significance value is 0.000 which is less than 0.005. From there we have reason to reject Null Hypothesis $H_0$: $\beta_3$ and accept $H_1$: $\beta_3$. In the NPM theory in chapter 2 contains news that describes how ER, IR, CR, and SGR can affect manufacturing industry. They can affect the production cost thorough the increasing of raw material cost. They also affect economic growth especially in household manufacturing sector. Many developers have fears to make more development on the products because of the cost and purchasing power of society which goes down. Then it will lead to demand problem in household manufacturing industry, then affect its productivity, demand, and profitability to Unilever Indonesia products.

2. Based on T-test, the score of significance value for independent variables ER, IR, CR, and SGR are 0.035, 0.279, 0.000, and 0.000. There are three variables that have value below the given parameter, and unfortunately there is one of the variables has value above the given parameter. ER, CR, and SGR are the variables that significantly influence the NPM with the value
below 0.005. And IR is the variable that insignificantly affects the NPM with value above 0.005.

3. From the significance value on T-test, the researcher can conclude the most significant factor that influences the NPM is SGR, and then followed by CR and ER.

4. NPM as the dependent variable is important to be analyzed because this ratio is an indicator of how efficient a company is and how well it controls its costs. High NPM ratio indicates a better productivity of the company that can improve the belief of the shareholders to invest in that company.

5. In the Coefficient of Determination presented with R², the value showed is 0.667. It means only 66.7% of the variation in NPM van be explained by the variation of independent variables ER, IR, CR, and SGR. The other 33.3% is influenced by another factor.

1.1.2. **Forecasting Model**

For the forecasting process, this research have resulted an equation model that can be used for predicting NPM value when it comes to ER, IR, CR, and SGR influences. Below is the equation:

\[
NPM = 0.257 - 0.248 \text{ER} - 0.630 \text{CR} + 0.610 \text{SGR}
\]

*Equation 8 – Forecasting Model for NPM*

The equation can be explained as follow:

1. The value of constant (a) is 0.257 which show the value of NPM increases when the value of ER, IR, CR, and SGR is zero.
2. The value of coefficient \(\beta_1\) or ER is \(-0.248\) which has negative relationship. Means when the value of ER increases, the value of NPM will decrease, and vice versa.
3. The value of coefficient \(\beta_2\) or IR is \(-0.144\) which has negative relationship. Means when the value of IR increases, the value of NPM will decrease, and vice versa.
4. The value of coefficient $\beta_3$ or CR is -0.630 which has negative relationship. Means when the value of CR increases, the value of NPM will decrease, and vice versa.

5. The value of coefficient $\beta_4$ or SGR is 0.610 gives signal of positive relationship between SGR and NPM. Means if the value of SGR increases, the value of NPM will also increases.

5.2. Recommendation

A. For Unilever Indonesia

The researcher has several recommendations as follow:

1. Unilever Indonesia may use the regression model in this research to help in profits forecasting using NPM ratio if the company is using ER, IR, CR, and SGR as the indicators.

2. SGR effect on NPM are quite good, it has positive relationship. When SGR increases, the NPM also is likely to increase and vice versa. But company should be careful because if the sales are increasing more and more, the production cost also increase that may effect on higher selling price time by time. Usually the customers will change their option from Unilever product to others competitor’s products. So the researcher recommends the Unilever Indonesia to watch out the production costs to stable even the sales are going up.

B. For Next Research

The variation in dependent variable that is explained by the set of independent variables is about 67.2%. Therefore, the researcher hope that next researcher can identify stronger variables, such as Interest Rate or other financial ratios that influence the NPM in Unilever Indonesia and also provide better regression model.
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**JOURNALS**


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APPENDICES

A. Data That Constructed in Microsoft Excel

Table 1. Value of Rupiah per Dollar 2005 – 2012

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<thead>
<tr>
<th>Month</th>
<th>2005</th>
<th>2006</th>
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<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
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</table>

Source: www.bi.go.id

Table 2. Exchange Rate of Rupiah per Dollar 2005 – 2012

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Source: Constructed by researcher

Table 2. Inflation Rate Data 2005 – 2012

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Source: www.bps.go.id
Table 3. Current Ratio Data 2005 – 2012

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Source: www.unilever.co.id

Table 4. Sales growth rate Rate 2005 – 2012

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Source: www.unilever.co.id

Cont’d Sales growth rate Rate

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<td>5.10%</td>
<td>4.93%</td>
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*note: number in the red one means minus (decreasing)

Table 5. Net Profit Margin 2005 – 2012

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Source: www.unilever.co.id

Cont’d Net Profit Margin
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B. Data that Constructed in SPSS 20

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Histogram

Dependent Variable: Net Profit Margin

Mean = 7.77E-15
Std. Dev = 0.933
N = 32