

The Influence of Revenue, Operational Expenses, and Tax Expenses on Financial Performance in Construction Services Companies Listed on The Indonesian Stock Exchange

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Abstract

This study aims to determine the influence of revenue, operating, and tax expenses on financial performance in construction service companies listed on the Indonesia Stock Exchange in 2017-2020. The variables tested in this study consisted of the influence of income, operating expenses, and tax expenses as independent variables and proxied financial performance with operating profit margin as the dependent variable. The population in this study are construction service companies listed on the Indonesia Stock Exchange for the period 2017-2020. The sampling technique used in this study was purposive sampling, and a sample of 48 data from 12 construction service companies listed on the Indonesia Stock Exchange for the period 2017-2020 that met specific criteria was obtained. The data analysis technique used in this research is panel data regression analysis and classical assumption test. The results of this study indicate that income has a positive and significant effect on the company's financial performance, operating expenses have not a positive and not significant impact on the financial performance of the company, and tax expenses have not a positive and not significant effect financial performance and revenue, operating expenses and tax expense together do have a simultaneous and significant effect on the Company's Financial Performance.

Keywords: Revenue, operating expenses, tax expenses, and financial performance

JEL Codes: P30, P33, P34

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1. Introduction

Every entity, whether operating in the manufacturing industry (manufacturing), construction services, or trading, in its corporate activities cannot be separated from recording all financial events or transactions to regulate its business activities. These activities/activities occur continuously, and the journal and recording system is adjusted to the procedures and mechanisms that apply to each company.

Companies can see the success or financial performance of the company, one of which is from the company's financial performance report. The information shown in the financial report is part of the information that can assess the company's financial performance in a certain period. A company's financial performance can be seen from various financial ratios. Financial ratios are fundamental in carrying out the analysis process of the company's financial condition (Harahap, 2013:297).

A company's financial report's performance has several elements, namely income, expenses, and taxes. The difference between revenue and costs for that period measures a company's profit or loss. Net profit is the excess of income (revenue) over expenses (expenses), whereas net loss (net loss) is the excess of expenses (expenses) over revenues (Santoso, 2009:196).

Income is an increase in the amount of assets or a decrease in liabilities for an expense, which arises from the delivery of goods and services or other business activities during a certain period originating from the delivery or production of goods. According to Soemarso (2009:277), Income is an increase in economic benefits during a specific accounting reporting period in the form of income and additions to assets or decreases in liabilities resulting in increases in changes in capital/ equity, which do not originate from investment contributions.

Operating expenses are costs related to the company's operational activities, which include sales and administration costs, depreciation costs, and repair and maintenance costs. Werner (2014:37) states "Expenses are costs related to company operations which include sales and administration costs, advertising costs, depreciation costs, and repairs and maintenance".

Tax is a source of income for the country, and income tax (PPh) is a tax levied in Indonesia. This is used as a reference in the tax and financial audit process, whether the amount of tax paid by the company matches the taxable profit obtained. In this research, taxes are projected by tax expenses.

2. Literature Review

2.1 Financial Report Performance

Weston, Copelan, and Thomas (1992:36) explain that financial performance is a tool for measuring a company's capital structure and becomes a benchmark for a company's financial position in the business life cycle.

Thus, it can be concluded that performance is the result of many individual decisions made continuously by company management in using capital or potential effectively and efficiently to obtain maximum results.

2.2 Revenue

The definition of income according to Kartikahadi, et al (2012: 186) is that income is an increase in economic benefits during one accounting period in the form of income or additions to assets or decreases in liabilities which results in an increase in equity that does not come

from investors' contributions.

According to Sodikin and Riyono (2014:37), "Income is an increase in economic benefits during the reporting period in the form of inflows or increases in assets or decreases in liabilities which result in an increase in equity that does not come from investor contributions. Income includes income (revenue) and profit (gain). Revenue is income that arises during the ordinary activities of an entity and is known by different names such as sales, fees, interest, dividends, royalties, and rent."

2.3 Operational Expenses

According to Sodikin., Slamet, S., & Riyono, B. (2012:92), expenses are a decrease in economic benefits during a period in the form of outflows or decreases in assets or the occurrence of liabilities that result in a reduction of equity unrelated to distribution to investors.

Hanafi, M., & Halim, A. (2009:57) state that operational expenses are outgoing assets or other parties utilizing company assets or the emergence of debt or a combination of the three during the period when the company produces and delivers goods, provides services or carries out activities others which are the main operations of the company.

2.4 Tax Expenses

Tax expense is the last expense reported after profit before tax. PSAK 46 (Revised 2010) states that the definition of the tax burden is the aggregate amount of current and deferred taxes that are considered in determining the profit or loss of a company (Pramitasari & Christiawan, 2017). According to Pramitasari and Christiawan (2017), what is meant by tax burden is what is borne by the company in one year, which is calculated based on the company's net profit before income tax. The tax burden in a company is considered a burden that must be paid by the company, where this burden can reduce the net profit that the company can obtain. The company's tax burden can be seen in the company's profit and loss statement. Erawati and Ndoen (2019) prove that their research found significant results of the tax burden on company financial performance.

3. Research Method

The research method used in this scientific research is a descriptive quantitative research method.

Based on the type, the variables in this research are divided into:

Independent Variables

In this research, the independent variables used are income, operational expenses, and tax expenses.

1. Revenue
Revenue is the official recording of financial transaction amounts in the bookkeeping method to reflect these amounts in financial statements/reports.
2. Operational expenses
Costs are defined as economic resources that must be expended for the business's continuity. Meanwhile, expenses are defined as a decrease in economic value in the form of spending money or depreciation of asset value.
3. Tax expenses
The aggregate amount of current and deferred taxes determines a company's profit or loss.

Dependent Variable

The dependent variable used in this research is the operating profit margin (OPM). Operating profit margin (OPM) is a ratio that measures a company's ability to generate profits before interest and tax with the sales achieved by the company.

$$\text{Financial performance (OPM)} = \text{Operating Profit} / \text{Net Sales}$$

The conceptual framework used to describe the relationship between income, operational expenses, and tax expenses on a company's financial performance is as follows:

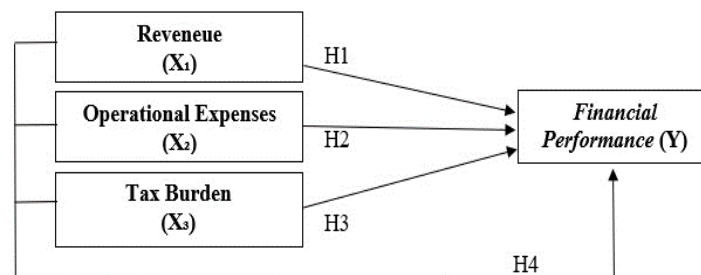


Figure 1.1. Research Model

The sample for this research is all construction service companies listed on the Indonesia Stock Exchange in 2017-2020. The research sample was obtained using a purposive sampling technique, with established criteria, criteria are as follows:

1. Companies that consistently operate during the research period 2017-2020.
2. Companies that have a financial year-end period as of December 31.

Based on these criteria, one company out of 15 companies cannot be used as a sample in this study. The tool used to manage data for this research is multiple linear regression analysis, which produces coefficients of determination and correlation coefficient values.

Multiple linear regression tests the influence of two or more variables.

The hypotheses in this research are:

Hypothesis 1:

Ho1: It is suspected that income does not influence financial performance.

Ha1: It is suspected that income influences financial performance.

Hypothesis 2:

Ho2: It is suspected that there is no influence of operational expenses on financial performance.

Ha2: It is suspected that there is an influence of operational expenses on financial performance.

Hypothesis 3:

Ho3: It is suspected that tax expenses do not influence financial performance.

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Ha3: It is suspected that tax expenses influence financial performance.

Hypothesis 4:

Ho4: There is no influence of income, operational expenses, and tax expenses together on financial performance.

Ha4: There is an influence of income, operational expenses, and tax expenses together on financial performance.

4. Result and Discussions

4.1 Findings

The data used is panel data, so its use must meet panel data regression testing, namely:

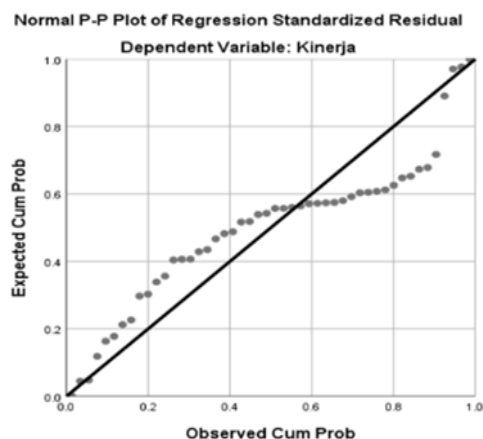
1. Classic Assumption Test

The following are the results of the classic assumption test:

Normality Test

The following are the results of the normality test:

Figure 1 Normality Test



From Figure 1 in the form of a graph, you can see that the dots are spread across the diagonal graph, and the distribution follows the direction of the diagonal line, so the regression model is suitable to be used to predict the company's financial performance which is projected using the operating profit margin (OPM).

Multicollinearity Test

The following are the results of the multicollinearity test:

Table 1 Multicollinearity Test Results

		Collinearity Statistics	
		Tolerance	VIF
1	Revenue	,539	1,857
	Operational expense	,524	1,909
	Tax expense	,934	1,071

Source: Analyze results from secondary data

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a. Tolerance

1. The income variable on financial performance is $0.539 > 0.1$, so it is concluded that there is no multicollinearity problem in the regression model.
2. The operational expense variable on financial performance is $0.524 > 0.1$, so it can be concluded that the regression model does not have multicollinearity problems.
3. The tax expense variable on financial performance in construction services companies listed on the Indonesia Stock Exchange (BEI) is $0.934 > 0.1$, so it can be concluded that there is no multicollinearity problem in the regression model.

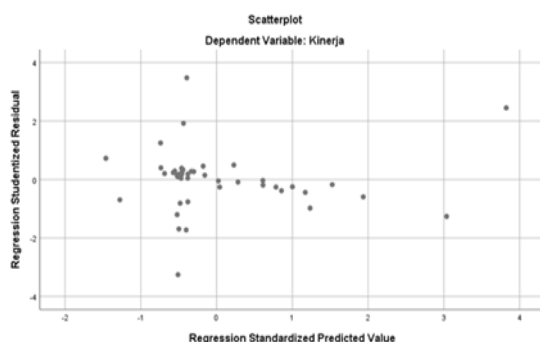
b. Variance Inflation Factor (VIF)

1. The income variable on financial performance is $1.857 < 10$, so it is concluded that the regression model does not have multicollinearity problems.
2. The operational expense variable is $1.909 < 10$, so it is concluded that the regression model does not have multicollinearity problems.
3. The tax expense variable on financial performance is $1.071 < 10$, so it was concluded that the regression model did not have multicollinearity problems.

Heteroscedasticity Test

The following are the results of the heteroscedasticity test:

Figure 2 Heteroscedasticity Test



From Figure 2 above, the points are distributed randomly and do not form a clear pattern. They are distributed both above and below the number 0 on the Y-axis. This means that heteroscedasticity does not occur in the regression model, so the regression model is suitable for predicting a company's financial performance as proxied by the operating profit margin (OPM) based on the input of the independent variables.

Autocorrelation Test

The following are the results of the autocorrelation test:

Table 2 Autocorrelation Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,995 ^a	,990	,989	1247493,220	2,223

a. Predictors: (Constant), Tax expense, Operational expense, Revenue

b. Dependent Variable: Financial performance

Source: Analyze results from secondary data

The DW (Durbin-Watson) value of 2.223 is in the area $4-dU < dw < 4-dU$, so H_0 is accepted, meaning there is no autocorrelation.

2. Hypothesis Testing

The following are the results of the hypothesis test:

1. t-test (Partial Test)

The following are the results of the t-test:

Table 3 T-Test Results

		Coefficients ^a				
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-159829,440	239312,109		-,668	,508
	Revenue	1,135	,024	,968	47,302	,000
	Operational expense	1,849	1,133	,034	1,633	,110
	Tax expense	793796,776	774551,801	,016	1,025	,311

a. Dependent Variable: Financial performance

Source: Analyze results from secondary data

Regression equation:

$$Y = -159,829.440 + 1.135X_1 + 1.849X_2 + 793,796.776X_3$$

Based on the results of the t-test in the table above, each variable shows different significance values, so the regression equation can be explained as follows:

a. Constant (a)

Constant (a) = -159,829.440 If there is no effort to address the variables of income, operational expenses, and corporate tax expenses, the company's financial performance will decrease by (-159,829.440).

b. The influence of revenue on financial performance

The results of testing the income variable on financial performance have a significant probability value of 0.000, which means $0.000 < 0.05$, and the comparison of the t-count is 47.302 and the t-table is 1.680. So, $t\text{-count} > t\text{-table}$ means that H_0 is rejected and H_a is accepted, and this means that income partially has a significant effect and has a positive relationship with financial performance. The regression coefficient (B) value for income is 1.135, meaning that for every increase of one unit, performance will increase by 1.135 units.

c. The influence of operational expenses on financial performance

The results of testing the operational expense variable on financial performance have a significant probability value of 0.110, which means $0.110 > 0.05$ and the comparison of the t-count is 1.633 and the t-table is 1.680. So, $t\text{-count} < t\text{-table}$ means that it shows that H_0 is accepted and H_a is rejected, and this means that partial operational expenses have no significant effect and have a positive relationship with financial performance. The regression coefficient (B) value for operational expenses is 1.849, meaning that for every

increase of one unit, performance will increase by 1.849 units.

d. The influence of tax expenses on financial performance

The results of testing the tax expenses variable on financial performance have a significant probability value of 0.311, which means $0.311 > 0.05$ and the comparison of the t-count is 1.025 and the t-table is 1.680. So, $t\text{-count} < t\text{-table}$ means that H_0 is accepted and H_a is rejected, and this means that the partial tax expenses have no significant effect and have a positive relationship with financial performance. The regression coefficient (B) value of the tax expenses is 793,796.776, meaning that for every increase of one unit, the performance will increase by 793,796.776 units.

2. F-Test (Simultaneous)

The following are the results of the F statistical test in table 4 as follows:

Table 4 F-Test Results

ANOVA ^a						
		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6825536561046865,000	3	2275178853682288,000	1461,972	,508 ^b
	Residual	68474530691446,300	44	15562393338		
	Total	6894011091738311,000	47			

a. Predictors: (Constant), Tax expense, Operational expense, Revenue

b. Dependent Variable: Financial performance

Source: Analyze results from secondary data

Based on Table 3.4 above, the calculated $F = 1461.972$ and $N = 48$, the F-table can be seen as 0.05 with degrees of freedom $(k-1) = 4 - 1 = 3$, with the denominator $(n-k)$, $48 - 4 = 44$, then F-table $(3.44) = 2.82$. $F\text{-count} > F\text{-table}$, it can be concluded that H_0 is rejected and H_a is accepted; this means that the dependent variables are income, operational expenses, and tax expenses simultaneously or together have a significant influence on the company's financial performance.

3. Coefficient of Determination Results

The following are the results of the hypothesis test:

Table 5 Coefficient of Determination Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,995 ^a	,990	,989	1247493,220	2,223

a. Predictors: (Constant), Tax expense, Operational expense, Revenue

b. Dependent Variable: Financial performance

Source: Analyze results from secondary data

Based on Table 4 above, the summary model of the Adjusted R square is 0.989 or 98.9%, this means that the dependent variable of financial performance is influenced by variations in the three independent variables: income, operational expenses, and tax expenses. Meanwhile, the remaining 1.1% is influenced by other variables not included in this research.

4.2 Discussion

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The Influence of Revenue on Financial Performance

The results of testing the income variable on financial performance show that H_01 is rejected and H_{a1} is accepted, and this means that income has a significant effect and has a positive relationship with financial performance. This shows that the increasing company income will affect the company's economic performance. The test results are the results of research conducted by Utami Puji Lestari (2018), who explained that implementing revenue recognition based on PSAK No. 72 made the company's financial performance look no better than the previous standard.

The Influence of Operational Expenses on Financial Performance

The results of testing the operational expense variable on financial performance show that H_01 is accepted and H_{a1} is rejected, and this means that partial operational expenses have no significant effect and do not have a positive relationship with the company's financial performance. The test results are the results of research conducted by Dewi and Kusuma (2019), which stated that operational costs do not significantly influence financial performance.

The Influence of Tax Expenses on Financial Performance

The results of testing the tax expenses variable on financial performance show that H_01 is accepted and H_{a1} is rejected, and this means that the partial tax expenses have no significant effect and do not have a positive relationship with financial performance. The test results are the results of research conducted by Erawati and Ndoen (2019), which states that tax expenses affect financial performance.

The Influence of Revenue, Operational Expenses, and Tax Expenses on Financial Performance

The results of the F-count = 1,461.972 and $N = 48$, the F-table can be seen to be 0.05 with degrees of freedom $(k-1) = 4 - 1 = 3$, with the denominator $(n-k)$, $48 - 4 = 44$, then F-table $(3,44) = 2.82$. F-count > F-table, then income, operational expenses, and tax expenses together or simultaneously significantly influence the financial performance of construction services companies listed on the Indonesia Stock Exchange (BEI). The test results are the results of research conducted by Dewi and Kusuma (2019) which explains that operational costs do not have a significant effect on the level of financial performance, income has a significant effect on financial performance, operational expenses, and revenue together do not influence on financial performance.

5. Conclusion

Based on the results of research and discussion regarding the influence of income, operational expenses, and tax expenses on the financial performance of construction services companies listed on the Indonesia Stock Exchange (BEI) in 2017-2020, the following conclusions were obtained:

1. The income variable has a partially significant effect and has a positive relationship with financial performance. The results of this research are consistent with research by Utami Puji Lestari (2018) which states that the implementation of revenue recognition based on PSAK No. 72 makes the company's financial performance look no better when compared to using the previous standard.
2. The operational expense variable has no significant effect and has a positive relationship with financial performance. The results of this research are consistent with research by Dewi and Kusuma (2019) which states that operational costs do not have a significant influence on the level of financial performance.
3. The partial tax expense variable has no significant effect and has a positive relationship with financial performance. The results of this research are consistent with research by Erawati and Ndoen (2019) which states that tax expenses affect financial performance.
4. The variables income, operational expenses, and tax expenses simultaneously or together

significantly influence the company's financial performance. The results of this research are consistent with research by Dewi and Kusuma (2019), which explains that operational costs do not have a significant effect on the level of financial performance, income has a significant effect on financial performance, and operational expenses and income together do not affect financial performance.

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