Financial Performance Changes in the Digital Economy of Indonesian Retail Companies

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Abtract: Digital economy could cause the change of financial performance nowadays. The objective of this research is to measure financial performance by comparing the performance before and after digital economy. This study uses financial ratio to measure financial performance, such as, liquidity, activities, solvency and profitability. The unit of analysis is retail firm with purposive sampling method of 15 firms and the study period was 2013-2017. The data analysis method used nonparametric Wilcoxon signed rank test. The findings show that activities ratio and profitability ratio are significantly after digital economy meanwhile liquidity and solvency are found to be insignificant after digital economy. Therefore, financial performance is decreasing after digital economy. This result imply that retail company in Indonesia have to change business strategy, especially classic pattern sales to be based on digital technology.

1 INTRODUCTION

Digital economy has become a disruptive factor that has swept the whole world and expanded in all business sectors such as transportation, medical, commerce, tourism, education, health and so on. The digital economy topic discussed in all events in the form of conferences, discussions and government policies. The discussion is better known as disruption revolution, namely from industry 1.0 to cyber-based 4.0 industry (Tandelilin, 2018). The term disruption can be seen as a term that can be positive or negative (Experd, 2017). Negative impression if it is destructive and positive impression if it is an innovation, fresh perspective, inspiration for creative millennial times.

Digital economy is a situation where business activities are dynamic and based on the internet. According from (Carlsson, 2004) interprets that digital economy is a dynamic new economy in which business activity leads to high productivity with a markedly high use of the internet and heterogeneous forms of connection resulting in a very broad new combination. According to (Ayres & Williams, 2004) digital economics produces an innovation and adopts Information and Communications Technologies (ICTs). This innovation is related continuously on many levels, namely basic science, engineering, industry, system integration and new applications.

Previous research on digital economics related to topics in financial management is still relatively small. The disruptive era makes companies in business activities will change strategies, especially sales strategies. Many giant retail sector companies were decided to close several outlets. For example, 7 Eleven officially closed all outlets at the end of June 2017 cause the company lost Rp.447.9 billion in the first quarter of 2017, PT Matahari Department Store closed two outlets in Pasaraya Blok M and Manggarai at the end of September 2017, retail company Disc Tarra Prior to close its outlets by the end of 2015, Lotus retail stores closed outlets in October 2017 and Debenhams retail store outlets in 2017 (Tandelilin, 2018). The transportation sector has sprung up GoJek, Grab, Uber. The production sector with zero inventory appears Alibaba, Bukalapak, Lazada, Shopee. These new companies are established or called start-up companies.

The results of research in the field of financial management related to digital economy are the emergence of digital finance and financial inclusion in research conducted (Ozili, 2018). The results show that digital finance through financial technology has

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a positive impact on financial inclusion for developing countries and developed countries because digital economy provides individual comfort. The field of marketing was carried out by researchers (Lu & Chang, 2013) about consumer perceptions of online retailers towards e-loyalty intention in 949 respondents indicating that the higher consumers of online retailers, the more likely consumers are to make online purchase.

The main objective of this research is to provide empirical evidence about financial performance as measured by financial ratios as a consequence of the impact of the digital economy on retail companies on the Indonesia Stock Exchange in 2013-2017. The remaining of this paper is organized as follows. Section 2 provides the literature on the variables used for this study, where as section 3 describes the methodology. The results would then be covered in Section 4 and finally section 5 the result of this paper.

2 LITERATURE REVIEW

2.1 Liquidity Ratio

Liquidity is related to the company's ability to repay short-term debt or long-term debt that is due soon. Companies that do not experience problems in paying off short-term debt are called liquid companies. Conversely, companies that are not able to pay off short-term debt or debt that is due soon are called illiquid companies. The company's liquidity measurement includes the current ratio, quick ratio, cash ratio, net working capital to asset ratio and measure interval (Ross et al., 2005).

The liquidity ratio in this study uses the current ratio. Current ratio is the most often used as a reflection of liquid or not a company. A Small Current ratio reflects low short-term liquidity. A high current ratio shows current assets, but has an unfavorable influence on the profitability of the company. Current assets generally result in lower returns or profit levels than fixed assets so there is a trade-off between risk and return in this condition (Barclay & Smith, 1995; Hoshi *et al.*, 1991). Current ratio formula is:

$$Current\ Ratio = \frac{Current\ Asset}{Current\ Liabilities}$$

2.2 Activities Ratio

Activities ratio are used to measure the ability of companies to use their assets efficiently (Hanafi, 2016). This ratio reflects how much funds are embedded in company assets. if the funds embedded in certain assets were large enough, while the funds should be able to be used to invest in other assets that are more productive, the profitability of the company should not be and should be. The activity ratio consists of the average age of accounts receivable, inventory turnover, fixed asset turnover and total asset turnover (Hanafi, 2016).

This study measures the ratio of activity to two ratios, namely inventory turnover (IT) and total asset turnover (TATO). Inventory turnover measures how much inventory will spin in a year. The greater the inventory turnover, the more effective the company will be in managing its inventory. Conversely, if the greater the average number of inventory life, the worse the company's performance will be because the greater the funds embedded in inventory assets (Dehning *et al.*, 2007; Kaynak, 2003). The inventory turnover formula is:

$$Inventory\ Turnover = \frac{\text{The cost of goods sold}}{\text{Ending inventory}}$$

Total asset turnover shows the extent to which the company's ability to generate sales is based on fixed assets owned by the company. For companies with a large proportion of total fixed assets, this ratio becomes important to note (Hanafi, 2016). However, for the service industry the fixed asset turnover ratio is not so important to note. The ratio formula is:

$$Total\ Asset\ Turnover = \frac{\text{Net Sales}}{\text{Total Asset}}$$

2.3 Solvency Ratio

The solvency ratio measures the company's ability to pay off its long-term obligations (Hanafi, 2016). Companies that are able to pay off their long-term liabilities are called solvable companies, which is companies are categorized as insolvable if their long-term liabilities are greater than the total assets owned. The solvency ratio is more focused on the right side of the company's balance sheet. Solvency ratio consists of debt to total asset ratios, times interest earned ratios and fixed charge coverage ratios (Hanafi, 2005; Ross et al., 2005).

The ratio's used as a measurement of the solvency ratio in this study are debt to asset ratio (DAR) and debt to equity ratio (DER). DAR ratio by comparing between total debt and total assets. Companies that have a high DAR ratio mean that the company uses high financial leverage (Utami, 2017). The proportion of existing fixed assets should have the ability to pay off existing debt. The DAR formula is:

$$Debt\ to\ Asset\ Ratio\ = \frac{\text{Debt}}{\text{Total Asset}}$$

The ratio of the total debt ratio to the amount of capital available shows the DER ratio. The use of high debt will increase profitability, besides that high debt will have an impact on risk (Barth & Miller, 2018; Utami, 2017). For certain conditions, the company may have high debt, for example a booming or normal macroeconomic condition, but if the economic conditions of recession, the use of high debt will also cause a high risk. If high sales companies will not experience difficulties in paying installments because the interest charged tends to be fixed. It is not good if sales go down, the company's ability to pay installments is slow. The DER ratio is used by the formula:

$$Debt\ to\ Equity\ Ratio\ = \frac{\text{Debt}}{\text{Total Equity}}$$

2.4 Profitability Ratio

Profitability is used to measure a company's ability to obtain profits at the level of sales, certain assets and capital in a period (Hanafi, 2016). This ratio can be interpreted as the company's ability to be efficient for a certain period. The ratios contained in profitability are profit margins, return on assets (ROA), return on equity (ROE).

This study measures profitability with two ratios, namely ROA and ROE. ROA measures the ability of a company to generate net income based on certain assets. According to (Muritala, 2012) that a high ROA ratio reflects that companies in manage their assets are getting better or called more efficient and effective.

$$Return\ on\ asset = \frac{\text{Net profit}}{\text{Total asset}}$$

ROE measurement is used to determine the company's ability to obtain profits from internal funding sources. This measure is a measure of profitability seen in the perspective of shareholders. According to (Hanafi, 2016) this ratio does not take into account dividends and capital gains for shareholders, because this ratio does not include a measure of the return received by the actual shareholders. High ROE indicates that the level of corporate profitability is high (Utami, 2017). The ROE measurement formula is as follows:

$$Return\ on\ equity\ = \frac{\text{Net profit}}{\text{Total equity}}$$

3 RESEARCH METHODS

The population of the research are 23 companies in the retail sector in the Indonesia Stock Exchange (IDX). The research period is 2013-2017. The selection of the period was based on 2015 that used as the basic year of the digital economy phenomenon. A purposive technique in selecting samples with several criteria, namely 1) Retail companies that have not been delisted during the 2013-2017 period; 2) Retail companies that have financial information December 31, 2013 up to a minimum of September 2017, this is due to the lack of retail companies that have published complete financial reports until December 31, 2017. Based on the selected criteria, there are 15 retail companies as research samples. The source of research data is the financial statements of retail companies so that the data used is secondary data.

Measurement of financial performance of this study uses four ratios, namely liquidity, activity, solvency and profitability. Data analysis techniques descriptively that is to determine the mean by adding up the calculation results of the ratio and divided by the number of years of research and calculating the difference between the average after and the average before. The research hypothesis was inferentially tested using a non-parametric Wilcoxon signed-rank test method.

4 RESULT

The change of financial ratios based on the average value between after and before is explained in detail as follows: Changes in the development of liquidity ratios are measured by the current ratio (CR), namely the comparison between current assets and current debt for the period of two years before and two years after the digital economy occurs is shown in Table 1. The average CR ratio development in Table 1 is 66.67% the impact of digital economy does not occur in the decline of CR. Based on Table 1, the impact after the digital economy for retail companies as a whole still shows an improvement in the liquidity ratio, which is proxy by CR, although there are some companies that experienced a sharp decline.

Table 1: Change of Current Ratio (%)

No	Code	Before			After			Average difference (after deducting before)
		(t-2)	(t-1)	Average	(t+1)	(t+2)	Average	
1	ACES	397,74	508,89	453,32	726,12	634,68	680,40	227,09
2	AMRT	82,07	91,46	86,77	89,60	88,34	88,97	2,21
3	CENT	162,66	53,57	108,12	143,82	165,81	154,82	46,72
4	CSAP	107,35	112,87	110,11	125,75	118,31	122,03	11,92
5	ERAA	171,84	148,22	160,03	131,33	147,62	139,48	(20,56)
6	GOLD	580,72	903,61	742,17	71,41	93,34	82,38	(659,79)
7	HERO	162,88	117,76	140,32	142,94	135,16	139,05	(1,27)
8	KOIN	133,85	121,21	127,53	116,03	114,24	115,14	(12,40)
9	LPPF	90,10	84,08	87,09	114,90	113,90	114,40	27,31
10	MAPI	111,74	134,36	123,05	158,23	153,52	155,88	32,83
11	MIDI	87,00	82,49	84,75	76,62	64,74	70,68	(14,07)
12	RALS	246,49	278,53	262,51	280,56	362,81	321,69	59,18
13	RANC	159,37	131,30	145,34	159,39	173,83	166,61	21,28
14	RIMO	173,00	127,00	150,00	119,00	339,47	229,24	79,24
15	TELE	140,33	180,11	160,22	598,91	170,80	384,86	224,64

Source: Processed from financial statement, 2013-2017

The activity ratio proxy by Inventory Turnover (IT) is shown in Table 2. IT ratios reflect the effectiveness of the company's operating activities related to inventory management. This ratio measurement is comparing the cost of goods sold and ending inventory. The higher this ratio reflects the more effective inventory turnover means that the company is efficient in controlling inventory. Efficiency reflects that the company does not need to incur additional costs such as maintenance costs. As many as 67% of retail companies experienced a decline in IT after the digital economy occurred in 2013-2017. This condition reflects that the impact of digital economy is able to reduce the IT performance of retail companies after two years of digital economy.

Table 2: Change of Inventory Turnover (x)

No	Code	Before			After			Average difference (after deducting before)
		(t-2)	(t-1)	Average	(t+1)	(t+2)	Average	
1	ACES	1,15	1,13	1,14	1,63	1,19	1,41	0,27
2	AMRT	1,61	1,35	1,48	7,47	5,64	6,56	5,08
3	CENT	0,63	0,78	0,71	4,53	15,11	9,82	9,12
4	CSAP	0,06	0,55	0,31	4,07	3,30	3,69	3,38
5	ERAA	6,28	6,58	6,43	8,51	5,54	7,03	0,60
6	GOLD	7,77	8,99	8,38	3,33	2,39	2,86	(5,52)
7	HERO	4,95	4,29	4,62	5,15	3,73	4,44	(0,18)
8	KOIN	11,76	7,57	9,67	4,79	3,96	4,38	(5,29)
9	LPPF	0,81	0,84	0,83	0,76	0,69	0,73	(0,10)
10	MAPI	1,66	1,98	1,82	0,68	0,54	0,61	(1,21)
11	MIDI	1,81	1,54	1,68	1,48	1,14	1,31	(0,37)
12	RALS	4,43	4,72	4,58	0,79	0,60	0,70	(3,88)
13	RANC	4,21	6,61	5,41	2,16	1,65	1,91	(3,51)
14	RIMO	14,25	10,90	12,58	0,04	0,14	0,09	(12,49)
15	TELE	14,90	14,52	14,71	3,31	2,19	2,66	(12,05)

Source: Processed from financial statement, 2013-2017

Activity ratio can be measured by Total Asset Turnover (TATO). TATO compares the net sales value to total assets in a certain period. The higher the TATO reflects the better retail companies in managing assets, resulting in high net sales. Table 3 shows the average development of TATO before and after the digital economy occurs. The impact after two

years of digital economy showed retail companies experienced a decline in TATO.

Table 3: Change of Total Asset Turnover (x)

No	Code	Before			After			Average difference (after deducting before)
		(t-2)	(t-1)	Average	(t+1)	(t+2)	Average	
1	ACES	1,57	1,54	1,56	0,69	1,03	0,86	(0,70)
2	AMRT	3,18	2,97	3,08	2,88	2,12	2,50	(0,58)
3	CENT	0,04	0,08	0,06	0,11	0,12	0,12	0,06
4	CSAP	2,07	2,12	2,10	1,57	1,20	1,30	(0,71)
5	ERAA	2,55	2,36	2,46	2,53	2,09	2,31	(0,15)
6	GOLD	0,51	0,48	0,50	0,06	0,12	0,09	(0,41)
7	HERO	1,53	1,54	1,54	1,83	1,28	1,58	0,02
8	KOIN	3,30	2,25	2,78	2,05	1,59	1,82	(0,96)
9	LPPF	2,30	2,32	2,31	2,04	1,85	1,05	(0,37)
10	MAPI	1,25	1,36	1,31	1,32	1,05	1,19	(0,12)
11	MIDI	2,36	2,31	2,34	1,99	1,51	1,75	(0,59)
12	RALS	1,37	1,28	1,33	1,26	0,98	1,12	(0,21)
13	RANC	1,83	2,10	1,97	1,86	2,19	2,53	0,56
14	RIMO	0,06	0,02	0,04	0,00	0,04	0,02	(0,02)
15	TELE	3,03	2,91	2,97	3,32	2,32	2,82	(0,15)

Source: Processed from financial statement, 2013-2017

Table 4.Shows Debt to Asset Ratio (DAR) for retail companies in the study sample. It appears that all retail companies fund total assets sourced from debt. The higher the DAR reflects the greater corporate debt which in turn can lead to the company's dependence on external funds. The impact of the development after the digital economy occurs for retail companies is quite diverse based on the average difference in DAR.

Table 4: Change of Debt to Asset Ratio (%)

No	Code	Before			After			Average difference (after deducting before)
		(t-2)	(t-1)	Average	(t+1)	(t+2)	Average	
1	ACES	0,23	0,20	0,22	0,18	0,20	0,19	(0,03)
2	AMRT	0,76	0,79	0,78	0,73	0,76	0,75	(0,03)
3	CENT	0,12	0,26	0,19	0,21	0,26	0,24	0,05
4	CSAP	0,77	0,75	0,76	0,67	0,70	0,69	(0,08)
5	ERAA	0,45	0,51	0,48	0,54	0,51	0,53	0,05
6	GOLD	0,20	0,15	0,18	0,44	0,49	0,47	0,29
7	HERO	0,31	0,34	0,33	0,27	0,29	0,28	(0,05)
8	KOIN	0,74	0,78	0,76	0,83	0,85	0,84	0,08
9	LPPF	1,27	0,95	1,11	0,62	0,57	0,60	(0,52)
10	MAPI	0,69	0,70	0,70	0,70	0,62	0,66	(0,04)
11	MIDI	0,76	0,76	0,76	0,79	0,81	0,80	0,04
12	RALS	0,27	0,26	0,27	0,28	0,23	0,26	(0,01)
13	RANC	0,44	0,48	0,46	0,40	0,39	0,40	(0,06)
14	RIMO	11,84	9,55	10,70	2,96	0,11	1,54	(9,16)
15	TELE	0,60	0,50	0,55	0,61	0,61	0,61	0,06

Source: Processed from financial statement, 2013-2017

The solvency ratio with the Debt to Equity Ratio (DER) proxy shows a comparison between debt and total capital. The higher the DER shows the fewer internal funding sources from shareholders' own capital. Table 5 shows the development of DER before and after the digital economy occurs. The impact after digital economy has occurred, almost all companies in funding reduce external funding means that they are more likely to use additional capital from internal, namely their own capital from retained earnings and shareholders.

Table 5: Change of Debt to Equity Ratio (%)

No	Code	Before			After			Average difference (after deducting before)
		(t-2)	(t-1)	Average	(t+1)	(t+2)	Average	
1	ACES	0,29	0,25	0,27	0,22	0,25	0,24	(0,04)
2	AMRT	3,21	3,65	3,43	2,68	3,16	2,92	(0,51)
3	CENT	0,14	0,35	0,25	0,20	0,27	0,24	(0,01)
4	CSAP	3,34	3,04	3,19	2,00	2,29	2,15	(1,05)
5	ERAA	0,82	1,03	0,93	1,18	1,02	1,10	0,18
6	GOLD	0,24	0,18	0,21	0,79	0,95	0,87	0,66
7	HERO	0,45	0,52	0,49	0,37	0,41	0,39	(0,10)
8	KOIN	2,83	3,60	3,22	4,84	5,69	5,27	2,05
9	LPPF	(4,76)	18,19	6,72	1,62	1,33	1,48	(5,24)
10	MAPI	2,22	2,33	2,28	2,33	1,65	1,99	(0,29)
11	MIDI	3,21	5,37	4,29	3,76	4,38	4,07	(0,22)
12	RALS	0,36	0,36	0,36	0,39	0,30	0,35	(0,02)
13	RANC	0,79	0,92	0,86	0,67	0,64	0,66	(0,20)
14	RIMO	(1,09)	(1,12)	(1,11)	(1,51)	0,13	(0,69)	0,42
15	TELE	1,49	1,01	1,25	1,56	1,59	1,58	0,33

Source: Processed from financial statement, 2013-2017

Profitability ratios measure a company's ability to earn profits in a given period. The ratio used as a measure of asset effectiveness in generating net income is the Return on Assets (ROA) approach. The impact of digital economy after two years on average shows the development of a decline of almost 99% of retail companies in Indonesia. ROA decreases due to changes in net income as a measure of the level of success of the company's operational efficiency. Referring to Table 6, it can be explained that the digital economy impact causes a decrease in net income decline of almost all retail companies in Indonesia.

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Table 6. Change of Return on Asset (%)

No	Code	Before			After			Average difference (after deducting before
		(t-2)	(t-1)	Average	(t+1)	(t+2)	Average	
1	ACES	20,29	18,62	19,46	18,93	12,82	15,88	(3,58)
2	AMRT	5,19	4,09	4,64	2,84	0,22	1,53	(3,11)
3	CENT	(3,77)	(4,71)	(4,24)	(2,27)	(1,92)	(2,10)	(2,15)
4	CSAP	2,44	3,47	2,96	1,76	1,36	1,56	(1,40)
5	ERAA	6,97	3,50	5,24	3,53	3,19	3,36	(1,88)
6	GOLD	6,84	3,17	5,01	(0,86)	0,17	(0,35)	(5,35)
7	HERO	8,65	0,53	4,59	1,61	0,90	1,26	(3,34)
8	KOIN	10,90	5,04	7,97	0,00	(1,53)	(0,77)	(8,74)
9	LPPF	39,16	41,64	40,40	41,57	35,14	38,36	(2,04)
10	MAPI	4,20	0,84	2,52	1,95	2,30	2,13	(0,40)
11	MIDI	3,19	5,37	4,28	4,60	0,95	2,78	1,51
12	RALS	8,92	7,80	8,36	8,79	8,15	8,47	(0,11)
13	RANC	4,67	1,21	2,94	5,48	3,63	4,56	(1,62)
14	RIMO	(111,74)	(68,10)	(89,92)	(9,06)	2,11	(3,48)	(86,45)
15	TELE	8,53	6,07	7,30	5,71	3,13	4,42	(2,88)

Source: Processed from financial statement, 2013-2017

Table 7 shows the development of Return On Equity (ROE) of retail companies in Indonesia. ROE measures the rate of return on capital in generating net income. The higher ROE reflects the better operational efficiency of the company. Negative ROE reflects that the return on capital in operational efficiency is not effective. It appears in Table 7 in the two years before digital economy happens that almost all companies have positive ROE as well as digital economy, but if calculated with the average

development of the difference, the ROE of retail companies has d ecreased.

Table 7: Change of Return on Equity (%)

No	Code	Before			After			Average difference (after deducting before
		(t-2)	(t-1)	Average	(t+1)	(t+2)	Average	
1	ACES	26,26	23,24	24,75	23,16	15,99	19,58	(5,18)
2	AMRT	21,85	19,04	20,45	10,46	0,92	5,69	(14,76)
3	CENT	(4,29)	(6,34)	(5,32)	(2,87)	(2,59)	(2,73)	(2,59)
4	CSAP	10,58	14,01	12,30	5,29	4,49	4,89	(7,41)
5	ERAA	12,66	7,11	9,89	7,68	6,45	7,07	(2,82)
6	GOLD	8,51	3,73	6,12	(1,54)	0,33	(0,61)	(6,73)
7	HERO	12,53	0,80	6,67	2,21	1,28	1,75	(4,92)
8	KOIN	41,75	23,16	32,46	(0,01)	(10,25)	(5,13)	(37,59)
9	LPPF	-147,20	799,10	325,95	108,86	81,92	95,39	(230,56)
10	MAPI	13,50	2,81	8,16	6,51	6,10	6,31	(1,85)
11	MIDI	13,44	22,39	19,92	21,90	5,11	13,51	(6,41)
12	RALS	12,14	10,57	11,36	12,24	10,61	11,43	0,07
13	RANC	8,38	2,32	5,35	9,17	5,97	7,57	2,22
14	RIMO	10,30	7,96	9,13	4,63	2,38	3,51	(5,62)
15	TELE	21,27	12,19	16,73	14,63	8,10	11,37	(5,37)

Source: Processed from financial statement, 2013-2017

Based on Table 8 below it appears that the financial performance of retail companies has four significant variables as the impact of the digital economy. The significant variable is the ratio of activities proxy by IT and TATO. In addition, profitability ratios show significant results which are proxy by ROA and ROE.

Table 8: Hypothesis Testing Results

Variables	Before average	After average	Average difference (before-after)	Statistical Test Z Wilcoxon
Liquidity: CR (%)	16,6	14,7	(1,9)	0,229
Activity: IT (x)	49,6	32,1	(17,5)	0,082**
TATO (x)	17,6	14,0	(3,6)	0,001*
Solvency: DAR (%)	12,2	59,1	46,9	0,420
DER (%)	17,8	15,1	(2,7)	0,948
Profitability: ROA (%)	68,3	52,2	(16,1)	0,069**
ROE (%)	33,6	11,9	(21.7)	0,005*

Source: Processed from secondary data, 2018
Level of significant *5% **10%

5 DISCUSSIONS

The overall financial performance after digital economy shows a decrease based on the average difference between two years after and two years before. The liquidity ratio is proxy by CR showing a decline of 1.9%, which means that the ability of retail companies to pay short-term liabilities tends to decrease. However, if you pay attention to the average before and after the impact of the digital economy, there is no difficulty because it is still above the normal limit of 2: 1. The change in CR after the above before in the statistical findings is not significant. This means that the impact of the two-year digital economy of retail companies still has a positive CR value.

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The leverage ratio proxy by DAR and DER has a different development. The DAR increase of 46.9% as a result of digital economy indicates that retail companies add a higher external funding source, namely 46.9%. Table 8 shows that the average two years before the DAR digital economy is 12.2%. The impact of digital economy causes a high increase in debt, namely 46,% to 59.1%. Based on the statistical test Z Wilcoxon found results that statistically the solvency ratio after the digital economy occurs is insignificant. This means that the average value after and before the digital economy does not give a real influence that retail companies change funding decisions. These findings are consistent with the findings of the study (Widjajanti, 2010) that the occurrence of privatization does not contribute significantly to the leverage ratio. These findings not consistent with (Kaniel & Parham, 2016) about causality between media attention and consumer investment behavior, independent of the conveyed information.

The calculation of profitability ratios proxy by ROA and ROE shows a change in decline. This means that the impact of digital economy has evidence empirical, retail companies experience a decline in net income. The decrease in the average difference is quite high on the ROE variable of 21.7%, which mean that the retail company's net profit target is not achieved as a result the capital used for sales activities is relatively ineffective in generating an increase in net income. The Wilxocon statistical test found significant results, meaning that the change in the decrease in ROE after the digital economy occurred was empirically proven. The results has same as (Edeling & Himme, 2018) but different from (Widjajanti, 2010) where results are found to be insignificant as a result of privatization.

6 CONCLUSION, LIMITATION AND SUGGESTION

The financial ratio that is significantly after the digital economy occurs is the activity ratio and profitability ratio. The activity ratio is proxy by inventory turnover and total asset turnover while the profitability ratio is proxy by return on assets and return on equity. On average, all financial ratios have decreased performance. The decrease in the highest average difference is return on equity and the lowest current ratio. Profitability ratios that experience a decline can be interpreted as a retail company experiencing a decline in sales. This condition can be seen that the level of inventory turnover is decreasing is a reflection of the inventory that accumulates in the warehouse is high enough so that the sales cycle has decreased.

The topic of this study is very interesting and relevance is in accordance with the real conditions facing Indonesia today. The impact of industry 4.0 on various business sectors not only in the trade sector for retail companies but also disruptive all fields of business such as transportation, medical, commerce, tourism, education, health and so on. The conclusion of this study only applies to retail companies, whereas other business sectors allow changes in financial performance. Further research is recommended to conduct empirical testing for other business sectors so that conclusions will be obtained more comprehensively.

Another limitation of this study only examines the impact of digital economics using variable financial ratios such as liquidity, solvency, activity on profitability so this finding only limited to the company's fundamentals even though market performance will be very important, especially for investors. Subsequent research can add market ratio variables so that it will complement this study and be useful for investors in financial investment decision making.

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