International Economic Conference of Business and Accounting
Vol. No. | Month Year
E-ISSN ……

Comparative Study on The Performance of Automotive Industry Companies on Tax Incentive Policies in Indonesia, Thailand, and Malaysia

[1]Vincentius Arvin Sadtyo Nugroho Bachtiar, [2]Hariyati, [3]Fitra Roman Cahaya
[1]State University of Surabaya, Indonesia
[2]State University of Surabaya, Indonesia
[3]University of Essex, United Kingdom
[1]vincentius.19053@mhs.unesa.ac.id, [2]hariyati@unesa.ac.id

ABSTRACT

The purpose of this study was to examine the comparison of the performance of automotive companies before and after the implementation of Tax Incentive policies in Indonesia, Thailand and Malaysia. Measurement of Company Performance was measured by the ratio of profitability and stock prices. Profitability ratios were measured using Return on Assets (ROA) and Net Profit Margin (NPM), while stock prices were measured using Earning Per Share (EPS). The population used in this study were Indonesian, Thai and Malaysian automotive industry companies listed on the stock exchanges of each country during 2018 – 2021. This study used a saturated sampling technique with a total sample of 33 companies with total of 396 data. The data analysis method used in this study was one-way anova analysis using SPSS 26 software's. The results of this study indicate that Malaysia is the most effective country in implementing Tax Incentive policies as indicated by the most stable company performance among the three countries, but it can be underlined that there is only a significant difference in the NPM Ratio as a variable indicator between company performance among the three countries.

Keywords : Company Performance; Profitability; Stock Price

I. INTRODUCTION

The automotive industry plays a major role in Asia, and has an important impact on industrialization in ASEAN countries (Tai, 2016). However, the performance of the automotive industry during the Covid-19 pandemic experienced severe challenges after ASEAN vehicle production in 2020 fell 32% YoY to 2.8 million units compared to production in 2019 whose production reached 4.16 million units (Alam, 2022). The challenge comes from the social and economic restrictions imposed by the government to reduce the spread of the virus, which has an impact on market demand and production activities.

In 2020, the ASEAN automotive market experienced a significant decline in sales by 28.5%, from total sales of 3.5 million units in 2019 to 2.5 million units. Passenger Vehicles (PV) accounted for 63.9% of the market and Commercial Vehicles (CV) accounted for 36.1%. Of these, Thailand, Indonesia, and Malaysia contributed a market share of 74.9% (Wood, 2021). Indonesia, Thailand, and Malaysia are the three largest countries in the automotive industry in ASEAN, and have a number of automotive factories owned by global

automotive manufacturers operating in the region.

Although the automotive industry in Indonesia, Thailand, and Malaysia can be said to be the fastest growing among other ASEAN countries, this industry has also not escaped the impact of the Covid-19 pandemic. This can be seen from the data in the graphic image below:

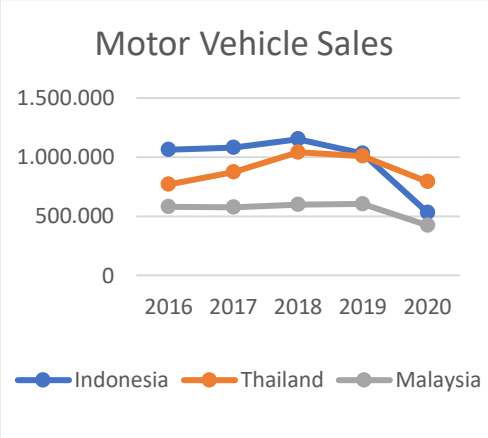

Figure 1 ASEAN Motor Vehicle Sales
Source: www.asean-autofed.com

This decline in car sales certainly has an impact on the country's economy, especially because the automotive industry chooses an important role in the economy. In the context of the economy, the Invisible Hand theory proposed by Adam Smith provides the understanding that market equilibrium will occur by itself when supply and demand meet without government or other party interference. Adam Smith explained that the government or state is only in charge of supervising the running of the market without any interference.

However, the market will not always operate perfectly or flawlessly. Government intervention can be needed to correct market imperfections. Therefore, the governments of Thailand, Indonesia, and Malaysia have introduced fiscal policies to improve their economies. The Thai government exempts corporate income tax (CIT) for three years (Weerawutiwong, 2020). The Thai government also launched trade-in coupons that can be used by individual car owners to purchase cars with reduced taxes (Apisitniran, 2020). Then the Indonesian Government also issued a policy in 2021 in the form of PPnBM discounts to cars that have local purchases of 60% and carried out gradually (Gaikindo, 2020). Meanwhile, the Malaysian government also provides a similar policy, namely in the form of 100% sales tax exemption for locally assembled models (CKD) and 50% sales tax exemption for full import models (CBU) (Lim, 2020).

Proper fiscal policy can have a significant impact on a company's performance (Ezejiofor et al., 2015). In addition, companies can also take advantage of good fiscal policies to improve their performance by optimizing the benefits of tax incentives. Company performance is a result or achievement that is influe-

-ced by the company's operational activities in utilizing its resources (Galib & Hidayat, 2018). In this study, the measurement of company performance is measured by profitability ratios and stock prices. The measurement of profitability ratio is measured using Return on Assets (ROA) ratio and Net Profit Margin (NPM) ratio. Meanwhile, the stock price is measured by the Earnings Per Share (EPS) ratio.

This study examines the comparison of financial performance of automotive companies before and after the implementation of Tax Incentive policies in Indonesia, Thailand, and Malaysia. From this comparison, researchers can analyze which countries are most successful in implementing tax incentive policies which are then assessed from the performance of each country's automotive industry companies. This research can improve understanding of fiscal policy and its impact on the performance of automotive industry companies. Based on these reasons, the researcher will conduct a study with the title "Comparative Study on The Performance of Automotive Industry Companies on Tax Incentive Policies in Indonesia, Thailand, and Malaysia".

II. RESEARCH METHOD

This study used a type of comparative quantitative research. According to Sugiyono (2022:8) Quantitative research is defined as a research method based on the philosophy of positivism, with the aim of testing hypotheses that have been set. Comparative research according to Sugiyono (2022.36) is a study that compares the state of one or more variables in two or more different samples. The data used in this study used secondary types of data obtained through the official website *Bursa Efek Indonesia*, *Stock Exchange of Thailand*, and *Bursa Malaysia* to analyze data on automotive industry companies in Indonesia, Thailand, and Malaysia. The sampling technique in this study used a saturated sampling technique, where all populations in this study were sampled, so that the number of samples consisting of 10 companies from Indonesia, 13 companies from Thailand, and 10 companies from Malaysia was obtained.

The variables used in this study were control variables. According to Sugiyono (2022:41) Control variables are variables that are controlled or created constantly, so that in the presence of a constant nature the influence of the independent variable on the dependent does not affect or is not influenced by the external factors studied. So the control variables in this study are Return on Assets (ROA), Net Profit Margin (NPM), an-

-d Earning Per Share (EPS). Hypothesis testing is carried out with statistical test tools, namely analysis of variance. Analysis of variance is a hypothesis test of the mean of more than two populations. The analysis of the variance used is One-way ANOVA. The hypothesis used is:

H0: There was no difference in the performance of automotive industry companies in Indonesia, Thailand, and Malaysia before and after the fiscal incentive policy was implemented.

H1: There are differences in the performance of automotive industry companies in Indonesia, Thailand, and Malaysia before and after the fiscal incentive policy is implemented.

(Further difference analysis was then carried out using Post Hoc Tests).

III. RESULTS AND DISCUSSION

Descriptive Statistics

Table 2 Descriptive Statistics Result

		N	Mean	Std. Deviation	Minimum	Maximum
ROA	Indonesia	40	4,14	7,13	-8	23
	Thailand	52	4,58	5,39	-16,02	13,74
	Malaysia	40	4,77	5,72	-2,97	29,6
	Total	132	4,50	6,02	-16,02	29,6
NPM	Indonesia	40	1,81	3,60	-7,09	10,18
	Thailand	52	1,79	6,89	-31,41	12,23
	Malaysia	40	4,91	4,25	-5,59	13,4
	Total	132	2,74	5,46	-31,41	13,4
EPS	Indonesia	40	0,28	1,73	-9,22	3,08
	Thailand	52	-0,20	3,73	-23,77	4,57
	Malaysia	40	0,27	0,30	-0,25	1,08
	Total	132	0,09	2,53	-23,77	4,57

Source: Processed by Author

Homogeneity Test

Table 2 Homogeneity Test Result

	Levene Statistic	df1	df2	Sig.
ROA	1,27	2	129	0,29
NPM	2,14	2	129	0,12
EPS	2,88	2	129	0,06

Source: Processed by Authors

One-Way Anova Test

Table 3 One-Way Anova Test Result

		Sum of Squares	df	Mean Square	F	Sig.
ROA	Between Groups	8,48	2	4,24	0,12	0,89
	Within Groups	4745,08	129	36,78		
	Total	4753,55	131			
NPM	Between Groups	270,28	2	135,14	4,80	0,01
	Within Groups	3633,61	129	28,17		
	Total	3903,90	131			
EPS	Between Groups	7,33	2	3,66	0,57	0,57
	Within Groups	829,81	129	6,43		
	Total	837,14	131			

Source: Processed by Authors

Post Hoc Test

Table 4 Post Hoc Test Result

Multiple Comparisons

Bonferroni

Dependent Variable	(I) Negara	(J) Negara	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
ROA	IDN	THAI	-0,44	1,28	1	-3,53	2,66
		MALAY	-0,63	1,36	1	-3,92	2,66
	THAI	IDN	0,44	1,28	1	-2,66	3,53
		MALAY	-0,19	1,28	1	-3,29	2,90
	MALAY	IDN	0,63	1,36	1	-2,66	3,92
		THAI	0,19	1,28	1	-2,90	3,29
NPM	IDN	THAI	0,02	1,12	1	-2,69	2,73
		MALAY	-3,10*	1,19	0	-5,98	-0,22
	THAI	IDN	-0,02	1,12	1	-2,73	2,69
		MALAY	-3,12*	1,12	0,02	-5,83	-0,41
	MALAY	IDN	3,10*	1,19	0	0,22	5,98
		THAI	3,12*	1,12	0,02	0,41	5,83
EPS	IDN	THAI	0,49	0,53	1	-0,81	1,78
		MALAY	0,01	0,57	1	-1,37	1,38
	THAI	IDN	-0,49	0,53	1	-1,78	0,81
		MALAY	-0,48	0,53	1	-1,77	0,82
	MALAY	IDN	-0,01	0,57	1	-1,38	1,37
		THAI	0,48	0,53	1	-0,82	1,77

*. The mean difference is significant at the 0.05 level.

Source: Processed by Authors

Discussion

ROA Indicator

there is no significant difference in ROA indicators between the performance of automotive companies in Indonesia, Thailand, and Malaysia before and after the fiscal incentive policy is implemented. The highest average ROA ratio is Malaysian automotive companies, followed by Thailand and Indonesia. This shows that although there is no significant difference, the level of productivity of companies in using existing assets effectively to generate profits which is reflected in the high average ROA Ratio in Malaysia and Thailand, shows the level of efficiency of Malaysian and Thai automotive companies in utilizing their assets to generate profits, especially in the period after fiscal incentive policies are implemented in the two countries are more optimal, when compared to Indonesian automotive companies.

NPM Indicator

There is a significant difference in NPM indicators between the performance of automotive companies in Indonesia, Thailand, and Malaysia before and after the fiscal incentive policy is implemented. The highest average NPM ratio is Malaysian automotive companies, followed by Indonesia and Thailand. The level of the company's ability to generate profits, reflected in the high average NPM ratio in Malaysia, shows that the level of efficiency of Malaysian automotive companies in carrying out their operations to create profits, especially in the period after fiscal incentive policies are implemented in the country is the most optimal, when compared to Indonesian and Thai automotive companies.

EPS Indicator

there was no significant difference in EPS indicators between the performance of automotive companies in Indonesia, Thailand, and Malaysia before and after the fiscal incentive policy was implemented. The highest average EPS ratio is Indonesian automotive companies, followed by Malaysia and Thailand. This shows that although there is no significant difference, the level of profit given by the company to shareholders in each share is high, which is reflected in the high average EPS ratio in Indonesia and Malaysia, showing the level of ability of Indonesian and Malaysian automotive companies to make profits based on shares owned by investors, especially after fiscal incentive policies are implemented in both countries more optimal, when compared to Thai automotive companies.

IV. CONCLUSION

The purpose of the study was to determine the difference in the performance of automotive industry -

companies in Indonesia, Thailand, and Malaysia before and after the tax incentive policy was implemented. The results of descriptive statistics show that Malaysian automotive industry companies have the highest cumulative average company performance among the three countries tested, so it can be concluded that Malaysian automotive industry companies are the most optimal in utilizing tax incentive policies imposed in their countries. The results of hypothesis testing conducted with the One-Way anova statistical test tool found that there were only significant differences in the Net Profit Margin Indicator, while for the Return on Assets and Earnings per Share Indicators there was no significant difference between the performance of automotive industry companies in Indonesia, Thailand, and Malaysia.

Based on the results and conclusions obtained from this study, it is expected that the government in formulating fiscal policy can adjust the actual situation that occurs in the market and certainly can study policies that have been running more effectively in countries that have similar economic conditions. It is expected that the company can always pay attention and adjust the implementation of fiscal policies imposed by the government to the public so that it can be an advantage for the company.

Needs to be said that this research has several limitations. First, the study's object is only the automotive industry sector so that it cannot be used for other industrial sectors. Second, the indicator variables used are only profitability and share price. The latest, research time limitation is only four years, from 2018 to 2021. Adding research objects in future research, namely by including automotive companies that have not been listed on each country's stock exchange, will produce better research results. Apart from that, it is also recommended to add indicator variables that influence company performance in future research.

V. REFERENCES

Alam, C. M. (2022). The ASEAN Auto Industry: Beyond The Coronavirus Pandemic. *Journal of Law and Political Science*, *XLIX*(3).

Apisitniran, L. (2020). *Trade-in Coupons to Kick-start Car Sales*. Bangkok Post. https://www.bangkokpost.com/business/1975855/trade-in-coupons-to-kick-start-car-sales

Ezejiofor, R. A., Adigwe, P. ., & Echekoba, F. N. (2015). Tax As a Fiscal Policy and Manufacturing Company'S Performance As an Engine for Economic Growth in

Nigeria. *European Journal of Business, Economics and Accountancy*, *3*(3), 1–12. www.idpublications.org

Gaikindo. (2020). *Thailand, Vietnam, Malaysia sudah Lebih dulu; RI Telat Terapkan Pemotongan Pajak*. Gaikindo.or.Id. https://www.gaikindo.or.id/thailand-vietnam-malaysia-sudah-lebih-dulu-ri-telat-terapkan-pemotongan-pajak/

Galib, M., & Hidayat, M. (2018). Analysis of Company Performance Using The Balanced Scorecard Approach in Bosowa Propertindo. *Seiko Journal of Management Business*, *2*(1), 92–112. https://journal.stieamkop.ac.id/index.php/seiko

Lim, A. (2020). *100% Sales Tax Exemption on New CKD Cars, 50% Exemption for CBU Until End of The Year – PM*. Paultan.Org. https://paultan.org/2020/06/05/100-sales-tax-exemption-on-new-ckd-cars-50-exemption-for-cbu-until-end-of-the-year-pm/

Sugiyono. (2022). *Metode Penelitian Kuantitatif, Kualitatif dan R&D*. Alfabeta.

Tai, W.-P. (2016). The political economy of the automobile Industry in ASEAN: A Cross-Country Comparison. *Journal of Asean Studies*, *4*(1), 34–60. https://doi.org/10.1177/0951692893005003006

Weerawutiwong, S. (2020). *Board of Investment (BOI) Tax Incentives*. WorldWide Tax Summaries. https://taxsummaries.pwc.com/thailand/corporate/tax-credits-and-incentives

Wood, L. (2021). *ASEAN Automotive Outlook Report 2021-2025: Political Stability will Affect the Automotive Investment and Production in the Long Term*. Nz.Finance.Yahoo.Com. https://nz.finance.yahoo.com/news/asean-automotive-outlook-report-2021-125300237.html