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Financial Performance of the Adventist Book Centers in the Southern Asia-Pacific Region: A Comparative Analysis

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This study is a quantitative research. It aims to assess and compare the financial performance of seventeen (17) ABCs in the Southern Asia-Pacific Region. Descriptive statistics and Mann-Whitney U test were used to address the main objective of the study. Eleven years, from 1993 to 2003, the ABCs' financial data and other related data have been taken to be used in this study. Empirical findings of the study show that the ABCs in Non-Indonesia (Group 2) have better financial performance compared to the ABCs in Indonesia (Group 1). Specifically, the statistical test reveals that there is significant difference in financial performance between Group 1 and 2.

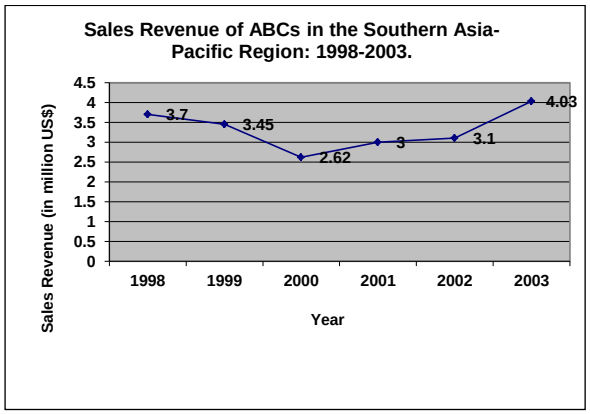
Key words: financial ratios, book industry, financial performance, production efficiency

INTRODUCTION

The Seventh-day Adventist Church is one of the Christian denominations in the world. It has a ten million worldwide membership spread in 209 countries. One of the main objectives of the Seventh-day Adventist Church is to prepare everyone to be ready for the second coming of the Jesus Christ. That is the reason why the Adventist is very aggressive to implement the Jesus Christ's command in Matthew 28:19-20, namely, to preach the God's gospel to everyone in the world and then baptized them in the name of the Father, the Son, and the Holy Spirit.

In order to preach the God's gospel to everyone in the world, the Adventist believes that it is not enough to do it through church programs but it has also to be supported by non-church programs such as hospital programs, educational programs, to publish and sell various books and materials, relating to religion and health programs and other social programs. The institution or firm who is in charge of selling books and materials for religion and health programs is called "Adventist Book Center" or "ABC". In the past, the ABCs' operation in the Southern Asia-Pacific Region experienced up-and-down performance from year to year. Some earned a gain, range from high to low gain, but some sustained a loss. Figure 1 shows that the sales revenue of the ABCs in the Southern Asia-Pacific Region had a downward trend from 1998 to 2000 and followed by an upward trend thereafter.

Thus, this trend shows that there was a declining performance in the first three years and increased in the following years. These facts have encouraged the ABCs' management to be more proactive and more sensitive to find better ways in facing the new challenges in the market place so that their operations can become more productive and efficient. Therefore, this paper aims to analyze and to compare the financial performance of the ABCs in Indonesia (Group 1) and ABCs in other countries of Southern Asia-Pacific Region (Group2).



Source : Publishing Ministries Department the Southern Asia Pacific Division, 2001:1

Figure 1. Sales Revenue of ABCs in the Southern Asia-Pacific Region: 1998-2003

Review of Existing Literature. According to Kenton (1996) financial reports have long been the foundation for business performance measurement. Furthermore, he stated that there were four reasons why financial reporting systems are important to organizations. The first reason is related to the evolution of computer-based financial systems and dual-purpose financial reporting. Internal reporting systems evolve over time. Systems used for one purpose (financial measurement of economic performance) invariably get used for other purposes (performance measurement and motivation of managerial performance), even when the clear long-run emphasis of a company is different from what is being measured by short-run financial measures.

In 1990, Reilly and Campbell stated that accounting-based corporate performance measurement systems are the most common method of evaluating the performance of business firms. Throughout the world, firms report results to shareholders, regulators, tax authorities, and other external bodies using principles of accounting that are remarkably similar. Likewise, managers use internal accounting systems to judge the performance of country operations, divisions, departments, and plants in their effort to achieve the best overall firm results.

Financial statement analysis is an information-processing system designed to provide data for decision makers. The information is derived from published or

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audited financial statements. Users of the financial statement information system are decision makers concerned with evaluating the economic situation of the firm and predicting its future course.

Since the late 1800s, ratio analysis has been the major tool used in the interpretation and evaluation of financial statements for breakdown of the examined financial reports into component parts, which are then evaluated in relation to each other and to exogenous standards (Lev, 1974). Moreover, Ketz, Dougar and Jensen (1990) stated that financial ratios have been, and continue to be, a popular tool for analyzing a company and its performance record. Ratios are used as predictors or indicators of stock prices, financial risk, merger candidates, financial distress, and bond yields.

Practitioners and academics that employ financial ratios often compare and contrast such ratios across several industries. It is known that financial ratios tend to be relatively uniform within industries but relatively different across industries. It indicates that one's evaluation of an enterprise should be conditioned upon the performance of other corporations within the same industry. This process can be carried out by comparing financial ratios with the average of these ratios for the industry. Another method of achieving comparability is to match a firm with another company within the same industry (Wild, 2004; Wilson, 2004).

METHODOLOGY AND DATA SAMPLE

Methodology. In terms of assessing and analyzing the financial performance of ABCs, this paper used Financial Ratios Analysis. Besides that, the Mann-Whitney U test was used to test the difference in financial performance of ABCs in Indonesia and Non-Indonesia. There are ten (10) measurements of financial ratios used in this study, namely: (1) Total asset turnover (ASTO), (2) Inventory turnover ratio (INTO), (3) Sales labor contribution (SALC), (4) Sales labor-to-capital ratio (SLCR), (5) Labor contribution (LACO), (6) Labor efficiency (LAEF), (7) Current ratio (CURA), (8) Quick ratio (QURA), (9) Net working capital ratio (WOCA), and (10) Profit margin ratio (PROM). The financial ratios used in this study were selected based on the availability of the data. Therefore, the financial ratios used in this study were not comprehensive financial ratios like in the common traditional financial ratios, but partial financial ratios selected to achieve the objectives of the study This study did not include a long-term solvency ratio as one of its financial ratio measurement because most of ABCs in the Southern Asia-Pacific Region do not have a long-term debt. The main possibility why there is no long-term debt in the ABCs because of the Seventh-day Adventist (SDA)'s institution policy. The policy does not allow the SDA's institutions to loan from other financial institutions, except with a special consideration.

Data Sample. This paper includes seventeen (17) ABCs in Southern Asia-Pacific Region classified into two groups. Group 1 consists of twelve (12) ABCs in Indonesia while Group 2, which is called "other countries", comprised of five (5) ABCs that spread in other countries in the region. Data coverage was from 1996 to 2006 (eleven years), were taken from ABCs' audited annual financial reports and other statistical reports. These data were collected from the SDA headquarter for Southern Asia-Pacific Division located in Silang, Cavite, Philippines and from respective ABC located in various places or countries.

Statistical Tests. Descriptive statistics was used to assess and analyze the financial performance of the ABCs. Moreover, the Mann-Whitney U test was used to test the differences in financial performance of ABCs in Indonesia and Non-Indonesia. Mann-Whitney U test is a non-parametric test (distribution-free) used to compare two independent groups of sampled data. The test statistic for the Mann-Whitney test is U. This value is compared to a table of critical values for U based on the sample size of each group. If U exceeds the critical value for U at some significance level (usually 0.05) it means that there is evidence to reject the null hypothesis in favor of the alternative hypothesis. (Snedecor & Cochran, 1989; Warren & Bown, 1997).

Empirical Results. This section presents and discusses all findings of the study. As mentioned in section 1, the major aim of the study is to assess and analyze the performance efficiency of the Adventist Book Centers (ABCs) in the Southern Asia-Pacific Region as a comparative analysis. Below are reported the findings to address the objective of the study. Table 1 summarizes each financial ratio by number and percentage of the ABCs in Indonesia, which have ratios above or below of the financial ratio average over the test period.

In general, they show that 5 of 12 or 42 percent ABCs that have ratios above of the financial ratio average. It means that the financial performance of ABCs in Indonesia is not quite good. Only ASTO, INTO, LAEF and WOCA have 50 percent or more of total ABCs, which have ratios above the financial ratio average.

Table 1. Financial Ratios Summary by Number and Percentage of ABCs that Have Above or Below Ratio of Financial Ratio Average in Indonesia, 1993-2003

	Above average		Below average	
Ratio	Number	Percentage	Number	Percentage
ASTO	6	50	6	50
INTO	7	58	5	42
SALC	5	42	7	58
SLCR	4	33	8	67
LACO	3	25	9	75
LAEF	6	50	6	50
CURA	3	25	9	75
QURA	5	42	7	58
WOCA	7	58	5	42
PROM	5	42	7	58
Average	*5*	*42*	*7*	*58*

Table 2 summarizes each financial ratio by number and percentage of the ABCs that have ratios above or below the financial ratio average over the test period. In general, the table shows that there are 2.3 of 5 or 46 percent ABCs that have ratios above of the financial ratio average. It means that the financial performance of the ABCs in other countries is not quite good. Only LACO, CURA, QURA, WOCA and PROM have 50 percent or more of total ABCs that have ratios above the financial ratio average.

Table 2. Financial Ratios Summary by Number and Percentage of ABCs that Have Above or Below Ratio of Financial Ratio Average in Other Countries: 1993-2003

Ratio	Above average		Below average	
	Number	Percentage	Number	Percentage
ASTO	1	20	4	80
INTO	2	40	3	60
LACO	3	60	2	40
SALC	2	40	3	60
SLCR	2	40	3	60
LAEF	2	40	3	60
CURA	2	40	3	60
QURA	3	60	2	40
WOCA	3	60	2	40
PROM	3	60	2	40
AVERAGE	*2.3*	*46*	*2.7*	*54*

Table 3 summarizes the ten (10) financial ratios of all ABCs in the Southern Asia-Pacific Region divided into two groups, namely: Indonesia and other countries (non-Indonesia) over the period 1993-2003. The table shows that the ABCs in other countries have performed better than Indonesia as proved by a number of financial ratios, which have better scores compared to its counterpart. As seen in the table, 8 of 10 or 80 percent of the entire financial ratios belong to other countries.

Table 3. Financial Performance of ABCs in the Southern Asia-Pacific Region 1993-2003

Measures	Mean		Test of Significance	Remark:
	Indonesia	Non - Indonesia	(Mann-Whitney U test)	Better
ASTO	2.317	0.687	-3.132 (0.002)*	Indonesia
INTO	1.475	2.03	0.000 (1.000)	Non-Indonesia
SALC (US$)	1,359	2,765	-2.532 (0.011)*	Non-Indonesia
SLCR (US$)	297	3,004	-0.632 (0.527)	Non-Indonesia
LACO	2.39	6.735	-2.742 (0.006)**	Non-Indonesia
LAEF	0.819	0.53	-3.066 (0.002)*	Non-Indonesia
CURA	2.515	5.743	-2.109 (0.035)*	Non-Indonesia
QURA	0.991	3.728	-2.215 (0.027)*	Non-Indonesia
WOCA	0.379	0.526	-1.370 (0.171)	Non-Indonesia
PROM	0.645	0.305	-3.168 (0.002)*	Indonesia

Significant at .05 (*) and .10(**) probability levels; (.) probability values

Specifically, the other countries are better than Indonesia in terms of INTO, SALC, SLCR, LACO, LAEF, CURA, QURA and WOCA. Since the other countries have higher INTO's score than Indonesia, it means that other countries manage their inventories better than Indonesia This empirical finding gives information or challenges to the management of ABCs in Indonesia that there is a potential prospect for them to increase their INTO's score to equate to its counterpart's score in the future. Though other countries' INTO scores are better than Indonesia, the statistical test confirms that there is no significant difference between them due to its insignificant result.

Findings, moreover, reveal that ABCs in other countries manage their worker better than ABCs in Indonesia, because they have higher scores of SALC, SLCR, LACO, and a lower score of LAEF than Indonesia. In addition, those findings are strengthened by statistical tests that there are significant differences between Indonesia and other countries in those ratios, except SLCR. The table also reveals that ABCs in other countries have a higher LACO score, more than twofold (6.735:2.390), compared to their counterpart (ABCs in Indonesia). This fact can challenge and encourage Indonesia's ABC management to improve their sales workforce performance so their labor contribution scores can increase to the same level or higher than the other countries level.

Table 3, however, shows that there are only two financial ratios, ASTO and PROM, where ABCs in Indonesia are better than ABCs in other countries. The Mann-Whitney U test verified that ABCs in Indonesia have better performance in ASTO and PROM compared to their counterparts (Non-Indonesia). The statistical test proved that there were significant differences between them in these two ratios

CONCLUSIONS

Based on its examination by using financial ratio analysis, the following conclusions are drawn. The ABCs in other countries (Group 2) are more efficient compared with ABCs in Indonesia (Group 1). The other countries have a higher percentage, 46 percent, in all financial ratios compared with its counterpart (Indonesia), which has 42 percent. Specifically, the other countries are better than Indonesia in terms of INTO, SALC, SLCR, LACO, LAEF, CURA, QURA and WOCA. Since other countries have higher INTO's scores than Indonesia. It means that other countries have managed its inventories better than Indonesia. Furthermore, it can be concluded that other countries have managed their workers better than Indonesia, because they have obtained higher scores in SALC, SLCR and LACO and a lower score of LAEF than Indonesia. In terms of liquidity measures such as CURA, QURA and WOCA, other countries have higher abilities to meet its short-term debts compared to its counterpart (Indonesia). Findings, though, financial ratios indicate that other countries have 8 of 10 financial ratios better compared to Indonesia, the Mann-Whitney U test indicates that 3 out of 8 financial ratios, namely: SLCR, INTO and WOCA, have insignificant differences in these financial performance measures between the two groups.Whereas, ABCs in Indonesia have better financial ratios in ASTO and PROM as statistically proven significant differences, compared to the same ratios in other countries.

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