

## ARTICLE

# THE INFLUENCE OF FINANCIAL STATEMENTS AND PROJECTIONS OF FINANCIAL STATEMENTS ON INVESTMENT DECISIONS IN VENTURA CAPITAL COMPANY

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## ABSTRACT

Ventura capital company role work is to invest in a company as a business partner company. They make investment decision after measuring the financial performance of the firm which consist profit and loss statements, balance sheet etc. According to OJK report published in August 2017 were 68 venture capital financing organization were incorporated in Indonesia since 1974. This figure includes both public and private companies and are still actives with the amount of financing of only Rp 11.7 trillion. In the study it has been identified that government has been focusing on small and medium size enterprises which impacts on the ventures capital negatively. Excessive assumptions might influence the investment decision. From the research both the hypotheses formulated are acceptable. Thus, both financial and proejcted financial statement are significant for investment decision.

## INTRODUCTION

Ventura capital company role work is to invest in a company as a business partner company. They make investment decision after measuring the financial performance of the firm which consists profit and loss statements, balance sheet etc. For the firm, it is important to properly analysis financial performance of the firm because it helps in reducing the chances of monetary risk [1]. However, due to lack of proper analysis of the performance company can suffer from the adverse risk. For manager before making any deal with other company is important to analyses its financial statement in an effective manner. While talking about projection there is some assumption required to be made which responsibility of account office is tested for noticing a reasonable assumption which is used in making a projected financial statement [2]. The present research is based on analyzing the effect of financial statement and projections of financial statement while making an investment decision.

Funding is an interest in financing as capital support into a privately owned business as a business accomplice (investee organization) for a specific period. Venture capitalist more often than not has a high risk, however gives a high return. A venture capitalist or in an outside dialect called a venture capitalist (VC), is a speculator who puts resources into a funding organization.

It can be state that the venture fund oversees venture reserves from outsiders (financial specialists) whose fundamental objective is to put resources into an organization with high risk so it doesn't meet the standard prerequisites as an open organization or to acquire credit capital from banks[3]. The venture capital is a vital source of expense to run the firm that includes high investment yet it likewise gives beneficial potential over the normal benefit from another investment, therefore, the investment is additionally separated as risk capital. A venture capital organization can be said to be a high-risk financing organization, since a funding organization isn't permitted to pull back its capital (divestment) before the traverse of the mate's business partner loses or does not keep running not surprisingly, in case of such issues in on a funding organization cannot assert any remuneration to the partner organization [4].

## Investment decision

The investment decision is firm choices identified with the organization's operations to release stores on the spot in the expectation of creating future money streams of more noteworthy sum than that release while initial venture, so the organization's desires for development and advancement will progress toward becoming clearer and arranged.

The venture can be translated as a connecting of assets in the long term to produce benefits in future investment, by and large, requires moderately substantial risk and contains uncertainties, at that point the organization needs to make the right decision before making any type of investment[5]. Despite the fact that the speculation contains dangers and vulnerabilities, the venture has a vital importance for the organization. In this manner, speculation ought to be assessed before an entire choice is made.

## MATERIALS AND METHODS

Investigation carried out at PT. Bahana Artha Ventura and its Subsidiaries as all the subsidiary was engaged in the company of venture capital. All its participants are director and account officers in PT.

### KEY WORDS

Investments, financial statement, decisions, business, Indonesia

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**Table 1:** Variables

Research variable	Indicator
Investment decision (Y)	Payback period ROI ROA NPV IRR
Financial Statement (X <sub>1</sub> )	BOPO ROE ROA CAR NPI LDR
Financial Projection (X <sub>2</sub> )	1. Revenue projection 2. Projection of operational costs 3. Projected total assets, debt, and equity capital 4. The financing cost of debt and then decrease from operating income to obtain projection net income. 5. Projected income statement 6. Projection of balance sheet.

The above Table [1] indicates the Operational variable. Multiple regression method is used for analyzing the influence of independent variables and with the use of equation model.

Where:

- Y = investment decision
- a = constants
- b = regression coefficient
- X<sub>1</sub> = financial statement
- X<sub>2</sub> = projected financial statements

**Hypothesis Development**

This research hypothesis is:

- H1: financial statements have a positive effect on investment decisions
- H2: projected financial statements have a positive effect on investment decisions

**RESULTS**

According to OJK report published in August 2017 were 68 venture capital financing organisation were incorporated in Indonesia since 1974. This figure includes both public and private companies and are still actives with the amount of financing of only Rp 11.7 trillion. The venture capital organisation faced with complex issues as they only focused on funding Small and Medium Enterprises [6]. Significant difference in the pattern of venture capital in Indonesia and many developed countries including United States, the development of venture capital has been greatly affected in Indonesia. As compared to other countries, the venture capital has not been developed in Indonesia [7]. Government policies direct venture capital organisation to provide finance to Small and Medium size sector. These organisations come from family businesses that have been pioneered since the business was small. There is Quarterly development of venture capital in Indonesia. Quarter III & IV of 2016 and Quarter I & II of 2017 Financial Services Authority Reports. The following illustrations show Capital Equity Liability, Asset Growth Chart and Venture Capital [8]

According to growth in total assets and equity in Venture Capital Companies, shares raised by 1.40 per cent and 10.12 per cent to Rp 10.82 trillion and Rp. 5.01 trillion, compared to the previous quarter. However, the total libalites of Venture Capital got reduced by 5.09 per cent as compared to previous

quarter to Rp 5.80 trillion.

**Table 2:** Total investment in the last five years.

	2010	2011	2012	2013	2014	2015	2016
<b>Commercial Investee Company</b>							
Total Investment	154,873	138,154	116,192	96,966	61,951	33,606	9,270
NPI	104	455	1,331	340	171	145	145
% NPI	0.07%	0.33%	1.15%	0.35%	0.28%	0.43%	1.56%
<b>Micro Investee Company</b>							
Total Investment	8,684	115,052	186,112	117,493	136,284	48,592	20,835
NPI	-	-	-	-	-	-	-
% NPI	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>TOTAL Investee Company</b>							
Total Investment	163,557	253,206	302,304	214,459	198,235	82,199	30,105
NPI	104	455	1,331	340	171	145	145
% NPI	0.06%	0.18%	0.44%	0.16%	0.09%	0.18%	0.48%
<b>PMVD</b>							
Total Loans	367,439	336,570	270,385	275,514	258,372	302,959	286,725
NPI	52,215	51,415	12,996	12,596	12,196	6,085	4,751
% NPI	14.21%	15.28%	4.81%	4.57%	4.72%	2.01%	1.66%
<b>TOTAL VI + PMVD</b>							
Total Investasi	530,997	589,777	572,689	489,974	456,607	385,158	316,830
NPI	52,319	51,870	14,327	12,936	12,368	6,229	4,896
% NPI	9.85%	8.79%	2.50%	2.64%	2.71%	1.62%	1.55%

In Indonesia, the Investee Company as a partner company consists of Commercial Investment vestee and Micro Investment vestee. The development of total investment in the last 5 years is presented in Table [2]. Based on the above data, non performing investment in vestee companies tends to decline from 9.85% in 2012 to 1.55% in 2016 [9].

The financial statements and project financial statements have a positive impact on the investment decision. This is due to phenomena and empirical theory. Project financial statement have prominent role in investment decision making. With efficient financial statement there is positive impact in investment decision. The investment decision will be made easier between a venture capital firm and investment vestee if the financial statements are good.

**Table 3:** Regression Coefficient

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	2.544	1.370	1.856	0.0762
Financial statement	0.621	0.162	3.834	0.0008
Projected financial statements	0.368	0.160	2.302	0.0307

From the above Table.[3] Regression coefficients gives a significant finding for Venture Capital in Indonesia where the coefficient of  $X_1$  (financial statement) is greater than  $X_2$  (projected financial statement), ie 0.621 and 0.368. Projected financial statement have less effect [6].  
Financial Statements

The financial statements are records of monetary data of an organization in a bookkeeping period that can be utilized to depict the performance of the organization. These financial statements are a part of the financial related revealing procedure. In entire financial statement it includes accounting report, statement of changes in equity, income statement etc. which can be exhibited as income statement Modification in the financial report and different records and reports and informative materials that are a vital piece of the financial statement [7].

As per the Financial Accounting Standards issued by the Indonesian Institute of Accountants the motivation behind the financial statement is to give data in regards to the financial statement, execution, and changes in the money related position of an organization that is valuable to countless in basic decision-making process.

Financial statement is prepared with the common purpose of meeting the needs of investors. Sometime it do not provide entire information which is required for making economic decision [10]. The financial

statement reflects the things which is done by management. Projection of Financial Statements. In a business, administrative and money all the financial planning activities are vital and indivisible. The projection of the Financial Statement plans to give data on money related projections, which will be utilized as direction in evaluating the income lose in future and financial statement. The capacity of this audit of future vision is to help to assist decision makers that are the bearing of consequence of their choices.

Process of preparing the projection:

- a. Interaction; forecasts are made by merging the venture suggestions and the funding options used
- b. Alternative choice; forecast made by giving the business chance to control some alternative choice built on prearranged situation.
- c. Feasibility; the forecast must be made with the thought of common sense and in agreement with the capability and condition of the business.

## CONCLUSION

From the research, it can be understood that financial statement and projected financial statement have positive impact on investment decision. Projected financial statement plays prominent role in investment decisions. Regression coefficients gives an significant finding for Ventrue Capital in Indonesia where impact on project financial statement is less as compared to financial statement. Thus it implies that projected financial statement have less effect. In order to make investment decision, it is important to analysed the assumptions efficiently. Excessive assumptions might influence the investment decision. From the research both the hypotheses formulated are acceptable. Thus, both financial and proejected financial statement are significant for investment decision.

## CONFLICT OF INTEREST

Nil

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## FINANCIAL DISCLOSURE

Self-funded

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