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THE EFFECT OF WORKING CAPITAL TURNOVER ON PROFITABILITY IN SUB-SECTOR MANUFACTURING COMPANIES CONSUMPTION GOODS ON BEI

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ABSTRACT

Working capital turnover is an important factor so that management can carry out operational activities that have an impact on sales levels and company profitability. The aim of this research is to analyze the effect of working capital turnover on the profitability of consumer goods sub- sector manufacturing companies listed on the IDX for the 2018-2022 period. Simple linear regression analysis was carried out on 22 sample companies with a total of 73 data that could be normally distributed. The research results show that working capital turnover has a significant influence on profitability. The resulting influence is negative, meaning that there is a unidirectional influence between working capital turnover and profitability, where if there is a change in working capital turnover, profitability will not experience the same change.

INTRODUCTION

Historically the capital market has been present in Indonesia since the Dutch colonial era and to be precise in 1912 in Batavia. At that time, the capital market was established by the Dutch East Indies government for the benefit of the colonial government (VOC). The Indonesian Stock Exchange (BEI) is a market that deals with the buying and selling of securities of listed companies (listings) inside it. On the Indonesian Stock Exchange (BEI) there are many companies listed with a total of 3 sectors, namely: 1) The raw materials producing sector which consists of the agricultural sub-sector and the mining sub- sector. 2) The manufacturing sector which consists of the basic and chemical industry sub-sector, the miscellaneous industry sub-sector, and the consumer goods sub-sector. 3) The services sector consists of the property and real estate sub-sector, the infrastructure, utilities and transportation sub-sector, the financial sub-sector, and the trade, services and investment sub-sector. The objects of this research are consumer goods sub-sector manufacturing companies listed on the Indonesia Stock Exchange (BEI) for the 2018-2022 period.

A manufacturing company is a company whose main activity is purchasing raw materials and then processing these raw materials by incurring related production costs to become finished products that are ready to be sold. In this research, the author chose the consumer goods sub-sector. This sub- sector was chosen because as population growth in Indonesia increases, the basic needs in the form of consumer goods needed by the community will also increase. So, in this sub-sector good company management is needed to be able to regulate the turnover of the company's working capital. A good level of working capital turnover will affect the company's effectiveness in its series of operational activities to generate profits. In general, the company's goal is to obtain the maximum possible profit.

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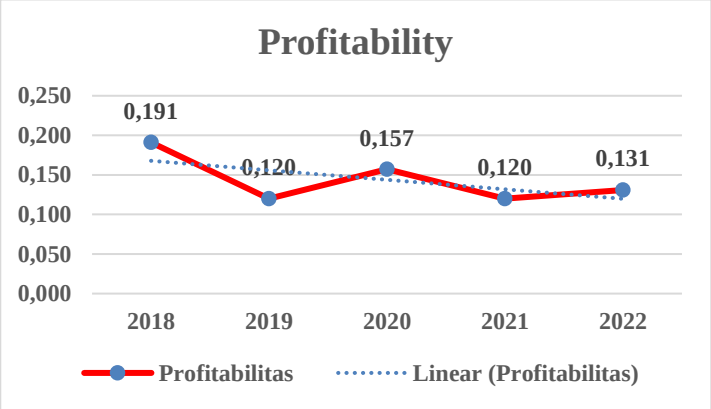
Working capital turnover is a comparison between sales and the amount of working capital, where working capital is the result of reducing the amount of current assets from the amount of current debt owned by the company in a certain period. The greater the working capital turnover value indicates the effective use of working capital available in the company in increasing the company's profitability. Working capital turnover has a close relationship to the level of company profitability. The profitability ratio will provide information about the level of effectiveness in managing the company's operational performance and financial performance. The profitability ratio in this research is calculated using parametersnet profit margin(NPM). This ratio is a measure used to monitor company profitability. NPM shows how large a percentage of net profit is obtained from each sale. So to calculate NPM you need to compare net profit to sales.

The company uses working capital to support the company's operational activities in production needs which will of course have an impact on sales levels, sales growth and the company's profit level. Companies operating in the consumer goods industrial sector have high operating activities, which means that companies must be able to manage each of their activities in order to gain profits and maximize profitability and control working capital turnover. The following is an illustration of the average working capital turnover and profitability in consumer goods sub-sector manufacturing companies listed on the IDX for the 2018 - 2022 period.

Figure 1
Graph depicting the average working capital turnover in manufacturing companies sub
Sector Bcharcoal Consumption listed on the IDX for the 2018-2022 period

Source: Processed Data, 2023

Figure 2
Graph depicting average profitability in sub-sector manufacturing companies Consumer Goods listed on the IDX for the 2018 -2022 period



Source: Processed Data, 2023

Based on Figure 1, it is known that the average working capital turnover in consumer goods sub- sector manufacturing companies listed on the IDX for the 2018-2022 period fluctuates and tends to decline. In 2021, the average working capital turnover experienced an increase, but fell again in 2022. Based on Figure 2, it is known that the average profitability of consumer goods sub-sector manufacturing companies listed on the IDX for the 2018-2022 period fluctuates and tends to decline. In 2022, the average profitability will increase, but it is still not able to balance the profitability value in 2020 and 2018.

Looking at Figure 1 and Figure 2, the problem identification in this research is as follows :

1. Working capital turnover and profitability in consumer goods sub-sector manufacturing companies listed on the IDX for the 2018-2022 period fluctuate and tend to decline.
2. Working capital turnover and profitability in 2020 both experienced a decline.
3. Working capital turnover in 2020 decreased while profitability increased.
4. Working capital turnover in 2021 has increased while profitability has decreased.
5. Working capital turnover in 2022 will decrease while profitability will increase.

THEORY AND HYPOTHESIS DEVELOPMENT

Working capital turnover (working capital turnover) is the ratio between sales and working capital. High working capital turnover shows the greater the company's ability to earn profits through sales and will ultimately increase profitability (Riyanto, 2016). Meanwhile (Kasmir, 2018) said that working capital turnover orworking capital turnover is one of the ratios to measure or assess the effectiveness of a company's working capital during a certain period. The faster the rotation of working capital, the need for working capital is also relatively large, and vice versa, the slower the rotation of working capital, the need for working capital is also relatively small (Kasmir, 2018). Large working capital can support the possibility of high working capital turnover. Working capital turnover (working capital turnover) according to (Riyanto, 2016) can calculated using the formula: $\text{Working Capital Turnover (WCTO)} = \frac{\text{Sale}}{\text{Working Capital}}$. Whereas (Kasmir, 2018) says that measuring the working capital turnover ratio can be done using the formula : $\text{Working Capital Turnover (WCTO)} = \frac{\text{Net Sales}}{\text{Working Capital}}$. Next (Sujarweni, 2017) explained that to calculate working capital, you need to subtract the current assets from the current assets (current assets - current liabilities).

Profitability is a ratio used to assess a company's ability to seek profits and provide the level of effectiveness of a company's management (Kasmir, 2018). The purpose of using profitability ratios for the company and for parties outside the company according to (Kasmir, 2018) is as follows :

1. To measure or calculate the profits obtained by the company in one period
2. To assess the company's profit position from the previous year to the current year.
3. To assess the development of profits from time to time.
4. To assess the amount of net profit after tax using own capital.
5. To measure the productivity of all company funds used, both borrowed capital and own capital.
6. To measure the productivity of all company funds used, including its own capital.

The factors that influence profitability according to (Subramanyam and Wild, 2014) are as follows:

1. Estimation Problems. Profit measurement depends on estimates of future results These estimates require the allocation of income and expenses in the current and future periods. Even if the judgment of trained and experienced professionals reaches a consensus (variations are reduced), profit measurement still requires certain choices.
2. Accounting Methods. The accounting standards governing profit measurement are the result of professional experience, the agenda of regulatory bodies, business events and other social influences.
3. Disclosure Incentives. Ideally, practitioners are interested in presenting financial statements fairly. However, financial reporting and profit measurement bear competitive, financial and societal pressures. These incentives encourage companies to choose profit measures "that can be achieved."acceptable" rather than "appropriate" profits based on the business environment. The analysis must consider those incentives and then evaluate profits.
4. User Diversity. Financial reports are general purpose reports for many users with diverse needs. This diversity of users implies that analysis must use profit as an initial measure of profitability. Furthermore, profits are adjusted to the interests and goals of the user.

The measurement of profitability ratios according to (Rudianto, 2013) is as follows:

1. Gross Margin Ratio

   Gross profit margin (gross profit margin) is useful for measuring the level of company effectiveness In generate capabilities from the sale of its products. With the formula: Gross Margin Ratio (GPM) = $\frac{\text{Gross Profit}}{\text{Sale}}$
2. Profit Margin Ratio

   Net profit margin (net profit margin) is useful for measuring the level of company effectiveness in generating profits by looking at the amount of net profit after tax in relationship with sales. With the formula : Net Profit Margin (NPM) = $\frac{\textbf{Net Profit}}{\text{Sale}}$
3. Return On Investment (ROI)

   This ratio describes the company's ability to generate profits from one every rupiah of assets used. With the formula: Return On Investment (ROI) = $\frac{\text{Net Profit}}{\text{Total Assets}}$
4. Return On Equity (ROE)

   This ratio shows management's ability to maximize the rate of return to shareholders for every rupiah of equity used by the company. With the formula: Return On Equity (ROI) = $\frac{\text{Net Profit}}{\text{Total Equity}}$
5. Earning Per Share (EPS)

   This ratio shows management's ability to maximize the rate of return to shareholders for every rupiah invested by shareholders in the company. With the formula: Earning Per Share (EPS) = $\frac{\text{Total Net Profit}}{\text{Number of Shares Outstanding}}$

In this research, to calculate the profitability of manufacturing companies in the consumer goods sub-sector for the 2018-2022 period, the author uses parameters Net Profit Margin (NPM). NPM is a profitability ratio that shows how large a proportion of a company's net profit is obtained from each sale generated. The greater this ratio, the better because it is considered that the company is capable of earning sufficient profits. Good working capital turnover can improve a company's financial performance as indicated by a good level of profitability. Working capital turnover shows the relationship between working capital and sales (Munawir, 2014). Bramasto in research conducted by (Satriya and Lestari, 2014) said that

working capital factors influence the level of profitability. Every company in its operations needs working capital because working capital influences the company to achieve its goals, so that high profitability really supports the company's operations optimally. Research (Sholihah, 2020) produced findings that working capital turnover has a positive and significant effect on profitability. These results are in line with (Simangunsong, 2021) based on research results it is known that working capital turnover has a positive and significant effect on profitability. However, this is not in line with research conducted by (Rahayu and Chairiyaton, 2022) which shows that working capital turnover does not have a significant effect on profitability. Thus the hypothesis is formulated as follows:

H0 : Working capital turnover has no significant effect on profitability.
Ha : Working capital turnover has a significant effect on profitability..

RESEARCH METHODS

Research design

This type of research is quantitative research and the research design used is library research (library research). Quantitative research can be interpreted as a research method that is based on the philosophy of positivism, used to research certain populations or samples, sampling techniques are generally carried out randomly, data collection uses research instruments, analysis and is quantitative/ statistical in nature with the aim of testing hypotheses that have been established. determined (Sugiyono, 2016). Library research is collecting library data obtained from various sources of library information related to research objects such as through abstracts of research results, indexes, review, journals and reference books (Sugiyono, 2016).

Research Variable

The independent variable in this research is working capital turnover which is measured using parameters Working Capital Turnover (WCTO). Meanwhile, the dependent variable in this research is profitability which is measured using parameters Net Profit Margin (NPM).

Population and Sample

The population in this research is the consumer goods sub-sector manufacturing companies that have been registered on the IDX for the 2018-2022 period, a total of 51 companies. The sampling technique uses techniques purposive sampling. Purposive sampling is a sampling technique with certain considerations (Sugiyono, 2016). The sampling criteria in this research are:

Table 1
Sampling Criteria

No	Minimum	Amount
1	Company manufacture sub consumer goods sector that has been listed on the BEI for the 2018-2022 period.	51
2	Company manufacture sub consumer goods sector which presents financial reports in rupiah currency and publishes complete audited financial reports for the 2018-2022 period.	(12)
3	Company manufacture sub consumer goods sector has never experienced losses during the 2018-2022 period.	(17)
	Number of Samples	**22**
	Research Period	**5**
	Total Observation Data	**110**

Source : Data Processed, 2023

Data Collection Technique

The data collection technique used in this research is documentation techniques, namely by collecting secondary data in the form of financial reports, documents, notes and other information related to this research by accessing website www.idx.co.id And website each listed company.

Data Analysis Technique

Analisis yang digunakan dalam penelitian ini adalah regresi linier sederhana dengan The analysis used in this research is simple linear regression using the SPSS 26 program to process data which was previously carried out by classical assumption tests consisting of normality tests, autocorrelation tests and heteroscedasticity tests. A simple linear regression analysis technique is used to determine the relationship and influence of the independent variable and the dependent variable. The normality test is carried out to test whether in a regression model, an independent variable and a dependent variable or both have a distribution normal or abnormal (Sugiyono, 2016). The autocorrelation test is used to determine whether in the regression equation there is a serial condition or not between confounding variables (Sugiyono and Susanto, 2015). The heteroscedasticity test is used to test whether in the regression model there is an inequality of variance from the residuals of one observation to another (Sugiyono and Susanto, 2015).

RESEARCH RESULTS AND DISCUSSION

Descriptive Analysis

The data in this study underwent transformation so that the number of data was reduced from 110 to 73 data. Descriptive statistics from this research are presented in table 2.

Table 2
Deskriptive Statistics

Variable	Minimum	Maximum	Mean	Std. Deviation
Working Capital Turnover	1.2873	7.209	3.32442	1.311152
Profitability	.0133	.193	.08511	.039930

Source : SPSS 26 Output

In table 2 it can be seen that the working capital turnover variable has a minimum value 1,287 by PT. Campina Ice Cream Industry Tbk in 2021, and the maximum value is 7,209 by PT. Indofood Sukses Makmur Tbk in 2021 with an average of 3.32442, which means that the average value of working capital turnover represented by a sample of manufacturing companies in the consumer goods sub- sector is 3.32 percent and the standard deviation value is 1.311152, which shows that there is a difference in the value of the working capital turnover variable compared to the average in this study of 1.31 percent. Meanwhile, the profitability variable has a minimum value of 0.013 by PT. Buyung Poetra Sembada Tbk in 2021, and a maximum value of 0.193 by PT. Ultrajaya Milk Industry and Trading Company Tbk in 2021 with an average of 0.193, which means that the average profitability value represented by the sample of manufacturing companies in the consumer goods sub-sector is 0.19 percent and the standard deviation value is 0.039930, which shows that There is a difference in the value of the profitability variable compared to the average in this study of 0.04 percent.

Normality Test

Table 3
Normality Test Results

	Working Capital Turnover	Profitability
N	73	73
Test Statistic	.092	.060
Asymp. Sig. (2-tailed)	.200	.200

Source : SPSS 26 Output

The results of testing classical assumptions related to the normality test using the Kolmogorov- Smirnov test on the working capital turnover variable and the profitability variable show the Asymp value. Sig. equal to 0.200 is greater than 0.05 (0.200 > 0.05) so the data is normally distributed.

Autocorrelation Test

Table 4
Autocorrelation Test Results

Model	Durbin-Watson
1	.875

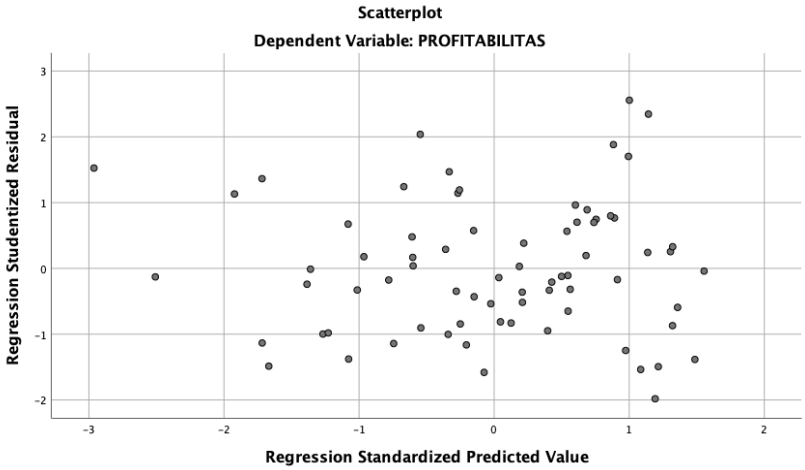
Source : SPSS 26 Output

The results of testing the classical assumptions related to the autocorrelation test in table 4 show that the Durbin-Watson value is 0.875. In this study, 1 independent variable was used and 73 samples, the value of dL = 1.5924 and dU = 1.6479. The autocorrelation test measurement is 0 < d < dL (0 < 0.875 < 1.6479) so it can be stated that there is no autocorrelation.

Heteroscedasticity Test

The results of the heteroscedasticity test using the scatterplot graph in Figure 3 show that There is no particular pattern because the points are spread above and below the value 0, which indicates that the data in this study does not have problems with heteroscedasticity.

Figure 3
Scatterplot Graph Of Heteroscedasticity Test Results



Source : SPSS 26 Output

Linear Regression Analysis

Table 5
Results of Simple Linear Regression Analysis

Model		Unstandardized Coefficients	
		B	Std. Error
1	(Constant)	.1092	.013
	Perputaran Modal Kerja	-.007	.004

Source : SPSS 26 Output

The results of simple linear regression testing which can be seen in table 5 show a value (Constant) of 0.1092 and a value of b (regression coefficient) of -0.007, so the resulting equation is Y = 0.1092 – 0.007with the following meaning:

1. The constant value of the equation above is 0.1092. This figure shows that the profitability value for consumer goods sub-sector manufacturing companies listed on the IDX for the 2018-2022 period is 0.1092 if the working capital turnover variable is ignored or equal to zero (0).
2. The regression coefficient for the working capital turnover variable in the equation above shows a negative value, namely -0.007. This figure shows that if working capital turnover decreases by 1 unit, then profitability in consumer goods sub-sector manufacturing companies listed on the IDX for the 2018-2022 period will also decrease by -0.007 and vice versa.

Hypothesis Test

Tabel 6

T Test Results

Model			T	Sig.
1	(Constant)		.1092	.013
	Perputaran Kerja	Modal	-.007	.004

Source : SPSS 26 Output

Level of significance(a) in this study it was (a/2; nk = 0.05/2; 73-1 = 0.025; 72 = 1.99346). The criteria for hypothesis testing in this research are as follows:

-1,99346 1,99346

1. H0 is accepted if : -1,99346 < t < 1,99346
2. H0 is rejected if : t > 1,99346 atau t < -1,99346

In table 6, the t value is obtainedcountof -0.007. Based on the t test analysis, it is known that the t value <- 1.99346, namely -0.007 < -1.99346 with a significance level of 0.004 < 0.005, so it can be concluded that H0 is rejected, meaning that working capital turnover has a significant effect on profitability.

Analysis of Correlation Coefficient and Determination Coefficient

Table 7

Results of Correlation Coefficient and Determination Coefficient Analysis

Model	R	R Square	Adjusted R Square
1	.233	.054	.041

Source : SPSS 26 Output

Table 7 shows that the R value is 0.233, which means there is a relationship or correlation between Working capital turnover with profitability is at a low level. Meanwhile, the R Square value is 0.054, which means that the contribution of working capital turnover to profitability is 5.4 percent, the remaining 94.6 percent is influenced by other variables not examined in this research.

DISCUSSION

The role of working capital is very important in improving a company's financial performance. Good management should have the ability to manage the company's working capital so that working capital can contribute to effectiveness and efficiency in order to increase profitability.

Working capital turnover calculated using parameters Working Capital Turnover (WCTO) has a significant effect on profitability which is calculated using parameters Net Profit Margin (NPM) in consumer goods sub-sector manufacturing companies listed on the IDX for the 2018-

2022 period. Even though it has a significant influence, working capital turnover has not been able to make a major contribution to changes in profitability. This can be seen by looking at tcount The result is a negative value. This is caused by the turnover of working capital in consumer goods sub-sector manufacturing companies listed on the IDX for the 2018-2022 period experiencing fluctuations but tending to decline. The decreasing level of working capital turnover indicates that the company is experiencing obstacles in its production activities. With this working capital, it turns out that it has not been able to encourage the company to increase its profitability, which can be seen from the profitability value during the 2018-2022 period which has fluctuated and tends to decrease so that it cannot increase the company's profit margin.

CONCLUSION

The research results show that there is a significant influence between turnover working capital (Working Capital Turnover/WCTO) on profitability (Net Profit Margin/NPM) in consumer goods sub-sector manufacturing companies listed on the IDX for the 2018-2022 period. However, the resulting influence is negative, meaning that there is a unidirectional influence between working capital turnover and profitability, where if there is a change in working capital turnover, profitability will not experience the same change. However, the changes that occur are not too big when viewed from the correlation coefficient and coefficient of determination produced.

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