
The Effect of Working Capital on the Level of Profitability at PT Indofood Sukses Makmur Tbk in 2016-2019

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ABSTRACT

The purpose of this study was to determine the effect of working capital on the level of profitability at PT Indofood Sukses Makmur Tbk. The use of variables in this study which is Working Capital which is a variable (X) and Profitability is a variable (Y). Research Writing The data used are quantitative data using secondary data and simple linear data analysis which is used for hypothesis testing. This analysis also uses a way to assess the profitability of a company, one of which uses the (Gross Profit Margin) which functions to measure the rate of return of gross profit to the amount of net sales. One of the important things that is needed by the company, including PT Indofood Sukses Makmur Tbk, to operate the company and achieve the company's goals, namely achieving profit or profit, is Working Capital.

1. INTRODUCTION

The existence of a company aims to seek profit or profit, especially in this era where many companies are competing and competing to be the best, even many companies work together for mutual benefit. Another definition of a company is a place to produce goods or services with the aim of making a profit. To achieve the goal of establishing the company, the performance of the company must be good, to find out how the company's performance continues to increase or decrease, we can measure the company's performance by looking at the company's financial statements, from there we can see whether each year reports the company's finances have increased or decreased. To achieve this research objective, it is necessary to make sacrifices by the company itself, one of which is that it requires working capital for the company

itself. Working capital is required by a company to be used as operational activities for the company every day. What is said by Riyanto (2001) that the money provided to pay for all company activities every day and is expected to return to the company in one period through the sale of goods or production, and later the money will rotate in each period continuously in the company is called working capital. Yusnita and Fitriadi (2019) argue that profitability is an effort generated by a company to make a profit, the company's ability to earn profits and earn future income which can be measured by Return on Assets and Return on Equity (Winarno and Tjahjadi 2017). PT Indofood Sukses Makmur Tbk is a manufacturing company for various types of food and beverages located in Jakarta. PT Indofood Sukses Makmur Tbk is one of the largest food companies in Indonesia. For this reason, this proposal aims to determine how the

effect of working capital on the level of profitability at PT Indofood Sukses Makmur Tbk.

2. THEORETICAL FRAMEWORK AND HYPOTHESES

Theory Review

a. Working Capital

Brigham and Houston (2010), through their research working capital is defined as an activity carried out in investing in companies which consist of cash, securities, accounts receivable and stock.

Sawir (2005), which states that working capital is a current asset which as a whole and is owned by the company or what is usually referred to as money provided to pay for all the company's operational activities

Riyanto (2001) also argues that working capital is money or capital that can be used to spend and pay for all business activities every day, and which is wanted back in the near future through the sale of goods or services produced by the company, and this money which will continue to rotate as long as the company operates.

According to Munawir (2010), working capital is the asset value or the value of assets that is more and is owned by a company to all its debts.

According to Keown (2004), working capital is the total investment a company has in current assets or assets that are expected to be converted into cash within one year or less.

So, working capital is an asset owned by a company that is used by a company to finance operational activities carried out by the company. Working capital is also in the form of short-term assets and investments which are expected to be cashed / cashed.

b. Concept of Working Capital

According to Riyanto (2001), there are several concepts of working capital in a company which are mentioned below:

1. Quantitative Concepts

Is the total amount of current assets. Which is usually said by the name of gross working capital

2. Qualitative Concepts

One of the advantages of current assets over current debt is to issue half or part of current assets which are usually used to pay

for all company activities without disturbing its liquidity. In formulating net working capital, it is usually written as follows:

$$\text{Total Current Assets} - \text{Total Current Liabilities} = \text{Net Working Capital}$$

3. Functional Concept

Functional focus more on the cost function in generating income. Any costs that are used in the company are intended to generate income. There are also some costs that are used for a certain accounting period which as a whole can generate income for that period (current income) and some other costs are used for the same period but are not used as a whole.

c. Profitability

Yusnita and Fitriadi (2019) write, profitability is a company's ability to achieve the goal of obtaining a profit or income and future income and can be measured by Return on Equity (ROE) and Return on Assets (ROA).

Riyanto (2001) who writes in his book, profitability is a goal or activity that a company undertakes to generate profits generated during the current period.

According to Sartono and Zulaihati (1998), he argues that profitability is an effort made by companies to obtain profits related to sales, all total assets and capital. To achieve its goals, the company will definitely try to increase its revenue or profits. Because if a company succeeds in increasing its profit, the company will be said to be a successful company and able to manage the resources owned by the company effectively and efficiently because it has generated high profit or income. However, if the company has a relatively low profit or profit, the company is said to be unable to manage its resources properly.

Profitability Measurement

In assessing the level of profitability of a company, there are various ways to compare. According to Sawir, the ratio of profitability levels is divided into 5 types, namely:

Gross Profit Margin or commonly referred to as (Gross Profit Margin) Gross profit margin is used to determine the rate of return of gross income on net sales. According to Riyanto (2001) formulating the gross profit margin calculation is as follows:

Gross Profit Margin = Gross Profit / Net Sales.

Where Profit / gross income is interpreted = net sales – cost of goods sold (sales). And net sales is defined and defined = total net sales for one year.

Net Profit Margin or the so-called Net Profit Margin is used to measure the rate of return on net income on sales after tax and Net Profit Margin or net profit margin is formulated as:

$MLB = \text{net profit after tax} / \text{net sales}$. Where it is written that net income that has a margin value is right between zero and one, where the closer to 1, the more efficient the costs incurred and the higher the rate of return of income.

Return on Equity (ROE) is the rate of return on equity owned by the company. ROE measures the ability of a company to obtain profits provided to investors. According to Sartono and Zulaihati (1998) who says that Return on Equity (ROE) can be calculated as a formula written as follows: Profit after Tax / Own Capital X 100 %

Return on Investment (ROI) as stated by Munawir (2010) at His research shows that the analysis of Return on Investment (ROI) or Return on Assets (ROA) in a form related to finance is very important to be used as a way to analyze comprehensive finance. Munawir (2010) states that the ROI formula can be written as follows:

$\text{Net Profit After Tax} / \text{Total Assets} \times 100\%$.

Means, Return on Investment that connects the amount of the company's investment with the profits that have been obtained from the company's operations.

Earning Power of Total Investment is a ratio used by the company in measuring the ability that is analyzed from the capital that has been invested in the company to all assets that have the goal of generating profit. Earnings Power of Total Investment shows the amount of operating profit obtained from all company assets. The calculation of this ratio is as follows: Profit before Tax / Total Assets.

3. RESEARCH METHOD

Types and Sources of Data

In a research conducted, descriptive and quantitative data are needed to be used as a hypothesis testing. The resulting data must be in

the form of facts that occur and are collected. There are 2 types of data in the study, namely:

a. Quantitative Data

Quantitative data is data obtained from PT. Indofood Sukses Makmur Tbk taken from the company's financial statements and then calculated to support research.

b. Qualitative Data

Qualitative data is obtained from PT. Indofood Sukses Makmur Tbk. Qualitative data is data in written form and there are no numbers in it.

In this research, there are also data sources used. The research data source is the source of the subject. In this study using a secondary secondary, namely data obtained from the financial statements of PT Indofood Sukses Makmur Tbk.

Data Collection Method

In this study there are also techniques in collecting data used: Library research is the collection of data obtained from literature sources to support the completion of this research.

4. RESULT AND DISCUSSION

Data Results

The quantitative method in this research is the method used is an analysis of the working capital of a company, namely: a qualitative concept, which is the remaining current assets above current liabilities. In net working capital, there is a writing which can be formulated as

$\text{Total Current Assets} - \text{Total Current Liabilities} = \text{Net Working Capital}$.

Table 1. Percentage Change of Working Capital for 2016-2019 (in billion Rupiah)

Year	Working Capital	Percent Change
2016	9766	-44,8%
2017	11310	15,8%
2018	2068	-81%
2019	6716	224%

Source: data processed by author

Table 2. Return on Investment Value for 2016-2019 (in billion Rupiah)

Year	Profit	ROI
2016	8285	28,5%
2017	8683	26,3%
2018	9143	9,4%
2019	9831	10,2%

Source: data processed by author

- a. Classic assumption test
In normality testing, which is carried out through the Normality test through SPSS, the normality of data has been tested.
- b. Homoscedasticity Test
Unstandardized B = -0.86
Coefficient Std Error = 0.098
Standardized coefficient beta = -0.525
T = -8.72
Sig = 0.475
So $0.475 > 0.05$
- c. Simple linear regression analysis
R Square $276 = 27.6\%$ working capital
Coefficient
Sig = 0.007
Sig = 0.475

Working Capital Analysis

In this study, which is part of current but not comprehensive assets that can be used to pay for the company's operational activities is working capital. Next, namely writing the formula for what is the residual of current assets above current debt, where the net working capital or what is usually called (net working capital) is written as follows:

$$\text{Net Working Capital} = \text{Total Current Assets} - \text{Total Current Debt}$$

The amount of net working capital of PT Indofood Sukses Makmur Tbk during 2016, 2017, 2018, 2019 is as follows after being calculated as follows:

$$\begin{aligned} 2016 &= 28,985.4 - 19,219.4 = 9,766 \\ 2017 &= 32,948.1 - 21,637.8 = 11,310 \\ 2018 &= 33,272.6 - 31,204.1 = 2,068 \\ 2019 &= 31,403.4 - 24,686.9 = 6,716 \end{aligned}$$

From the above results it can be concluded about the calculation, return on investment (ROI) analysis shows how much net income from the wealth the company has. This ratio is stated as follows:

$$\text{Return on Investment (ROI)} = \frac{\text{Net Profit After Tax}}{\text{Total Assets}} \times 100\%$$

PT Indofood Sukses Makmur Tbk's Return on Investment (ROI) during 2016, 2017, 2018, 2019 are as follows:

$$\begin{aligned} 2016 &= (8,285 / 28,985) \times 100\% = 29.5\% \\ 2017 &= (8,683 / 32,948) \times 100\% = 26.3\% \\ 2018 &= (9,143 / 33,272) \times 100\% = 9.4\% \\ 2019 &= (9,831 / 31,403) \times 100\% = 10.2\% \end{aligned}$$

Simple Linear Regression Analysis

In the Normality Test the data that has been obtained through PT Indofood Sukses Makmur Tbk have been tested. And after that the homoscedasticity test where if Sig = 0.475, then H_0 is accepted which means there is homoscedasticity.

- a. Simple Linear Regression Analysis that is the result

T test = To predict each prediction of the independent variable working capital on the dependent variable profit so that the hypothesis H_0 working capital has no effect on profitability
 H_1 : profitability affects working capital.

- b. Where is the general form of simple linear regression.

R Square $276 = 27.6\%$ of working capital which means the independent variable in this case is working capital which can explain the effect of the profitability level of 27.6% and the rest is explained by other factors.

$$\begin{aligned} Y &= a + bx \\ A &= 9,624 \\ B &= -0.86 \end{aligned}$$

So, Profitability $Y = 9,624 - 0.86X$
Working Capital.

Proof of Hypotheses

In proving the hypothesis that is written, with the normality test criteria, namely Reject H_0 if the significant value (Sig.) < 0.05 , Accept H_0 if the significant value (Sig.) > 0.05 .

In the Heteroscedasticity test there are tests which:

H_0 : Variable 1 = Variable 2 = = Variable 8
which means there is homoscedasticity.

H_1 : There is variable 1 which is not the same as alpha squared, so there is heteroscedasticity.

The simple linear test formula is proven by the formula:

$$\begin{aligned} Y &= a + bX \\ Y &= \alpha + \beta X \\ Y &= \beta + \beta 1X \end{aligned}$$

5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

Working capital is a property owned by a company that is used by a company to finance operational activities carried out by the company. Working capital is also in the form of short-term assets and expected investment, while profitability is a goal established by the company to gain profit or profit for the company itself

which is at PT Indofood Sukses Makmur Tbk. working capital, which means the independent variable in this case is working capital, can explain the effect of the profitability level of 27.6% and the rest is explained by other factors.

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