

## **The Influence of Working Capital On The Profitability Ratio of Consumer Goods Industry Sector Companies Listed On The IDX**

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### **Abstract**

*This research aims to determine and analyze the influence of working capital on the profitability ratio of companies in the consumer goods industry listed on the IDX. The type of data in this research is secondary data, namely data obtained indirectly and through intermediaries in the form of company annual report data. The type of research used in this research is quantitative with an explanatory approach. Based on the results of data research using statistical calculations through the SPSS application. The results of the research show that cash turnover and accounts receivable turnover have a positive and significant effect on profitability as evidenced by the Cash Turnover regression coefficient value (X1) of 0.068 and the calculated t value of 7.156 > 1 table 2.055 with a significant value of 0.000 < 0.05 and the coefficient value Receivables Turnover regression (X2) is 0.199 with a t count value of 7.1411 table 2.055 with a significant value of 0.000 < 0.05. Meanwhile, Inventory Turnover (X3) has a negative and significant effect on profitability as evidenced by the regression coefficient value of -0.970 and the t count value of -16,135 > 1 table 2.055 with a significant value of 0.000 < 0.05*

**Keywords:** *Cash Turnover, Receivables Turnover, Inventory Turnover, Net Profit Margin*

## **INTRODUCTION**

Indonesia stock exchange as a capital market is a place where investors can make investments and obtain relevant information about companies that have the potential to influence their share prices. Competition between companies to attract investor interest is increasingly visible from management's efforts to improve their company's performance. Company valuation is very dependent on the company management's ability to manage assets to achieve profits.

The consumer goods industry is a very important industrial sector because its products are always in demand by the public, especially in Indonesia which has a large population. People need daily necessities such as food, drinks, medicines and other consumer goods. The consumer goods industry consists of six sub-sectors, namely food and beverages, cigarettes, pharmaceuticals, cosmetics and household necessities, household appliances, and other consumer goods sub-sectors.

Working capital management is the management of a company's current assets: cash, marketable securities, accounts receivable, inventory, and the financial resources needed to support current assets, especially short-term debt (Rahmaniah, 2017). Profitability ratios are used to evaluate a company's ability to generate profits. (Kasmir, 2012)

Strong strategic management capabilities are essential for any business in the consumer goods industry due to the increasing consumer demand for products. This can enhance the company's profitability by maintaining and boosting sales.

Researching or investigating the impact of working capital on profits, with reference to the profitability ratios achieved by a company, shows that the theory stating that high levels of working capital should result in high profitability may not always hold true

## RESEARCH METHODS

This research uses quantitative research with an explanatory approach. The type of data used in this research is secondary data, namely, data that refers to information obtained from sources related to this research.

The population in the research is all companies in the Consumer Goods Industry sector listed on the Indonesia Stock Exchange (IDX) for the 2020 period. Based on available data, the total population is 58 companies. The selection of research samples was based on the purposive sampling method.

Data collection in this research used documentation review techniques, namely, by analyzing company annual reports from 2018 to 2022 obtained from the IDX website, [www.idx.co.id](http://www.idx.co.id) From a population of 58 companies, 6 companies were obtained that had complete data according to the sample criteria.

No.	Kode Emiten	Nama Perusahaan
1.	GGRM	PT Gudang Garam Tbk
2.	UNVR	PT Unilever Indonesia Tbk
3.	SIDO	PT Industri Jamu dan Farmasi Sidomuncul Tbk
4.	KLBF	PT Kalbe Farma Tbk
5.	INDF	PT Indofood Sukses Makmur Tbk
6.	ICBP	PT Indofood CBP Sukses Makmur Tbk

**RESULTS AND DISCUSSION**

**A. Research Result**

**Results of Multiple Linear Regression Analysis**

A multiple linear regression model is a mathematical expression that explains the correlation between one dependent/response variable (Y) and two or more independent/predictor variables. (Yuliara, 2016)

**Tabel 1  
Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
	B	Std. Error			
1 (Constant)	14.800	.648		22.852	.000
1 Cash turnover	.068	.009	.359	7.156	.000
1 Receivable turnover	.119	.017	.337	7.141	.000
1 Inventory receivable	-.970	.060	-.873	-16.135	.000

Dependent Variable: *Net Profit Margin*

Source: *Data processed, 2024*

Based on the table above, the equation is:

$$y = 14.800 + 0.068X1 + 0.119X2 - 0.970X3 + e$$

- a) The constant value of the equation above is 14.800. This number represents the net profit margin of companies in the consumer goods sector listed on the Indonesia Stock Exchange (IDX). This means that if cash turnover, accounts receivable turnover, and inventory turnover remain unchanged, the net profit margin will also remain constant.
- b) Cash turnover has a regression coefficient (X1) of 0.068. For every 1% increase in cash turnover, assuming other variables remain constant, the net profit margin will increase by 0.068 times or 6.8%.
- c) Accounts receivable turnover has a regression coefficient (X2) of 0.119. For every 1% increase in accounts receivable turnover, assuming other variables remain constant, the net profit margin will increase by 0.119 times or 11.9%.
- d) Inventory turnover has a regression coefficient (X3) of -0.970. For every 1% increase in inventory turnover, assuming other variables remain constant, the net profit margin will decrease by 0.970 times or 97%.

**Hypothesis Testing**

The t-test indicates the extent to which the impact of a single explanatory or independent variable individually explains the variation of the dependent variable. (Ghozali, 2011)

**Table 2  
Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
	B	Std. Error			

1	(Constant)	14.800	.648		22.852	.000
	Cash turnover	.068	.009	.359	7.156	.000
	Receivable turnover	.119	.017	.337	7.141	.000
	Inventory receivable	-.970	.060	-.873	-16.135	.000

Dependent Variable: *Net Profit Margin*

Source: *Data processed, 2024*

- a) Based on the partial test results for the cash turnover variable (X1), the calculated t-value is greater than the critical t-value ( $7.156 > 2.055$ ) and the significance value is less than 0.05 ( $0.000 < 0.05$ ). Therefore, the null hypothesis ( $H_{01}$ ) is rejected and the alternative hypothesis ( $H_{a1}$ ) is accepted, meaning that there is a significant effect of cash turnover on the net profit margin.
- b) Based on the partial test results for the accounts receivable turnover variable (X2), the calculated t-value is greater than the critical t-value ( $7.141 > 2.055$ ) and the significance value is less than 0.05 ( $0.000 < 0.05$ ). Therefore, the null hypothesis ( $H_{02}$ ) is rejected and the alternative hypothesis ( $H_{a2}$ ) is accepted, meaning that there is a significant effect of accounts receivable turnover on the net profit margin.
- c) Based on the partial test results for the inventory turnover variable (X3), the calculated t-value is less than the critical t-value ( $-16.135 < 2.055$ ) and the significance value is less than 0.05 ( $0.000 < 0.05$ ). Therefore, the null hypothesis ( $H_{03}$ ) is rejected and the alternative hypothesis ( $H_{a3}$ ) is accepted, meaning that there is a significant effect of inventory turnover on the net profit margin.

## **B. Discussion**

### **a) The Effect of Cash Turnover on Profitability in Consumer Goods Industrial Sector Companies Listed on the IDX**

Based on the tests that have been carried out, it can be seen that cash turnover has a regression coefficient value of 0.068 with a value of  $t_{count} > t_{table}$ , namely  $7.156 > 2.055$  with a significance level of 0.000. So, it can be concluded that the cash turnover variable has a positive and significant effect on the net profit margin in consumer goods industry sector companies listed on the IDX. This shows that every time the cash turnover variable increases, the company's net profit margin will also increase.

### **b) The Effect of Receivables Turnover on Profitability in Consumer Goods Industrial Sector Companies Listed on the IDX**

Based on the tests conducted, it can be seen that the accounts receivable turnover has a regression coefficient of 0.119 with a t-value greater than the critical t-value ( $7.141 > 2.055$ ) and a significance level of 0.000. Therefore, it can be concluded that the accounts receivable turnover variable has a positive and significant effect on the net profit margin of companies in the consumer goods sector listed on the Indonesia Stock Exchange (IDX). This indicates that as the accounts receivable turnover increases, the company's net profit margin will also increase.

### **c) The Effect of Inventory Turnover on Profitability in Consumer Goods Industrial Sector Companies Listed on the IDX**

Based on the tests conducted, it can be seen that the inventory turnover has a regression coefficient of -0.970 with a t-value less than the critical t-value ( $-16.135 < 2.055$ ) and a significance level of 0.000. Therefore, it can be concluded that the inventory turnover

variable has a negative and significant effect on the net profit margin of companies in the consumer goods sector listed on the Indonesia Stock Exchange (IDX). This indicates that as the inventory turnover increases, the company's net profit margin will decrease, and vice versa.

## CONCLUSION

1. Cash Turnover based on the t-test results and significance value, it is known that cash turnover (X1) has a positive and significant effect on the net profit margin. This means that the higher the cash turnover, the higher the profit the company will earn. With a certain amount of cash, the company can generate higher sales. Higher sales levels will lead to increased profits for the company.
2. Accounts Receivable Turnover based on the t-test results and significance value, it is known that accounts receivable turnover (X2) has a positive and significant effect on the net profit margin. This means that the company is able to collect its receivables in a timely manner and minimize bad debts, so accounts receivable turnover remains smooth and the company maintains good profitability.
3. Inventory Turnover based on the t-test results and significance value, it is known that inventory turnover (X3) has a negative and significant effect on the net profit margin. This means that the company often experiences excessive inventory (overstocking), which can lead to losses due to price reductions or decreased demand for inventory, thereby lowering the company's profitability.

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