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The Effect of Working Capital Turnover on Profitability of Plantation Companies Listed on the Indonesia Stock Exchange 2017-2020 Period

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Abstract

This study aims to determine whether working capital turnover (X) partially has a significant effect on Return On Investment in Plantation Companies Listed on the Indonesia Stock Exchange (IDX). The method used is a simple linear regression analysis test and hypothesis testing. The data used in this study is secondary data, by collecting the annual financial statements of plantation companies in the form of balance sheets and income statements for 2017-2020 which are listed on the Indonesia Stock Exchange.

The results of the t-test partially indicate the level of significance obtained from the independent variable, namely the working capital turnover of 0.031. This shows that working capital turnover has a significant effect on Return On Investment.

Keywords**—** *Accounting Corner, Luder's Contingency Model, Stimulant*

INTRODUCTION

Profitability is very important for the company because it reflects the success and survival of the company. The higher the level of profitability, the better the company's performance. Profitability is the ability of a company to generate profits with a certain level of sales, assets, and equity within a certain time. The profitability of a company can be evaluated in various ways, depending on the profits and assets or capital to be compared with each other. To increase profitability, a balanced working capital is needed.

The availability of working capital is very important for companies to provide funds for operational activities. Therefore, companies must be able to use their working capital effectively and efficiently. Excessive working capital indicates the absence of production capacity. This will cause losses for the company which in turn will result in a decrease in the company's profitability. On the other hand, the lack of working capital will also cause losses for the company, because the opportunity to earn profits is wasted. Therefore, every company must manage its working capital effectively to generate profits that have an impact on the company's ability to achieve maximum profitability. Profitability is very important for a company because it reflects the success and survival of the company. The company's ability to generate profits within a certain time is called profitability.

Profitability is a ratio that evaluates the company's ability to seek profit. In this study, profitability is measured using Return On Investment. Return On Investment is the return on investment which is calculated based on the division of the income generated by the amount of capital invested, on the other hand, a positive ROI is the one that provides profits in the business. A plantation company listed on the Indonesia Stock Exchange (IDX) for the period 2017 – 2020. A plantation company is a company in the form of a business entity/legal entity engaged in the cultivation of plantation crops on land under control, with economic objectives and obtaining a business license from the competent agency. having the authority to issue plantation business permits, several plantation companies listed on the Indonesia Stock

Exchange have different amounts of profit. The amount of profit earned by the company tends to rise and fall in the sense of not losing.

As we know plantation companies in Indonesia are the largest palm oil producers in the world, this is because the oil produced from palm oil has an important role in our daily needs, so I want to see how the working capital of oil palm companies is. Profits generated and working capital in plantation companies have different values every year, more fluctuating.

Working capital

According to Martono (2001:71), working capital is the management of elements of current debt assets. Working capital policies are fundamental decisions regarding the target of each element of current assets and how these current assets are to be spent. Meanwhile, according to Ridwan S. Sundjaja and Inge Belian (2003: 186), working capital can be defined as current assets which are part of the company's investment and are always rotating, with a turnover rate not exceeding one year. According to Munawir (2004:116), sufficient working capital can provide several advantages for the company, including:

a. Protect the company against a working capital crisis due to a decrease in the value of current assets
b. Enable the company to be able to pay all obligations on time
c. Ensuring that the company's credit standing is getting bigger and allows the company to be able to face the dangers or financial difficulties that may occur
d. Enables companies to be able to have inventory in sufficient quantities to be able to serve their customers
e. Allows the company to provide more favorable credit terms to its customers
f. Companies can operate more efficiently because there is no difficulty in obtaining the goods or services needed

Profitability

According to Harahap (2015:304), profitability describes the company's ability to earn profits through all capabilities, and existing sources such as sales activities, cash, capital, number of employees, number of employees, number of branches, and so on. According to Sutrisno (2013: 228), the profitability ratio is used to measure how much profit the company can get. Profitability ratios consist of several types, each type of profitability ratio is used to assess and measure the company's financial position in a certain period or for several periods. According to Munawir (2014: 86), profitability is the company's ability to earn profits. Profitability can be measured using profitability ratios. This ratio measures the company's ability to generate profits over a certain period and also provides an overview of the company's effectiveness in carrying out its operations.

Working Capital Turnover

Understanding Working Capital Turnover

Gross working capital turnover rate or current assets can be measured using the working capital turnover rate ratio which is formulated as follows, according to Riyanto (2001:62):

Net working capital = Current Assets – Current Liabilities

Working capital turnover = Sales/(Net Working Capital)

This ratio shows the number of times working capital rotates in one period (approximately one year). The average length of time required by working capital for each rotation is called working capital turnover, the working capital turnover period can be determined by the following equation:

Working capital turnover period = Sales/(Working Capital Turnover)

From the relationship between sales and working capital, it can also be seen whether the company works with high working capital or works with low working capital. High working capital turnover is due to low working capital invested in inventories and receivables, or it can also describe the unavailability of sufficient working capital and high inventory turnover and receivables turnover. large inventory and accounts receivable balance, thus the amount of working capital is not too large. Insufficient working capital may be due to the large number of short-term debts that have matured before inventories and receivables can be converted into cash. The purpose of this study was to determine the development of working capital turnover and profitability of plantation companies listed on the Indonesia Stock Exchange and to determine the significant effect of working capital turnover on the profitability of plantation companies listed on the Indonesia Stock Exchange.

RESEARCH METHODS

The type of research used in Quantitative Research, which is structured research and quantifies data to be generalized, Quantitative Research analyzes the numbers contained in financial statements in the form of balance sheets and income statements. According to Subana and Sudrajat (2005:25), quantitative research in terms of objectives, this research is used to test a theory, present a fact or describe statistics, and show the relationship between variables, and some are developing concepts, developing understanding, or describing many Case. This research was conducted on the Indonesia Stock Exchange (IDX), namely on plantation companies with a research period of 3 months from October to December 2021

The criteria used by the researcher to select the sample are plantation companies listed on the Indonesia Stock Exchange, for the period 2017-2020 which publish financial reports ending December 31 that have been audited and use the rupiah currency. In taking the sample, the writer uses the purposive sampling method, the reason the researcher uses the purposive sampling method is that not all samples have criteria that are following the specified research. Based on the characteristics of the sample selection, the sample that can be obtained is 13 plantation companies, and those that are not included in the sample are 9 plantation companies listed on the Indonesia Stock Exchange for the 2017-2020 period.

Plantation Company Sample

No	Company Code	Company Name
1	AALI	PT. Astra Agro Lestari Tbk
2	ANDI	PT. Andira Agro Tbk
3	DSNG	PT. Dharma Satya Nusantara Tbk
4	GZCO	PT. Gozco Plantations Tbk
5	JAWA	PT. Jaya Agra Wattie Tbk
6	LSIP	PT. PP London Sumatra Indonesia Tbk
7	MGRO	PT. Mahkota Grup Tbk
8	PALM	PT. Provident Agro Tbk
9	SGRO	PT. Sampoerna Agro Tbk
10	SMAR	PT. Sinar Mas Agro Resources And Technology Tbk

11	SSMS	PT. Sawit Sumber Sarana Tbk
12	TBLA	PT. Tunas Baru Lampung Tbk
13	UNSP	PT. Bakrie Sumatra Plantation Tbk

Source: Processed Data (2021)

The analysis technique used in this study is a simple linear regression analysis method. This method is used to find out the truth about the relationship between the dependent variable and the independent variable and uses the existing formula for working capital turnover and the profitability formula. Then use the SPSS version 26 program to analyze the data obtained using simple linear regression analysis.

RESULTS AND DISCUSSION

This regression analysis is used to test how the influence of each independent variable (x) on the dependent variable (y) is formulated in the following equation:

Y = a + bx

Description :
Y = Profitability
X = Working Capital Turnover
a = constant
b = regression coefficient
n = number of period

Table 4.30
Simple Linear Regression Test Results

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	739,523	365,578		2,023	0,048
	WORKING CAPITAL TURNOVER	0,494	0,222	0,300	2,221	0,031
a. Dependent Variable: RETURN ON INVESMENT						

Source: Output SPSS 26 (2021)

From the results of the simple linear regression studied on working capital turnover (X) on profitability (Y) it can be described as simple linear regression as follows:

Y = 739,523+ 0.494X

This means that working capital turnover partially has a positive effect on Return On Investment. If there is an increase of 1%, there will be an increase in Return On Investment of 739,523. Based on the results of the study, shows that working capital turnover (X) has a significant effect on Return On Investment in plantation companies listed on the Indonesia

Stock Exchange for the 2017-2020 period, this can be proven by the results of the t-test which shows the working capital turnover variable (X) has a significant level. of 0.031 < 0.05 and obtained t count > t table (2.221 > 1.67591), then the hypothesis Ho is rejected. Thus, showing that working capital turnover (X) has a significant effect on Return On Investment and can be proven by the results of the linearity test using Ftable, showing that the Anova table for the F price at a deviation from linearity is 1.873 with a significance of 0.532, it can be concluded that the significance value > (0.532 > 0.05) then from the given hypothesis, H0 is accepted. This means that the two data are related linearly.

The decision of linearity test It is known that the value of Fcount is 1.873 < Ftable 4.03. so it can be concluded that there is a linear relationship between working capital turnover and return on investment. The company uses working capital for its operational activities. The funds issued by the company are expected to be returned for further operational activities. These results prove that the higher the volume of sales generated, the faster the working capital rotates so that the capital returns quickly to the company accompanied by high profits causing the company's return on investment to also increase.

Return on Investment that has increased will be able to attract investors to invest in the company so that working capital will increase. The results of this study are in line with research by Lutfia (2016), which examines the Effect of Working Capital Turnover on Profitability in plantation companies listed on the Indonesia Stock Exchange. The results of Finsi Novtelia Lutfia's research (2016) show that working capital turnover partially has a significant and positive effect on Return On Investment with tcount > ttable (4.118 > 3.182) and sig. t (0.026 > 0.05).

CONCLUSION

Based on the results of research conducted on plantation companies listed on the Indonesia Stock Exchange for the 2017-2020 period, by managing a sample in the form of annual financial statements from 2017 to 2020 using SPSS Version 26, the following conclusions can be drawn:

1. The development of working capital turnover and profitability in plantation companies listed on the Indonesia Stock Exchange experienced good development due to the high volume of sales at the company resulting in working capital rotating so that the capital in the company returned and was accompanied by high profits, from high profits it could lead to Return on investment in If the company has increased, this will be able to attract investors to invest in the company.
2. Working capital turnover has a positive and significant effect on Return On Investment in plantation companies listed on the Indonesia Stock Exchange for the 2017-2020 period, from the t-test results, shows that working capital turnover has a significant value of 0.039 < 0.05 and obtained tcount < ttable of (2.221 > 1.67591) it can be concluded that the hypothesis is accepted.

SUGGESTION

Based on the results of research that has been carried out on plantation companies listed on the Indonesia Stock Exchange for the 2017-2020 period, companies should be able to use and allocate working capital according to their needs and ensure that the working capital used is not excessive or insufficient. Excess working capital causes a lot of working capital to be unemployed and conversely, a lack of working capital will hamper operational activities. Companies must also regulate working capital turnover properly so that working capital will return by the time, the company's profitability will increase because the shorter the turnover period, the higher the company's profitability. Further researchers can use different independent variables with this study and also use different companies and extend the research period.

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