The Effect of Working Capital and Liquidity on Profitability at PT. Nippon Indosari Corpindo, Tbk in 2009-2017

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ABSTRACT

Every company always requires working capital that will be used to finance the daily activities of the company. This study aims to determine the effect of working capital and liquidity on the profitability of PT. Nippon Indosari Corpindo Tbk, both partially and simultaneously. The research method used by the author in preparing the descriptive thesis is quantitative, which is conducting research that describes the financial condition of the company expressed in the form of numbers. The data used is secondary data from the financial statements of PT. Nippon Indosari Corpindo Tbk, for a period of 9 years from 2009 - 2017 obtained through the IDX (Indonesia Stock Exchange). The analytical method used is the classic assumption test, multiple linear regression analysis, coefficient of determination and hypothesis testing. Based on the t-test partially working capital on profitability there is an effect where t_{count} -3,341> t_{table} 2,447 and a significance value of 0.016 <0.05 and partial liquidity on profitability has no effect where t_{count} 1.535 <t_{table} 2.447 and a significance value of 0.176> 0.05 and based on the f test simultaneously working capital and liquidity affect profitability where F_{count} 5.953> F_{table} 5.14 with a significant value of 0.038 <0.05

Keywords: Working capital, liquidity, profitability

INTRODUCTION

A company that grows, runs and builds its management by resource-oriented owned by the company so that the company has the ability to be able to compete with other companies (Assauri, 2008; Farid Addy Sumantri et al., 2015; Rivai, 2005; Sudana, 2011). Every company always requires working capital that will be used to finance the daily activities of the company (Sunarsi, 2018, 2019)(A. Astuti, Saleh, Baharuddin, & Salam, 2016; Saggaf, Akib, Salam, Baharuddin, & Kasmita, 2018; Salam, 2015). Shortage of cash causes the company to be unable to pay its short-term obligations, while a shortage of inventory will cause the company's production process to be disrupted and products to be delivered late to the customer so that the customer is disappointed (Atmaja, 2008; Sutrisno, 2013; Syaifuddin, 2008).

Profitability is a measurement of a company's performance, the profitability of a company shows the ability of a company to generate profits for a certain period at a certain level of sales, assets and share capital. The profitability of a company can be assessed in various ways depending on the profits and assets or capital to be compared to one another (Ambarwati, Yuniarta, & Sinarwati, 2015; Harjito & Martono, 2008; Idawati & Sudiartha, 2014; Putra & Badjra, 2015)

The company in carrying out its business activities is inseparable from its purpose which is to obtain maximum profit and survival (Handayani, Agustono, & Rachadi, 2009; Martusa, 2011; Sedarmayanti, 2017). The survival of a company is influenced by many things including the liquidity of the company itself. Liquidity refers to the company's ability to meet its short-term obligations (Adita & Mawardi, 2018; Amanah, Atmanto, & Azizah, 2014; Farisa & Widati, 2017; Suandy, 2011). The importance of liquidity can be seen by considering the impact that comes from the company's inability to meet its short-term obligations. Lack of liquidity prevents companies from making a profit. Liquidity is the ability of a company to meet short-term financial obligations or which must be paid immediately. Liquidity problems are one of the important problems in companies that are relatively difficult to solve. If viewed from the creditor's point of view, a company that has high liquidity is a good company, because the short-term funds of the creditor borrowed by the company can be guaranteed by relatively large amounts of current assets. But if viewed from the management side, companies that have high liquidity show poor management performance because high liquidity shows idle cash balances, relatively excessive inventory and others. The amount of working capital that has been set is one measure that can be used to solve liquidity problems in the company (Drehmann & Nikolaou, 2013; Hahn, 1990; Junita & Khairani, 2011)

The main measurement tool for evaluating a company's financial performance in investment activities commonly used by investors is profitability ratios. The main attraction for owners of company shareholders lies in the profitability ratio that shows the results of the management of the company's management of the funds invested. The profitability ratio or profit ratio is closely related to the company's ability and the effectiveness of the company's operations in generating profits.

The profitability of a company will influence investors' policies on investments made. The company's ability to generate profits will be able to attract investors to invest their funds in order to expand their business, otherwise, a low level of profitability will cause investors to withdraw their funds. As for the company itself, profitability can be used as an evaluation of the effectiveness of the management of the business entity (K. D. Astuti, Retnowati, & Rosyid, 2015; Mawaddah, 2015; Pertiwi, Tommy, & Tumiwa, 2016).

Ideally in income Working capital of PT. Nippon Indosari Corpindo, Tbk in 2009-2017 accompanied by an increase in the value of profitability. Therefore PT. Nippon Indosari Corpindo, Tbk in 2009-2017 is demanded to be able to utilize the Working Capital properly. In managing capital or finance, the company must allocate its financial resources effectively and efficiently by increasing revenue to increase profitability and meeting short-term obligations Based on the data above, Working Capital and Liquidity towards Profitability of PT. Nippon Indosari Corpindo, Tbk in 2009-2017 which is not stable with an increase in Working Capital and Liquidity that occurred. Conversely, PT. Nippon Indosari Corpindo, Tbk experiences ups and downs in income every year. Sample data obtained at PT. Nippon Indosari Corpindo, Tbk can be used to calculate the value of profitability, then an analysis of the effect of working capital and liquidity on profitability at PT. Nippon Indosari Corpindo, Tbk.

METHOD

In this study, the authors take the title of the research, namely, the effect of working capital and liquidity on profitability at PT. Nippon Indosari Corporindo Tbk, this study was conducted to determine the effect of independent variables, namely Working Capital (X1), Liquidity (X2), on the simultaneous profitability (Y) of PT. Nippon Indosari Corporindo Tbk. This research is a quantitative descriptive. According to Sugiyono (2013: 28), quantitative descriptive is data in the form of numbers or quantitative data that is framed / scoring. This study uses SPSS tools

RESULT AND DISCUSSION

Working capital is very influential in a company. An adequate net working capital allows a company to carry out its activities. Excessive net working capital will cause unproductive funds and will harm the company because these funds are not used effectively for operational activities. Conversely, a lack of working capital will cause a hindrance in the company's operations so that expected profits will be difficult to achieve.

Regression Analysis

Regression analysis that explains the relationship between the dependent and independent variables is closely related to the statistical relationship. Multiple linear regression analysis is used to determine the effect of the linear relationship between two or more independent variables with one dependent variable.

Table 1
Multiple Linear Regression Test Results

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	11.720	4.584		2.285	.062		
Working Capital	-0.0155	.000	-1.062	-3.325	.016	.572	1.750
CR	.057	.029	.625	1.956	.098	.572	1.750

Source: Data processed using SPSS version 25

Based on the above results it can be seen the value of constant B (a) of 11.720 and the value of Working Capital of -0.0155 and Current Ratio (CR) of 0.057. Thus the multiple linear regression equation can be formed as follows:
Based on the multiple linear regression model above, the results of multiple regression can be explained: from the results of the multiple linear regression test above, the Constant Value of 11.720 so that the magnitude of the constants shows that if the independent variables (Working

Capital and CR) are assumed to be constants then the dependent variable namely ROA will increase by 11.720%. Working Capital Variable has a negative regression coefficient value of -0.0155. This means that if working capital decreases by 1%, then ROA will decrease by -0.0155%. Variable Current Ratio (CR) has a positive regression coefficient which is equal to 0.057. This means that if CR increases by 1%, ROA will increase by 0.057%.

Hypotesis Test

T-test is used to determine whether each independent variable has a significant influence on the dependent variable. The hypothesis in this study is the Working Capital and Current Ratio (CR) affect the Return On Assets (ROA) at PT. Nippon Indosari Corpindo Tbk.

Hypothesis testing with $\alpha = 5\%$, while the degree of free testing is nk = 9-3 = 6, in this case the value of ttable is ttable = (0.05: 9-3), ttable (0.05: 6), then ttable amounted to 2,447.

Table 2
T-test results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	11.720	4.833		2.425	.062
1 Working Capital	-0,001555	.000	-1.044	-3.341	.016
CR	.047	.031	.480	1.535	.176

Source: Data processed using SPSS version 25

Based on the table above, the multiple regression values can be analyzed: hypothesis results effect of working capital (X1) against ROA (Y). Hypothesis results show that working capital has a positive effect on ROA. It can be seen that the t_{count} is -3,341 while the t_{table} is 2,447 in the distribution t $_{table}$. Where t_{count} -3,341> t_{table} 2,447 and Liquidity (X2) have no effect on ROA where t1,535 <t_{table} 2,447

This F statistical test is used to calculate whether together (simultaneously) the independent variables used in research affect the dependent variable. The hypothesis in this study is the Working Capital and Current Ratio (CR) affect the Return On Assets (ROA) at PT. Nippon Indosari Corpindo Tbk

Table 3
F-Test Results

	Model	Sum of Squares	Df	Mean Square	F	Sig.
	Regression	213.789	2	106.894	5.953	.038[b]
1	Residual	107.740	6	17.957		
	Total	321.529	8			

Source: Data processed using SPSS version 25

Based on the table above it can be seen that the results of the F Test show the F count value of 5.953 while the F table of 5.14 at (α) = 0.05 and df1 = 2, df2 = 9 - 3 = 6 by looking at the

distribution table F. Means the F_{count} 5.953> F_{table} 5.14 with a significant value of 0.038 <0.05 then Ho is rejected and Ha is accepted. This shows that there is a significant influence of Working Capital and Current Ratio (CR) on Return On Assets (ROA) together (simultaneously) at the company PT. Nippon Indosari Corpindo Tbk 2009 - 2017 period.

CONCLUSION

Based on the results of the study, the results of the t-test on working capital variables showed that the t_{count} was -3,341 while the t_{table} was 2,447. Where t_{count} -3,341> t_{table} 2,447 and significance value 0.016 <0.05 so that the conclusion can be drawn Ho is rejected and Ha is accepted so that this hypothesis states that Working Capital individually (partial) there is a positive and significant effect on ROA. From the results of the t test on the variable Current Ratio shows that tcount Current Ratio of 1.535 while ttable of 2.447 in the distribution t_{table}. Where t-test 1.535 <t_{table} 2.447 and significance value 0.176> 0.05 so that the conclusions can be drawn Ho is accepted and Ha is rejected so this hypothesis states that the Current Ratio individually (partial) has no positive effect and is not significant on ROA. From the results of the F-test on the variable Working Capital and Liquidity Against show that the value of F_{count} 5.953> F_{table} 5.14 with a significant value of 0.038 <0.05 then Ho is rejected and Ha is accepted. This shows that there is a positive and significant influence of Working Capital and Liquidity on Return on Assets (ROA) simultaneously (simultaneously).

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