



## EFFECT OF WORKING CAPITAL AND SALES ON THE LEVEL OF PROFITABILITY ON THE CV. ALAM JAYA PEMATANG BANDAR

Wico Jontarudi Tarigan<sup>1</sup>

[wico180285@gmail.com](mailto:wico180285@gmail.com)

Mahaitin H Sinaga<sup>2</sup>

[sinagamahaitin@gmail.com](mailto:sinagamahaitin@gmail.com)

Rosita Manawari Girsang<sup>3</sup>

[rosita.girsang@gmail.com](mailto:rosita.girsang@gmail.com)

Sri Martina<sup>4</sup>

[srimartina999@gmail.com](mailto:srimartina999@gmail.com)

<sup>1234</sup> Faculty of Economics, Simalungun University, North Sumatra, Indonesia

Article history:	Abstract:
<b>Received:</b> 6 <sup>th</sup> January 2022 <b>Accepted:</b> 8 <sup>th</sup> February 2022 <b>Published:</b> 21 <sup>st</sup> March 2022	The purpose of this research is to find out the effect of working capital and sales on the level of profitability. This research is quantitative derivative research. The analytical methods used in this study are the T test, the F Test, the double linear regression analysis test, the determination coefficient test (R <sup>2</sup> ), the Normality Test, the Autocorrelation Test, the Multicollinearity Test, the Heteroskedasticity Test. Results from the study showed that working capital (X <sub>1</sub> ) and Sales (X <sub>2</sub> ) positively affect profitability (Y) on CV. Alam Jaya Pematang Bandar. Where the value of the t table < t calculated (2,364 < 2,863) and the adjusted figure R square is 0.688 or 68.8% variable profitability can be explained by working capital and sales variables. The remaining 31.2% were affected or explained by other variables not included in the study.

**Keywords:** Working Capital, Sales, Profitability

### INTRODUCTION

In addition to conducting economic activities business, there are several goals that must be achieved by the owner and management. Company owners want to make a profit, which is best for their business. why? Since each owner wants a quick return on the capital invested in his or her business, the owner also expects additional capital (new investment) and a return on capital that has been invested to provide prosperity for the owner and all employees (Oktrima, 2017). Every company always needs working capital to finance its daily operations for example for the purchase of raw materials, pay workers' wages, pay employee salaries, and so on. Funds used to hold daily operational activities are called working capital. According to Sartono (2016) The size of working capital is a function of various factors such as: Type of products made, Operating cycle period, Sales rate, Inventory policy, Credit sales policy, How far the efficiency of asset management is current. Working capital is one of the important components in carrying out the company's business activities. The working capital used is expected to re-enter the company in a short time through the seller of the company (Susanti & Mursida, 2019). Working capital is needed to increase sales, along with increased sales, the company must have funds to finance the working capital. For example, if a company experiences credit growth, it will be seen on the income statement when you see sales change from year to year. The greater net working capital is needed in order to guarantee obligations, short-term financial that must be completed in due course (Siswandi, 2010). Sales are an important criterion for evaluating a company's profitability and are a leading indicator of a company's activity. Revenue growth is strategically important for the company. This is because revenue growth is represented by an increase in market share company. Sales activity is one of the determinants of optimal profit achievement, and every sale needs to have a plan and strategy to achieve the goals that have been set, as well as cooperation between related departments. Revenue can be converted to as a support fund paying all costs associated with running each company CV. Alam Jaya Pematang Bandar is a trading business unit engaged in the sale and purchase of fish. The high interest of the community to consume fish so that many people interest to take part in the business of fish farming in North Sumatra. That's CV. Alam Jaya Pematang Bandar provides fish and ready-to-harvest fish seeds consisting of three types of fish, namely catfish, tilapia and goldfish. CV. Alam Jaya Pematang Bandar is coordinated directly by the owner of the company. The owner of the company runs the company's performance led by the management in the company. So that everything that happens in the field all who handle is the management. While the owner can only see the company's performance through financial

statements. At the moment CV. Alam Jaya does not yet understand how much influence working capital has on the level of profitability. And how much influence does the amount of sales have on the level of profitability.

**RESEARCH METHODS**

This research uses quantitative descriptive methods (Sugiyono, 2017). This research was conducted to get an idea of how much influence working capital and sales have on profitability on the CV. Alam Jaya Pematang Bandar. The data collection techniques used are interviews and documentation. Data analysis is multiple linear analysis. Furthermore, the model testing in this analysis is the statistical test, R-Square, F. Test, for the Classical Assumption test and discussion.

**2. RESULTS AND DISCUSSION**

**2.1 Research Regression Analysis Results**

The multiple linear regression method is an analytical method used to determine the effect of free variables on bound variables.

Table 2.1 Results of Multiple Linear Regression

		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
Model		B	Std.Error	Beta		
1	(Constant)	-	69119474.0		-	.936
	modal_ke	.234	.083	.530	2.8	.026
	penjualan	.070	.018	.721	3.8	.006

Based on the table above, the two linear regression equations are obtained as follows:

$$Y = -5743928.555 + 0,234X_1 + 0,070X_2$$

Description:

1. The constant value (-5743928.555) means that if the variable (working capital and sales) is considered constant, then the profitability score (-5743928.555)
2. The regression coefficient of the working capital variable (X1) is positive at 0.234. This means that each working capital variable rose by Rp. 1,000,000, - the value of the profitability variable also rose by 0.234.
3. The sales variable regression coefficient (X2) is positive at 0.070. This means that each sales variable rose by Rp. 1,000,000, - then the profitability variable rose by 0.070.

**2.2 Classical Assumption Model Validity Test**

**Normality Test**

The normality of data is important because with normal distributed data, the data is considered to be representative of the population.

Table 2.2 Results of normality test  
Tests of Normality

	Kolmogorov-Smirnov <sup>a</sup>			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	Df	Sig.
Profitability	.151	10	.200*	.983	10	.980
Working capital	.194	10	.200*	.875	10	.113
Sales	.163	10	.200*	.969	10	.877

\*. This is alower bound of the true significance.

a.Lilliefors Significance Correction

Source: primary data processed, 2020

From the table above in the kolmogorov - smirnov column and it can be known that the significant value of profitability, working capital and sales amounted to 0.200. Because it is significant for all variables greater than 0.05, it can be concluded that the population of the data is normal distribution.

**Autocorrelation test**

The Autocorrelation Test is a statistical analysis conducted to find out whether there is a correlation of variables in the prediction model with changes in time. Frequently used testing methods with the Durbin - waston test (DW Test)

Table 2.3 Results of Autocorrelation Test

Model	R	R Square	Model Summary <sup>b</sup>		
			Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.868 <sup>a</sup>	.754	.684	21979167.250	1.980

a. Predictors: (Constant), sales, working capital b. Dependent Variable: profitability  
 Source: primary data processed, 2020

From the table above it is known that Durbin Watson's value is 1,980, and the significant value is 0.05. The amount of data (n = 10), and (k = 2) then in the Durbin Watson table will be obtained the value of dL (0.697), the value of dU (1,641). Since the value of dU = 1,641 is smaller than the value DW = 1,980, and the DW value is less than the limit value (4 - dU) 4 - 1,641 = 2,359, it can be concluded that there is no autocorrelation.

**Multicollinearity-test**

Multicollinearity test is a state in which a perfect or near - perfect linear relationship occurs between independent variables in a regression model.

Table 2.4 Results of Multicollinearity Test

Model	Unstandardized Coefficients		Coefficients <sup>a</sup>		t	Sig.	Collinearity Statistics	
	B	Std. Error	Standardized Coefficients	Beta			Toleran	VIF
	1 (Constant)	-	69119474.0					-.083
Working	.234	.083	.530		2.825	.026	.996	1.00
sales	.070	.018	.721		3.84	.006	.996	1.00

a. Dependent Variable: profitability  
 Source: primary data processed, 2020

The results showed that all variables used as predictors of regression models showed a fairly small VIF value, where the VIF value for working and sales capital was 1,004. Since the VIF value is less than 5, it can be concluded that in this regression model there is no multicollinearity problem. This means that all of these variables can be used as independent variables.

**Heteroscedasticity Test**

The heteroskedasticity test is a residual variant that is not the same in all observations in the regression model. Heteroskedasticity is used to determine the presence or absence of deviations from the classical assumption of heteroskedasticity i.e. the inequality of variants of residual for all observations on regression models.

Table 2.5 Results of Heteroskedasticity Test

Unstandardized Residual			Working capital	Sales	
Spearman's Residual	Unstandardized Coefficient	Correlation rho	1.000	.115	.006
		Sig.(2-tailed)	.	.751	.987
		N	10	10	10
	Working capital Correlation		.115	1.000	-.200
		Coefficient			
		Sig.(2-tailed)	.751	.	.580
		N	10	10	10
	Sales Correlation		.006	-.200	1.000
		Coefficient			
		Sig.(2-tailed)	.987	.580	.
		N	10	10	10

Source: primary data processed, 2020

From the table above it can be known that the correlation between working capital and unstandardized Residual resulted in a significant value of 0.751. and the correlation between sales and unstandardized Residual of 0.987. Since the significant value of correlation is more than 0.05, it can be concluded that in this regression model there is no problem of heteroskedatisity.

**2.2 The results of testing the research hypothesis**

**t Test**

Statistical t testing is testing of each independent variable, the t test (coefficient) will be able to show the effect of each independent variable on the dependent variable.

Table 2.6 Results of t - test

Model		Coefficients <sup>a</sup>		Standardized Coefficients Beta	t	Sig.
		Unstandardized Coefficients B	Std. Error			
1	(Constant)	-5743928.555	69119474.060		-.083	.936
	Working capital	.234	.083	.530	2.825	.026
	sales	.070	.018	.721	3.840	.006

a. Dependent Variable: profitability

Source: primary data processed, 2020

Based on the table above shows  $t_{calculated}$  of working capital variable of 2,825 while  $t_{tables}$  of 2,364 with 95% confidence. Because  $t_{calculated} > t_{tables}$  ( $2,825 > 2,364$ ) so  $H_0 = 0$  rejected and  $H_a \neq 0$  accepted. it means that the working capital variable has a significant positive effect on profitability.

Based on the table above shows  $t_{calculated}$  sales variables of 3,840 while  $t_{tables}$  of 2,364 with a confidence rate of 95%. Because  $t_{calculated} > t_{tables}$  ( $3,840 > 2,364$ ) then  $H_0 = 0$  is accepted and  $H_a \neq 0$  is rejected, meaning that the sales variable has a significant positive effect on profitability.

**F Test**

The F test is used to determine the significant influence of independent variables together on dependent variables. The F test basically shows whether all independent or free variables included in the model have a collective influence on dependent or bound variables.

Table 2.7 Results of F - test

ANOVA <sup>a</sup>						
Model		Sum of Squares	D	Mean Square	F	Sig.
1	Regression	103725960300000 00.000	2	518629801700000 0.000	10.736	.007 <sup>b</sup>
	Residual	338158655000000 0.000	7	483083792800000. 000		
	Total	137541825800000 00.000	9			

a. Dependent Variable: profitability

b. Predictors: (Constant), sales, working capital

Source: primary data processed, 2020

From the calculation obtained the value  $F_{calculated}$  10,736 while  $F_{table}$  is 4.74 by looking at the point of the presentation table distribution F for profitability = 0.05. Because  $F_{calculated} > F_{table}$  ( $10,736 > 4.74$ ),  $H_0 = 0$  was rejected and  $H_a \neq 0$  was accepted. This means that independent variables, namely working capital and sales, affect profitability.

**Coefficient of Determination (R2)**

The coefficient of determination (R2) essentially measures how far the model's ability to explain independent variable variations is. The coefficient of determination is between zero and one. A small R2 value means that the ability of independent variables to explain the variation of dependent variables is very limited. A value close to one means that independent variables provide almost all the information needed to predict the variation of dependent variables.

Table 2.8 Results of coefficient of determination

Model Summary <sup>b</sup>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin - Watson
1	.754	.754	.684	21979167.250	1.980

Predictors : (Constant), sales, working capital b. Dependent Variable : profitability

Source: primary data processed, 2020

Based on the results of the above test it is known that the value of Adjusted R square is 0.684. That's 68.4% profitability on a CV. Alam Jaya Pematang Bandar in 2010 - 2019 was influenced by both independent variables used, namely working capital and sales. The remaining 31.6% was affected by other factors outside the research model.

### DISCUSSION

The results showed that working capital had a positive effect on the level of profitability on the CV. Alam Jaya Pematang Bandar. Effective working capital management becomes critical to the growth of the company's continuity in the long term if the company lacks working capital to expand sales and increase its production, then it is likely to lose revenue and profits. Companies that do not have sufficient working capital, are unable to pay short-term obligations in time and will face liquidity problems. Where working capital management has an interest in investment decisions on current assets and current debt, especially regarding how to use and the composition of both will affect risk. There are two notions of working capital, the first is gross working capital, is the overall current asset, and the second is net working capital is the excess of current assets above current debt (Sartono, 2016).

The results of the above research support previous research conducted by Bulan (2015) which showed working capital had a significant positive effect on profitability levels. The results of the study were also supported by (Widyamukti & Wibowo, 2018) which showed that working capital has a significant effect on profitability. Research on sales variables is known that there is an influence on the level of profitability. With good sales conditions, it means that every material produced continues to be produced and sold in the market, then profit can continue to be set aside to pay credit to banks (Irham, 2018).

Theoretically sales growth has a very strong correlation with financing needs with current property. That is, if there is a growth forecast, then the financial manager should anticipate sources of financing, especially short-term financing. Short - term financing usually requires a longer preparation time (Kamaludin, 2012). The results of the study were also supported by Wulandari (2018) which showed sales had a partial effect on profitability. This shows that the higher the volume of sales, the greater the profit desired by the company so that it can cause the profitability of the company to rise. The results of the study were also supported by Anissa (2019) who showed that sales have a significant positive effect on profitability.

### CONCLUSION

Based on the results of research that has been done on each variable studied, namely the effect of working capital and sales on cv profitability levels. Alam Jaya Pematang Bandar above can be concluded that: (1) Working Capital Variables have a positive and significant effect on the level of profitability on the CV. Alam Jaya Pematang Bandar. (2) Sales Variables have a positive and significant influence on the level of profitability on the CV. Alam Jaya Pematang Bandar. (3) Working capital and sales variables simultaneously or together positively affect the level of profitability on the CV. Alam Jaya Pematang Bandar. (4) Based on the results of the determination coefficient test obtained the value of Adjusted R square is 0.684. That's 68.4% profitability on a CV. Alam Jaya Pematang Bandar in 2010-2019 was influenced by both free variables used, namely working capital and sales. And the remaining 31.6% is influenced by variables others.

### RECOMMENDATIONS

1. CV. Alam Jaya must provide working capital, meaning that the capital is not excessive or lacking, because the capital will be used for production activities that are expected to increase profits and be able to return in a short period of time as the next period of capital. In a good way it is looking for investors from third parties or applying for loans to financial institutions such as banks.
2. CV. Alam Jaya Pematang Bandar should innovate new products by developing old products and adjusting current market conditions and then promote more aggressively, by starting up online shopping applications such as tokopedia, shoppe, lazada and other applications or advertising through social media that is more loved by the public which is considered more effective than promotion through print media. Like newspapers, create a special social media account to promote products and make it easier for prospective buyers so that prospective buyers do not have to bother coming directly to the place.
3. And for further researchers are expected to look for other variables that can affect profitability such as receivable variables, and inventory turnover on the CV. Alam Jaya Pematang Bandar.

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