

The Effect of Working Capital Turnover and Receivables Turnover on Company Profitability Food and Beverage Sector Manufacturing Registered on the Indonesia Stock Exchange

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ABSTRACT

This study aims to accomplish three primary objectives: firstly, to assess the impact of partial working capital turnover on profitability; secondly, to examine the influence of partial loan turnover on profitability; and thirdly, to investigate the combined effect of working capital turnover and loan turnover on profitability. The variables under scrutiny include profitability, denoted as the dependent variable (Y), measured through return on assets, and independent variables (X) comprising working capital turnover and receivables turnover. The research is conducted on the population of all manufacturing companies in the food and beverage sector listed on the Indonesia Stock Exchange, with a sample of 17 companies selected over a 3-year period using a saturated sampling technique. Data collection involves the utilization of documentation techniques. Analysis entails classic assumption testing, multiple linear regression analysis, coefficient of determination testing, t-tests, and F-tests, facilitated by SPSS software. The findings indicate that, overall, working capital turnover and receivables turnover do not collectively exert a significant impact on profitability. Additionally, the study reveals that partial working capital turnover, when examined in isolation, and partial receivables turnover do not individually exhibit a significant effect on profitability.

INTRODUCTION

Basically, a company carries out its business activities to obtain profits, the survival of the company and the continuity of the company's operations, so that the company can continue to develop along with the development of globalization which continues to increase. To face very tight competition, companies must carry out good financial management so that the capital they have can function properly.

As the business landscape evolves, competition intensifies among companies, particularly those of similar types where rivalry is fierce. To ensure the sustainability of their operations, companies must employ diverse decision-making strategies that align with their objectives, thereby enhancing their competitive edge for the future. In achieving the company's goals, of course, resources are needed that can encourage business continuity, one of which is capital. Working capital refers to the funds utilized for ongoing business operations. It represents the financial resources or assets essential for a company to conduct its day-to-day activities within a specific timeframe.

According to (Santoso, 2013), the higher the working capital turnover, the more effective the company's use of working capital, on the contrary, the lower the working capital turnover, the less effective the company's use of working capital is. This causes delays in the company's operational activities which in the end will hamper the company's ability to gain profits.

Apart from that, the company also needs to make efforts to make the working capital it has continue to increase, in order to increase working capital one of the determining factors is the turnover of accounts receivable. According to (Hery, 2018) "that the turnover of business accounts receivable is a business activity that is used to measure how many times the funds invested in business accounts receivable will rotate". According to (Kasmir, 2018) "Receivables turnover is a ratio used to measure how long it takes to collect receivables during one period or how many times the funds invested in these receivables rotate in one period."

According to Vokovic, et al. (2023) Profitability is an indicator for assessing the performance of a company. The literature studies various factors that influence the profitability of a company, such as sales growth, leverage, and company size. In research conducted by Oseifuah (2016), it is stated that companies that are retail-oriented, if they have effective working capital management, will have a positive impact on the company's profitability. This research focuses on food and beverage companies listed on the Indonesia Stock Exchange.

LITERATURE REVIEW

Stakeholders Theory

Stakeholder theory posits that a company's purpose extends beyond its self-interest, emphasizing the need to deliver advantages not only to the company itself but also to various stakeholders, including shareholders, creditors, consumers, suppliers, analysts, employees, government, and societal entities. This theoretical framework suggests that organizations opt to proactively share information about their performance, environmental impact,

social initiatives, and intellectual contributions, going beyond obligatory requirements to align with the genuine or acknowledged expectations of stakeholders.

Working Capital Turnover

The working capital turnover ratio functions as a measure to evaluate a company's effectiveness in using its working capital to generate sales. This computation entails dividing the total sales amount, encompassing both cash and credit transactions, by the average current assets, as explained by Hery in 2018. As defined by Kasmir in the same year, working capital turnover represents a ratio utilized to assess the efficiency of a company's working capital during a specified period. Put simply, it quantifies the rate at which working capital is in circulation within a given timeframe, achieved by comparing sales to either working capital or average working capital.

Receivables Turnover

According to Kasmir in 2018, the receivables turnover ratio is a measure designed to assess the effectiveness of collecting receivables during a specific period. This ratio signifies either the time required to collect receivables or the frequency with which the funds invested in receivables are cycled within that timeframe. Concurrently, as described by Hery in 2018, receivables turnover is a ratio utilized to quantify the duration of the receivables collection period within a specified accounting period.

Profitability

The profitability ratio serves as an indicator of a company's ability to generate profits by leveraging its existing capabilities and resources, which include activities, sales, cash, capital, workforce, branch network, and other elements. A heightened profitability ratio suggests a superior proficiency in profit generation. The utilization of profitability ratios entails a comprehensive examination of various components within both the balance sheet and profit and loss financial statements to evaluate and analyze the overall financial performance of the company.

METHODOLOGY

This study focuses on publicly listed food and beverage sector manufacturing companies on the Indonesia Stock Exchange (BEI). Inclusion criteria are based on the availability of financial reports spanning from 2019 to 2021, resulting in a population of 17 companies meeting these criteria. The research methodology employs a saturated sample technique, encompassing all 17 companies in the specified population as the sample for this study.

For data analysis, a quantitative descriptive analysis approach is employed, involving the examination of available tables or figures followed by the generation of several descriptions or interpretations of the data. A data analysis tool is utilized to analyze the impact of working capital turnover and accounts receivable turnover on profitability in food and beverage companies, with the objective of determining the relationships between these variables. This

descriptive statistical test is conducted using the Statistical Package for Social Sciences (SPSS) software version 25.

RESEARCH RESULT

Before proceeding with multiple linear regression analysis to test the research hypothesis, it is crucial to thoroughly assess and confirm classical assumptions or statistical prerequisites related to the data. Essential assumption tests include the examination of normality, heteroscedasticity, multicollinearity, and autocorrelation. In this study, these tests are conducted using the SPSS version 25 for Windows program.

Normality Test

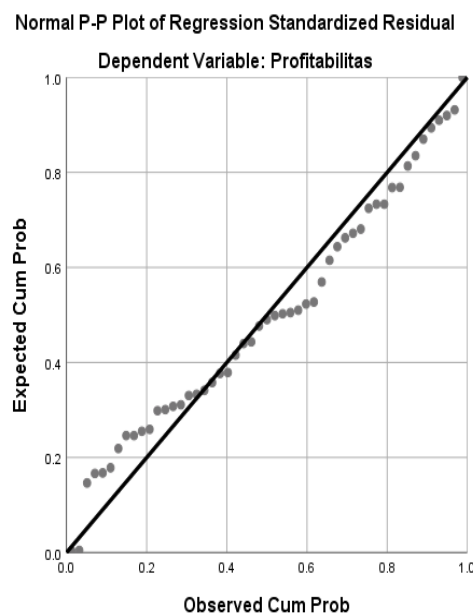


Fig 1. Normality Test

Based on the results of the normality test using the P-Plot graphic test, it shows that the points are close to or close together on the diagonal line, so it can be concluded that the data analyzed is normally distributed.

Multicollinearity Test

Table 1. Multicollinearity Test

Model	Collinearity Statistics	
	Tolerance	VIF
(Constant)		
Working Capital	,998	1,002
Turnover Receivables Turnover	,998	1,002

a. Dependent Variable: Profitability

Based on the test results, the tolerance values for each variable are close to 1, with working capital turnover at 0.998 and accounts receivable turnover at 0.990. Similarly, the variance inflation factor (VIF) values for working capital turnover and receivables turnover are 1.002 and 1.010, respectively. Since these values are well below 10.0 for VIF and above 0.10 for tolerance, it can be concluded that the regression equation model does not exhibit multicollinearity issues. Therefore, the model is deemed suitable for use in this research.

Heteroskedasticity Test

Table 2. Heteroskedasticity Test

Model	Unstandardized Coefficients		Sig.
	B	Std. Error	
1 (Constant)	6.896	1.031	(Constant)
Working Capital Turnover	-.016	.016	Working Capital Turnover
Receivables Turnover	-.046	.056	Receivables Turnover

The results of the heteroscedasticity test using the Glajser method are displayed in the table. The working capital turnover significance value is $0.297 > 0.05$, while the accounts receivable turnover significance value is $0.46 > 0.05$. Therefore, it can be said that the regression equation model is suitable for use in this study and does not have any issues with heteroscedasticity. Heteroscedasticity is not an issue if the sig value between the independent variable and the absolute residual is higher than 0.05.

Autocorrelation Test

Table 3. Autocorrelation Test

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.193 ^a	.037	-.003	6.29196	1.941

Based on table, the Durbin Watson (d) statistical value is 1.941. The lower limit value (dl) and upper limit value (du) with $\alpha = 5\%$ at $n=51$ and $k=3$ are 1.427 and 1.675 respectively. The Durbin Watson calculated value is located in the area between the values $du < d < 4 - du$ or $1.675 < 1.941 < 4 - 1.675$, which means there is no positive or negative autocorrelation. Thus, in this regression model there is no autocorrelation.

Multiple Linear Regression Analysis

Table 4. Multiple Linear Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients
		B	Std. Error	Beta
1	(Constant)	10,134	1,494	
	Working Capital Turnover	,005	,023	,029
	Receivables Turnover	-,014	,081	-,025

a. Dependent Variable: Profitability

Based on table 5, the multiple regression equation is obtained:

$$Y = a + b_1X_1 + b_2X_2$$

$$Y = 10,134 - 0,005X_1 + 0,014X_2$$

- a) This constant = 10.134 shows that if working capital turnover and accounts receivable turnover are considered equal to zero, then the profitability variable is 10.134..
- b) Working capital turnover coefficient (b_1X_1) = 0.005 in this study which means that the working capital turnover variable (X_1) has a positive effect on profitability (Y). This shows that if the working capital turnover variable experiences an increase of one percent, while the accounts receivable turnover variable is considered constant, this will cause a decrease in profitability of 0.005.
- c) Receivable turnover coefficient (b_2X_2) = -0.014 in this study which means that the receivable turnover variable (X_2) has a negative effect on profitability (Y). This shows that if the receivable turnover variable experiences an increase of one percent, while the working capital turnover variable is considered constant, it will cause a decrease in profitability of 0.014.

Partial Test

Table 5. Partial Test

Model		Unstandardized Coefficients		Sig
		B	Std. Error	
1	(Constant)	10,134	1,494	,000
	Working Capital Turnover	,005	,023	,841
	Receivables Turnover	-,014	,081	,866

a. Dependent Variable: Profitability

The partial working model turnover does not significantly affect profitability, as can be seen from the table, where the working capital turnover variable obtained a significant value of 0.841. This is because the working capital turnover variable has a significant value greater than alpha, specifically 0.05.

Partial receivable turnover has no discernible impact on profitability because the receivable turnover variable has a significance greater than alpha, or 0.05, as indicated by its significant value of 0.998.

Simultaneous Test

Tabel 6. Simultaneous Test

ANOVAa				
		Sum	of	
Model		Squares	F	Sig.
1	Regressi	5,562	,033	,967 ^b
	on			
	Residual	3988,477		
	Total	3994,039		

Table reveals that the significant level value for hypothesis testing is 0.967 > 0.05, indicating the significance level. Thus, it may be said that there is no discernible relationship between the turnover of accounts receivable and working capital and profitability.

DISCUSSION

Effect of Working Capital Turnover on Profitability

As indicated by the data presentation, the working capital turnover variable demonstrates a significance value surpassing the predetermined threshold. The statistical test outcomes reveal a significance value of 0.841, which exceeds the conventional significance level of 0.05. This suggests that, when examined in isolation, the working capital turnover does not have a notable impact on the profitability of food and beverage sector manufacturing companies listed on the Indonesia Stock Exchange.

This implies that the evaluation of working capital fulfillment extends beyond measuring the profit gained from the acquired capital; it also considers liquidity in terms of credit returns. A negative correlation between working capital turnover and profitability indicates an inverse relationship. An escalation in working capital turnover is associated with a reduction in profitability, driven by the notion that current assets generate less than fixed assets.

From the provided information, the inference can be made that there is no significant impact of working capital turnover on profitability. This conclusion is rooted in the observation that alterations in working capital turnover, whether an increase or decrease, do not correspondingly result in changes in profitability. Simply put, an upswing in working capital turnover does not lead to a simultaneous increase in profitability, and conversely, a downturn in working capital turnover does not coincide with a decrease in profitability.

Effect of Receivables Turnover on Profitability

Based on the data presentation, it can be seen that the working capital turnover variable obtains a significance value that is greater than the predetermined significance level, where the results of the statistical test state that the significance value is $0.908 < 0.05$, meaning that partially receivables turnover does not have a significant influence on profitability. in food and beverage sector manufacturing companies listed on the Indonesian Stock Exchange.

Based on the information provided, it can be inferred that receivables turnover does not wield a significant impact on profitability. The absence of a direct association between an upturn in receivables turnover and an increase in profitability, or a downturn in receivables turnover and a decrease in profitability, suggests potential inefficiencies in receivables management.

However, it is important to note that despite the lack of a direct correlation with profitability, effective receivables management remains essential. This is critical for maintaining liquidity, fostering a robust cash flow, and ensuring the overall financial health of a company in the long term. Keeping accounts receivable turnover within reasonable bounds and optimizing the management of working capital continues to be crucial for achieving broader financial and operational objectives in diverse business scenarios.

Effect of Working Capital Turnover and Receivables Turnover on Profitability

According to the data presentation, it is evident that both working capital turnover and accounts receivable turnover lack a substantial impact on profitability when considered simultaneously. The results of the statistical tests reveal a significance value of 0.601, which is greater than the significance level of 0.05. This indicates that, collectively, working capital turnover and accounts receivable turnover do not exert a statistically significant influence on profitability.

This means that working capital management is inefficient and therefore does not produce significant profitability for the company. Good working capital management will support better profitability through reducing operational costs, increasing efficiency and better utilization of company resources.

According to the provided description, the conclusion drawn is that both working capital turnover and accounts receivable turnover do not have a significant impact on profitability. This conclusion is based on the observation that an increase in both working capital turnover and receivables turnover is not associated with a corresponding increase in profitability. Conversely, a decrease in working capital turnover and receivables turnover is not linked to a decrease in profitability.

This suggests that the relationship between these variables and profitability may not be straightforward or may be influenced by other factors.

CONCLUSIONS AND RECOMMENDATIONS

The following conclusions can be made after carefully examining the data and having a thorough research discussion about how working capital turnover and accounts receivable turnover affect the profitability of manufacturing companies in the food and beverage sector that are listed on the Indonesia Stock Exchange between 2019 and 2021:

1. The independent analysis indicates that, on its own, working capital turnover has no discernible effect on the profitability of manufacturing companies in the food and beverage sector that are listed on the Indonesia Stock Exchange between 2019 and 2021.
2. Likewise, when scrutinized in isolation, the receivables turnover does not demonstrate a notable influence on the profitability of food and beverage

sector manufacturing companies listed on the Indonesia Stock Exchange throughout the period from 2019 to 2021.

3. In a combined analysis, the simultaneous examination of both working capital turnover and accounts receivable turnover reveals that they do not jointly exert a substantial influence on the profitability of food and beverage sector manufacturing companies listed on the Indonesia Stock Exchange during the period spanning from 2019 to 2021.

ADVANCED RESEARCH

This research can take a larger number of samples and specialize in certain sectors. In addition, future research should also conduct tests in the form of time series. Future research also needs to pay attention longer year data.

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