EFFECT OF WORKING CAPITAL MANAGEMENT, SALES GROWTH AND LIQUIDITY ON PROFITABILITY IN MANUFACTURING COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE (IDX) FOR THE PERIOD 2018-2020

Rety Talia Syasa Bella
Sharia Financial Management,
Faculty of Economics and Business,
Sayyid Ali Rahmatullah Tulungagung State Islamic University
Jl. Mayor Sujadi No.46, Kudusan, Plosokandang,
Kec. Kedungwaru, Kab. Tulungagung, Jawa Timur, Indonesia
bellasasa700@gmail.com

Deny Yudiantoro
Sharia Financial Management,
Faculty of Economics and Business,
Sayyid Ali Rahmatullah Tulungagung State Islamic University
Jl. Mayor Sujadi No.46, Kudusan, Plosokandang,
Kec. Kedungwaru, Kab. Tulungagung, Jawa Timur, Indonesia
deny.yudiantoro@gmail.com

ABSTRACT

Capital markets play as vital role in supporting a country's economy considering that the capital market has two inviolable capacities, namely monetary capacity and monetary capacity. The capital market is a gathering place for parties who have abundant financial backer with people who need reserves (organizations) by exchanging protection. The presence of capital markets plays an important role for financial backers, both individual financial backers and business elements. They can channel very large abundant assets to donate, so that business people can get additional assets to expand their business network from financial backers in the capital market. Associative research, a sort of research used to determine the association between two variables, was employed in this study. These methodologies and types of investigations are used to look at the impact of working capital management, sales growth, and liquidity on profitability in manufacturing companies. The coefficient of determination (R-Squared) is 0.693909, which equals 69 percent. This shows that the contribution of independent factors consisting of two, namely financial management and liquidity to profitability by 69%, remaining (100% - 69% = 31%) various variables have an impact and beyond variables. Working capital management has a significant impact on profitability, as measured by cash and inventory turnover. Although receivables turnover may not have a significant influence on profitability, it motivates the firm to enhance its receivable management so that receivables can be converted into cash and used for the company's operational purposes as promptly as possible.

Keywords: *Working capital management, sales growth, liquidity, and profitability.*

Received: 10 January 2022; Received Revised: 18 February 2022; Accepted: 16 March 2022; Online: 06 May 2022
2527-9947/
Published by Fakultas Ekonomi dan Bisnis, Universitas 17 Agustus 1945 Surabaya.

INTRODUCTION

The rapid advancement of the economy and correspondence innovation provides countless conveniences in the business world. This must be seen from the many organizations that are organized and developed by using innovative offices. In addition, this increase in business also affects the intensity between organizations so that each organization in general develops its methodology. One form of organization in supporting organizational presentation is by joining the capital market.

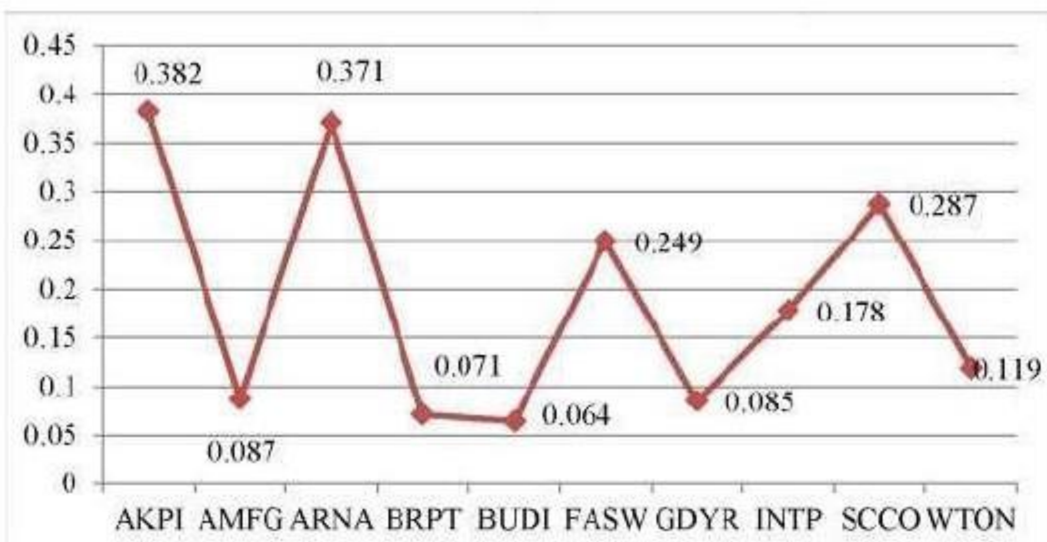
Capital markets have an important role in supporting the economy of a country considering that the capital market has two inviolable capacities, namely monetary capacity and monetary capacity. Capital market is defined as a gathering place for parties who have excess financial backer with the people who want it (organization) by exchanging protection. The presence of capital markets plays an important role for financial backers, both individual financial backers and business elements. They can channel very large abundant assets to donate, so that business people can get additional assets to expand their business network from financial backers in the capital market. (Merianti et al., n.d.).

Stock trading is a market that is closely related to protection trading, and the products exchanged are not physical. Stock trading is a forum for organizations to obtain outside capital, through openness to the world by offering protection carried out by a guarantor to the wider community in accordance with ways of remembering capital market regulations and their implementation. Indonesia Stock Exchange (IDX) or Indonesian Stock Exchange is a capital market in Indonesia that plays an important role for the region in order to contribute and one of the places of speculation (Putra & Sari, 2017) so that the organization will get assets to build the business, and expand the business by creating a new field of business.

Indonesia is a country with high financial potential and the largest in Southeast Asia, and a country that has a wealth of fixed assets, which is widely seen by far-reaching countries. Indonesia can involve a decent situation in a rapid turn of financial events. In 2019 the Indonesian economy decreased by 5.02% from 2020 to less than 5.32%. Head of the Central Statistics Agency (BPS), Suhariyanto stated that there is a depreciation of demand and a reduction in supply.

A manufacturing company is a business that is preoccupied with selling goods from the manufacturing cycle to buying unrefined substances to handle them into ready-made merchandise. Assembly businesses are divided into several types such as fundamental and synthetic businesses, product and utilization businesses, and other businesses. The increase in assembly business in 2020 decreased, due to reduced interest in domestically made products as well as a remarkable decline in commodity merchandise transactions. The strategy of public authorities with the ultimate goal of strengthening the assembly business is to work on the nature of modern goods sold so that they can be serious in different countries and public authorities to work on the nature of the framework to make circulation problems easier, so that individuals get cheaper costs.(Akhmadi & Hardiyanti, 2021).

Expanding a manufacturing company certainly requires a very large capital because the assembly organization is an organization that has a very broad scope. One way to improve and build an assembling organization is to show it in the IDX. The advantages of the organization that is now recorded in the IDX is to increase the organization's reserves, further develop the image of the organization, follow the implementation of the organization, and the self-esteem of friends. Increasing the value of the organization will show the success rate of the organization in making its presentation by increasing productivity.



Source: Indonesia Stock Exchange, 2020

Figure 1. Manufacturing company profitability graph 2018-2020

Formulation of The Problem

Manufacturing Company is a company that is preoccupied with the sale of goods ranging from manufacturing interactions to the purchase of unrefined components to handling them into ready-made merchandise. Analysts choose manufacturing companies that are researched because they are companies that have a wide scope if analogous to other companies and manufacturing companies some of their items are generally still needed by the local area. So, it is important to keep an eye on working capital, transaction development and liquidity as part of the level of profitability. A company that is said to have great execution is one that can oversee working capital, can meet commitments when it is due, and has high profitability.

Writing Purpose

In this review, the motivation behind the study is to decide how sales growth, working capital management, and liquidity impact benefits in manufacturing companies, and can be used as an assessment in determining working capital and overseeing sales growth and liquidity within the company. This exploration is relied upon to help hypothetically in hypothetical and feasible improvements related to dealing with real problems.

LITERATURE REVIEW

Profitability

Profitability is an organization's capacity to benefit, the higher the benefit, the better the organization is at overseeing it. Profitability is the ability of an organization to benefit. In general, profitability is the capacity to create benefits in an organization with a certain period. In the functional implementation of an organization, benefits are an important component to the carrying capacity of the organization. Every organization anticipates the greatest benefits.(Muhammad & Rahim, 2015).

Profitability influences the financial backer's strategy to contribute, if the organization can make a profit then it can attract the financial backer to contribute. Not solely to attract financial backers, but if the organization can profit by utilizing the most ideal asset, this will achieve the organization's goals. Great benefit advancements can follow maintenance in the organization in the long run.

Every organization is expected to monitor resources properly and effectively to have the option to create high benefits. The benefit is the one that describes the presentation of the executives in dealing with the organization. By utilizing the Proportion of Each organization is certainly expected to be able to control resources earnestly and proficiently in order to have the option to produce high benefits (Musthafa, 2011). Profitability is one that describes a board exhibition in dealing with an organization by leveraging the proportion of an organization's benefits to measure the capacity to create benefits through its resources. The various measures of profitability are as follows:

Return On Equity (ROE)

The company's capacity to profit from the capital offer provided and its measurement using Return On Equity (ROE). This proportion is utilized in the calculation of income from the investor's point of view, but does not include profits or new money. Below is an equation for calculating ROE.

$$ROE = \frac{EAT}{Equitas}$$

Gross Profit Margin (GPM)

Gross Profit Margin (GPM) is a calculation that determines how much profit will be earned from net transactions. This proportion is also used to assess how efficiently a business uses its resources and power to produce and sell profitable commodities. Below is an equation for calculating gross profit margin.

$$GPM = \frac{Gross\ Profit}{Net\ Sales}$$

Operating Profit Margin (OPM)

After paying functional costs before paying fees, organizations use this proportion to determine how much benefit is gained from the commodities supplied. Operating Profit Margin (OPM) is the amount of cash left in the company to cover non-functional costs. Here's how to determine OPM.

$$OPM = \frac{Operating\ Profit}{Net\ Sales}$$

Net Profit Margin (NPM)

By comparing deals, net profit margin abbreviated npm is used in estimating benefits by looking at total compensation after interest and costs. Higher net income indicates that the company makes a lot of money from certain deals. Here's how to determine NPM.

$$NPM = \frac{EAT}{Sales}$$

Return On Asset (ROA)

Return on Assets (ROA) is a ratio that predicts normal future luck based on past performance, therefore ROA is largely a resource of the company's own capital or capital earned from outside sources and converted into resources to sustain the business. The formula for determining ROA is as follows.

$$ROA = \frac{Net\ Sales}{Total\ Assets}$$

Working Capital Management

Working capital management is the organization as the current resource in the organization and financing is expected to help current resources. So that capital management that serves is utilized as the administration of current resources needed by organizations in completing functional exercises. This functioning capital is needed in organizations to conduct business exercises. The organization certainly needs working cash flow to complete functional exercises, so adequate working capital is needed(Kasmir, 2016).

Working Capital Cycle

The working capital cycle is used by the company so that the functioning capital continues to rotate as long as the company is still working. Working capital will continue to rotate to fund the day-to-day tasks of the company. Working capital is a movement that combines all elements of current resource administration and temporary obligations within an organization. Cash is essential for current resources that are used as instruments to complete exercises in organizations, then, at that time, the creation cycle is carried out until it arrives at the finished product stage and is sold in real money or as credit.(Suryaputra & Christiawan, 2014).

Transactions as credits will result in a measure of receivables that will eventually return to cash. So it is important to focus on the accuracy of how much working capital is, assuming abundant working capital is explained by countless working capital so that it can be said that insufficient administration causes waste. In fact, having a small capital will affect the difficulty of the organization to fund the functional activities of the organization. Current assets, consisting of cash, receivables, and inventory, include (Sugiono & Untung, 2016):

Cash Turnover

Cash is one of the fluid flows, the higher the money, the higher the liquidity. Nonetheless, in a company that has an undeniable level of liquidity due to the presence of quite a lot of money, this implies that the cash turnover rate is low, indicating that it is less robust in keeping an eye on cash. The amount of cash outstanding in a business period or the amount of cash used to transport the goods sold is called cash turnover. The higher the cash turnover rate indicates effective utilization of money.

$$Cash\ Turnover = \frac{Sales}{Average\ Cash}$$

Receivable Turnover

Receivable turnover is the means by which a company handles its receivables or the company's capacity to collect sales records in a single period. Assuming the organization's wide range of receivables is reduced, the turnover of receivables is in poor condition.

$$Receivable\ Turnover = \frac{Sales}{Average\ Receivable}$$

Inventory Turnover

Inventory turnover is the capacity in ranking the time an inventory is replaced in a given period. As per Sakila, inventory turnover is essential to help smooth manufacturing and agreement. The higher the rate of stock turnover, the higher the profitability of the company.

$$Inventory\ Turnover = \frac{Cost\ of\ Goods\ Sold}{Average\ Inventory}$$

Sales Growth

Sales growth reflects the achievement of previous period speculations and can be used as a forecast for future developments. The development of an offer is a sign of an organization's interest and intensity in an industry. As stated by Kesuma (2009) also states that business development is an increase in the quantity of transactions from one year to another or occasionally. High sales growth, that would reflect the company's also rising salaries. The pace of organizational development will affect the capacity to follow the benefits of checking open doors in the future.(Sukadana & Triaryati, 2018)

High sales growth reflects expanded payments resulting in increased tax rates. The development of the deal must be seen from the change of agreement in the previous year and next year. An organization can be said to be progressing on a superior path assuming there is a reliable expansion in a truly functioning exercise. Estimates of an organization's business rate are seen towards the end of the period with the deal as a basic time frame. Assuming test scores are more important, it can be said that the rate of business development is increasing. The meaning of transaction development as stated by Widarjo and Setiawan (2009) "Transaction development reflects the capacity of the organization over time. The higher the rate of business development of an organization, the more useful the organization is in performing its procedural duties."

Liquidity

Liquidity is an organization's capacity to meet commitments when due or the capacity to meet momentary commitments. Liquidity is also associated with the usual work cycle in organizations, from purchases to elections. with the aim that liquidity is one element of achievement or disappointment in the company. The company provides the need as money and assets to address the company's problems and takes part in deciding the extent to which the company can bear the danger. While the proportion of liquidity is a tool in measuring the company's ability to meet temporary commitments. Syahputa Dan Randi said the proportion of liquidity is a tool for estimating that demonstrates a company's ability to pay for temporary commitments that have grown by leveraging existing resources.(Prananditya et al., 2021). The more liquidity the company, the better the company or resources can currently cover current liabilities, this company can be referred to as a liquid company. The following ratios can be used to determine the level of liquidity:

Current Ratio

The current ratio is the proportion used in terms of distinguishing current resources and current liabilities and the current proportion is most often used to look at an organization's capacity to meet momentary commitments. The current current current ratio is the capacity that shows how far the organization's current resources can cover current liabilities. The more prominent the ratio between current resources and current liabilities, the more important an organization's ability to cover its instantaneous obligations. Having a low current ratio can indicate that there is a problem with liquidation. Here's how to determine.

$$Current\ Ratio\ = \frac{Current\ Assets}{Current\ Debt}$$

Quick Ratio

A rapid ratio, commonly known as an acid test ratio, measures a company's ability to meet short-term obligations. Because inventory is one component of existing resources that have low liquidity and experience non-fixed cost fluctuations that will cause losses in terms of liquidity, the quick ratio is calculated by the reduction of existing resources with inventory. A rapid ratio is the proportion used to determine the current capacity of the latest resources, as well as their ability to cover current liabilities. The formula for determining a quick ratio is as follows.

$$Quick\ Ratio = \frac{Current\ Asset - Supplies}{Quick\ Ratio}$$

RESEARCH METHODS

Research Desaign

In this study using quantitative methodology, quantitative methodology is a methodology used to investigate a particular population and assess the components examined by taking information in the form of numbers and then dissecting it through factual investigation, which is intended to test the hypotheses that have been compiled in this study. Quantitative methodology is a common testing strategy used in research based on observational evidence to investigate a particular population or test.

The study used associative research, a type of research used to determine the relationship between two variables. The influence of working capital management, sales growth, and liquidity on profitability in manufacturing companies is investigated using these methods and types of investigations. The study used testing to convert information into data that could be used to solve research challenges, particularly involving the use of Eviews 11 programming as a tool for defining computational equations in panel data regression test models.

Regression analysis of panel data is a test that takes into account a variety of data from different segments and time series. Results are relied upon to have the option to decide on all aspects to focus solely on profits. Panel data is a combination of time series such as those with daily, monthly, quarterly, and annual plans, as well as time across regions planned for more than one substance with various forms of information from a given period. One of the development of linear regression based on the usual smallest square method is ordinary least square (OLS).

Population, Sample and Data Collection Techniques

In this study used population financial statements on manufacturing companies. The study used a sample of 10 companies. Determination of this sample using purposive sampling techniques with certain criteria. In this study used 2 techniques in collecting data are as follows:

1. Literature Studies, Author leads writing studies by concentrating on various writings, books, web, papers, and notes related to conversational objects. This collection is completed by compiling such arrangements and reading past research such as diaries, proposals, etc. according to the exam center.
2. Documentation Techniques, Documenting procedures in the form of books, guidelines, and reports in accordance with the object of examination. Information obtained from the monetary report obtained from the website of the Indonesia Stock Exchange authority for the period 2015-2020.

Data Analysis Methods

If the assumptions in the classical assumption test cannot be met, and if regression has accuracy in measurements, then a classical assumption test is required in data analysis testing. In this study, the classical assumption test was as follows:

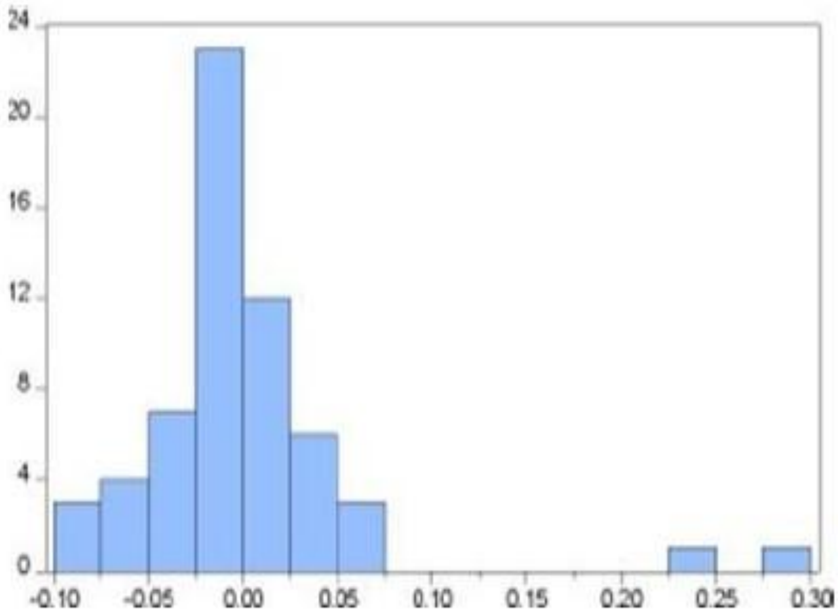
1. The normality test is a procedure for observing the flow of data in a set of variables, with the aim of determining whether the data is adjusted regularly or not. The Jarque-Berra test (J-B test) can be used to determine whether information is disseminated or not. Residual information is often adjusted so that the profitability value > from a very large rate of five percent, and there is no problem of heteroskedasticity. However, if the profitability value is greater than five percent indicates that there is residual data that is not normally distributed.

2. Heteroskedasticity test is used to see whether or not there is a disturbance in regression function in a population with different variances.

RESULTS

Classic Assumption Test

Classical assumption tests are required to assess data analysis because if assumptions in classical assumption tests are not met, there is no guarantee that the regression obtained has accuracy in the presumption. In this study, the classical assumption test was as follows:



Series: Standardized Residuals	
Sample 2015 2020	
Observations 60	
Mean	8.67e-19
Median	-0.004163
Maximum	0.279772
Minimum	-0.081353
Std. Dev.	0.058147
Skewness	2.776656
Kurtosis	13.82305
Jarque-Bera	369.9441
Probability	0.000000

Sumber: *E-views* 11,data diolah 2022

Figure 2. Classic Assumption Test Results

Classical assumption tests are used to find out whether or not the error values in regression conditions are updated regularly. Regularly adjusted data shows that, even if the data is wrong, most of the numbers are close to normal. Jarque-Bera (JB), which utilizes E-views 11 software, tends to see a test of normality. The following is the normality test hypothesis:

H0 : data distributed normally

H1 : data is distributed abnormally

Prob value. Less than five percent implies that H0 is recognized but H1 is rejected in the classic assumption test, which shows that the data is distributed regularly. If the value is Prob. Five percent below five percent, H0 rejected and H1 recognized, indicating that information is not normally distributed.

Heteroskedasticity Test

This heteroskedasticity test is applied to obtain information related to the residual variance inequality between one observer and another observer in the regression model. Homoskedasticity refers to the idea that variation in other eyewitnesses is comparable, whereas heteroskedasticity refers to the idea that fluctuations are unique. Using the white test, determine whether or not this model has heteroskedasticity. There are no signs of heteroskedasticity or the presence of homoskedastisity if the value of Prob. > five percent.

Table 1. Recapitulation of Advertising Variables

Prob. Chi-Square 20	Keterangan
0,1711	Tidak ada masalah heterokedasitas

Source: E-views 11, data processed 2022

Prob values based on heteroskedasticity test results use the white test from table 4.3. If Obs*RSquare 0.1711 > five percent, then this assumption of heteroskedasticity and homoskedastisity of regression seems fine.

Panel Data Regression Test

Chow Test

When it's a Prob number. Five percent explained that H0 was rejected while H1 was recognized, the right panel data regression model is to use the fixed effect model, on the contrary, if the Prob numbers. > five percent explained that H0 was recognized while H1 was rejected, the right panel data regression model is to use polled least squares.

Table 2. Chow Test Results

Effect Test	Statistic	Probabilitas
Cross-section F	1,626833	0.1469

Source: E-views 11, data processed 2022

The chow test in table 2 shows that the numbers are Prob. A cross-section of F 0.1469 greater than five percent could be tolerated, suggesting that H0 was recognized while H1 was rejected, and therefore the panel data regression model that used the polled least square surveyed could be applied.

Hausman Test

In the regression model the right panel data uses a random effect model when the numbers Are Prob. This is greater than five percent, which means that H0 is recognized and H1 is rejected in this test. If it's Prob. five percent, H0 is rejected and H1 is recognized, implying that the random effect model is used with the appropriate panel data regression model.

Table 3. Hausman Test Results

Test Summary	Chi-Square Statistic	Probability
Cross-section random	8,259800	0,1425

Source: E-views 11, data processed 2022

Table 3 explains that the results of Prob. 0.1425 greater than five percent indicates that H0 is recognized and H1 is rejected, which implies that the random effect model is used with the appropriate panel data regression model.

Partial Regression Coefesien Test (T Test)

Degree of freedom (df) = nk, assuming n as sample size and k as variable number, is not fully specified in regression testing using polled least squares and using t-test at 95% confidence and incorrect rate of five%. The following table shows the results of the t test:

Table 4. T-Statistical Test Results with Random Effect Model

Nama Variabel	t-tabel	t-hitung	Sig.
Perputaran kas (X1)	1,68023	1,723005	0,0940
Perputaran piutang (X2)	2,01537	1,088613	0,2840
Perputaran persediaan (X3)	1,68023	2,028207	0,0504
Pertumbuhan penjualan (X4)	2,01537	1,704362	0,0914
Current ratio (X5)	1,68023	1,871300	0,0699
Quick ratio (X6)	2,01537	0,635765	0,5292

Source: E-views 11, data processed 2022

Simultaneous Regression Test (Test F)

Table 5. F-Statistical Test Results

F_{hitung}	F_{tabel}	Sig.
5,505565	2,59	0,000024

Source: E-views 11, data processed 2022

Table 5 shows how the results of the F test calculation affect dependent variables simultaneously against independent variables. The F_hitung result is 5.505565, with df1= k-1 =5-1=4, and df2 = nk = 49-5 = 44, showing a F_tabel count of 2.59 is very satisfying. As a result H0 was rejected because the F_hitung 5.505565 was greater than F_tabel's 2.59. H1 recognized, indicating that independent variables, particularly cash turnover, receivable turnover, inventory turnover, sales growth, current ratios, and rapid ratios, affect dependent variables simultaneously or simultaneously, resulting in increased profitability. H0 was rejected based on prob's significant level. F-Statistics 0.000024 0.05 H1 is recognized with the aim of having a major impact on profitability at the same time.

Coefficient of Determination (R^2)

Table 6 shows that the coefficient of determination (R-Squared) has a value of 0.693909 or 69%. This shows that the contribution of independent factors consisting of two, namely financial management and liquidity to profitability by 69%, the rest (100% - 69% = 31%) various variables have an impact and beyond the variables projected with the researcher.

Table 6. Koefeisien Determination Calculation (R^2)

R-Squared	0,693909

DISCUSSION

Cash Turnover Has a Significant Effect on Profitability

Cash is a form of liquid flow that meets the needs of a company to manage and carry out its obligations. Cash turnover, on the other hand, shows how often money spins around the course of a transaction or how much cash is used to transport goods sold. Corporations will have no problem meeting temporary commitments with the goal of high cash turnover that determines profitability as cash turnover continues to grow. A corporation can be described as a solid company, as it is a company that has a lot of money and can manage it effectively to make a lot of money. According to Vita's research, cash turnover has a big effect on income. Because the higher the accuracy in the use of cash, the greater the profit, cash turnover has an impact on profitability. The research supports the findings of Farhan Dan Dody, who argued that cash turnover has a beneficial and significant influence on profitability. The company's achievement in monitoring funding is measured by how well it is used in cash. (Muslih, 2019).

Receivable Turnover Has No Significant Effect on Profitability

Receivable turnover is an effective way of dealing with its receivables or the organization's capacity to collect money due in a single period. Receivable turnover is used for organizations to make deals using loans. The higher the turnover, the better and more productive the company. This will limit uncollectible receivables and smooth the income. In manufacturing companies, they see that the amount of receivables is not properly supervised so the length of repayment of receivables. Receivable turnover has no major effect on profits, according to Dendi's research, because companies are late in collecting receivables and can drain the company's funds making it impossible to meet receivables temporarily. Companies should pay close attention to the evaluation of debt claims so that profits can be built as productively as possible, given that uncertain sales record sheets are an important part of current resources. This finding is in accordance with the findings of Rani, Cania, Madiana, and Dita who found that the turnover of receivables does not have a significant influence on profitability. (Setyawati, 2018).

Inventory Turnover Has a Significant Effect on Profitability

Inventory is a resource in the form of a product that has a place with the company to be exchanged for a long period of time or goods owned and then offered to the company to make a profit. Inventory turnover refers to a company's ability to track how often assets in its inventory rotate over time. The larger the stock turnover, the greater the profit margin for the company. Circumstances within the organization should track stock turnover as expected. Inventory management is essential for smooth manufacturing and transactions, as Sunarto points out. Assuming that the smaller the turnover of the stock, the lower the company's income. Shares are one type of working capital that has a low level of liquidity when compared to other types. The amount of inventory depends on the size of the company; The better inventory management, the more profits the company will get..(Wahyuliza & Dewita, 2018)

Sales Growth Has a Significant Effect on Profitability

Sales growth is the difference between all-out transactions this period and past periods compared to past period transactions. Assuming the development of a high deal, then the agreement made by the organization at the current time frame is higher than the previous period so as to build the profitability of the company. Transaction development estimates are to compare transactions in the current time frame and transactions in the past period. Transaction development has a large constructive outcome on profitability, which implies that the higher the development of the transaction, the higher the benefits will be. If sales growth increases, eating it will signal positively for the financial backer, proving that the company can expand its deal from the previous year so that the company can follow the monetary position and practicality of the company, and the company can display its goods well. The high increase in sales will generally gain the trust of financial backers to place that brings an increase in the cost of exchanging an organization's securities with the aim that it increases profitability. The growth of sales has a positive influence on profitability, implying that the more attention to business development, the more prominent the benefits created by the company. (Fransisca & Widjaja, 2019)

Current Ratio Has No Significant Effect on Profitability

Current ratio is used to assess the capacity of the organization in fulfilling its short-term commitments by using existing resources. The Current Ratio is an examination between the current resources of the company's functional training and current liabilities. Current resources are resources that are expected to run out in the near future. If the company fails to meet its current obligations, which have grown disproportionately with its current resources, it will face challenges such as obtaining funds at outrageous prices. As a result, if the current ratio increases, the company's confidence in its ability to meet its short-term obligations also increases. According to Arni's research, if the current ratio value increases, then profitability also rises, as long as the company can meet its short-term commitments. As a result, the company has a beneficial impact on the notion that the situation is stable and can create profits. The study contradicts the findings of Meila and Hani, who claim that the current ratio has no effect on profitability. This is similar to irma and kani research, which found that current ratios have little negative effect on profitability.(PA & Marbun, 2016)

Quick Ratio Has a Significant Effect on Profitability

Quick Ratio is a comparison of current resources after current inventories and liabilities have been reduced. Quick Ratio is also utilized in assessing the company's capacity to meet short-term commitments for one month. The study's findings support Kasmila's argument that when ratios rapidly decline, a company's ability to meet its short-term obligations also declines. The ratio rapidly declined from 2015 to 2020 in this analysis. According to Anita and Sandro's research, fast ratios have little impact on benefits because businesses don't have a good method of paying short-term liabilities. This finding is also in line with the findings of Micah and Henny who showed that the fast ratio has little impact on profitability. This contradicts the findings of the Niar study, which fattens that fast ratios have a significant impact on profitability. Companies with a lack of liquidity risk losing money. Companies with significant liquidity, on the other hand, can offer actual money gains, which will attract financial backers to donate their funds. This will allow you to pay off previous debts while increasing the profitability of the company.(Sari, 2020)

Cash Turnover, Receivable Turnover, Inventory Turnover, Current Ratio, and Quick Ratio Have Simultaneous Influence on Profitability

Working capital management activities to anticipate with cash turnover, receivable turnover, inventory turnover, sales growth, and liquidity to be assessed by current ratio, and quick ratio collectively affect profitability, according to simultaneous testing results. A coefficient of determination of 69% indicates that the remaining (100% - 69% = 31%) various variables have an impact other than those projected by the researchers, namely very good.

CONCLUSION

Working capital management, as measured by cash and inventory turnover, has a major impact on profitability. Although the turnover of receivables may not have a major impact on profitability, it encourages the company to improve its receivable management so that receivables can quickly be exchanged into cash and used for the company's operational needs. Furthermore, sales growth has a significant impact on profitability. Then, at that time, the expected liquidity ratio now had a considerable effect on profitability. Liquidity calculated by a current ratio, on the other hand, has no effect. With the aim to be able to manage working capital in order to complete operational activities and meet the commitments that have matured.

SUGGESTION

Share Manufacturing Company

Manufacturing companies are expected to be prudent and focus more on working capital, especially on organizational receivables, transaction development and liquidity so that organizations can create productive benefits and can follow the implementation of the organization. What's more, this exploration can be used as a reference material for companies in deciding and for financial backers to make speculation choices.

Share the Next Research

For the next study can replace or add factors other than existing factors so that the results can be beneficial for the assembly organization or other organizations. In addition, analysts are further encouraged to use information with longer time frames, so that it will increase the amount of testing used by researchers.

REFERENCES

[1] Akhmadi, & Hardiyanti, S. E. (2021). *Faktor Mediasi Profitabilitas dan Struktur Modal: Uji Signifikansi Pada Hubungan Antara Pertumbuhan Perusahaan Dengan Nilai Perusahaan*. 5 & 6.

[2] Fransisca, E., & Widjaja, I. (2019). Pengaruh Leverage, Likuiditas, Pertumbuhan Penjualan Dan Ukuran Perusahaan Terhadap Profitabilitas Perusahaan Manufaktur. *Jurnal Manajerial Dan Kewirausahaan*, *1*(2), 199–206.

[3] Kasmir. (2016). Pengantar Manajemen Keuangan (Introduction to Financial Management) - *Prenada Media*, 7.

[4] Merianti, M., Henny, P., & Lestari, S. (n.d.). *Pengaruh Likuiditas Terhadap Profitabilitas Perusahaan Manufaktur yang Terdaftar di Bursa Efek Indonesia*. *13*(1).

[5] Muhammad, T. T., & Rahim, S. (2015). Pengaruh Tingkat Likuiditas Dan Profitabilitas Terhadap Harga Saham Pada Perusahaan Manufaktur Yangterdaftar Di Bursa Efek Indonesia (Bei). *Jurnal Akuntansi Aktual*, *3*(2), 117–126.

[6] Muslih, M. (2019). Pengaruh Perputaran Kas Dan Likuiditas (Current Ratio) Terhadap Profitabilitas (Return on Asset). *Kumpulan Riset Akuntansi*, *11*(1), 47–59.

[7] Musthafa. (2011). Mana-jemen Keuangan. *Edisi Kedua, Cetakan Pertama*, 85.

[8] PA, M., & Marbun, D. (2016). Pengaruh Current Ratio Dan Debt To Equity Ratio Terhadap Return On Assets. *Widyakala Journal*, *3*, 23.

[9] Prananditya, A., Andini, R., & Andika, A. (2021). *Pengaruh Pertumbuhan Penjualan dan Leverage Terhadap Manajemen Laba*.

[10] Putra, E., & Sari, R. A. (2017). Analisis manajemen modal kerja dalam meningkatkan profitabilitas ada PT. Perkebunannusantara III (Persero). *Jurnal Riset Akuntansi & Bisnis*, *17*(1), 33–45.

[11] Sari, D. I. (2020). PENGARUH QUICK RATIO TOTAL ASSET TURNOVER DAN RETURN on INVESTMENT TERHADAP HARGA SAHAM. *Balance : Jurnal Akuntansi Dan Bisnis*, *5*(2), 123.

[12] Setyawati, Q. (2018). Pengaruh Manajemen Modal Kerja Terhadap Profitabilitas Perusahaan (Studi pada Perusahaan Tekstil dan Garmen di Bursa Efek Indonesia Tahun 2013-2018). *Jurnal Ilmiah Mahasiswa Fakultas Ekonomi Dan Bisnis*, *8*(2).

[13] Sugiono, A., & Untung, E. (2016). *Analisa Laporan Keuangan.pdf*. 25.

[14] Sukadana, I. K. A., & Triaryati, N. (2018). Pengaruh Pertumbuhan Penjualan, Ukuran Perusahaan, Dan Leverage Terhadap Profitabilitas Pada Perusahaan Food and Beverage Bei. *E-Jurnal Manajemen Universitas Udayana*, *7*(11), 6239.

[15] Suryaputra, G., & Christiawan, J. (2014). *Pengaruh Manajemen Modal Kerja , Pertumbuhan Penjualan dan Ukuran Perusahaan Terhadap Profitabilitas Pada Perusahaan Properti dan Real Estate Yang Terdaftar di Bursa Efek Indonesia (BEI) Tahun 2010-2014*. *4*(1), 493–504.

[16] Wahyuliza, S., & Dewita, N. (2018). Pengaruh Likuiditas, Solvabilitas Dan Perputaran Modal Kerja Terhadap Profitabilitas Pada Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia. *Jurnal Benefita*, *3*(2), 219.