

EFFECT OF WORKING CAPITAL TO TOTAL ASSETS, DEBT TO EQUITY RATIO, TOTAL ASSET TURN OVER, AND RETURN ON ASSETS ON PROFIT GROWTH

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ABSTRACT

This study aims to determine the effect of Working Capital to Total Assets, Debt to Equity Ratio, Total Asset Turnover, Return on Assets on Profit Growth. This type of research is descriptive quantitative research. The population of this research is a Manufacturing company in the Plastic and Packaging Sub-Sector for the 2015-2020 period. The sample was taken using a purposive sampling technique. The sample consisted of 10 companies from 14 companies. Multiple Linear Regression analysis method with IBM SPSS 25.0 analysis tool. From the results of data processing, it is concluded that Working Capital to Total Assets, Debt to Equity Ratio, Return On Assets have no significant effect on Profit Growth, while Total Asset Turnover has a significant effect on Profit Growth.

Keywords: Working Capital to Total Assets, Debt to Equity Ratio, Total Asset Turnover, Return On Assets, Profit Growth

INTRODUCTION

Current developments have made the business world better and experienced very rapid development. The economy of a developing country has changed from an agrarian one to an industrial country. This is indicated by the existence of various industries that produce similar or dissimilar products. With the development of the business world, the increasingly tight competition in the business world has resulted in many demands for a company's performance to achieve a proper goal, as well as encouraging company management to work more effectively and efficiently.

The main goal of a company is to maximize profits. The company's profit growth is important for the company's internal and external parties. Every company has a plan compiled in achieving goals. One of the important aspects to implement it is the spending plan. The company's failure in every spending plan will hamper the company's activities. Conversely, if the arrangement of a company's spending plan is right, it will help the company to carry out its activities.

Good company profit growth will provide big profits for shareholders because they will receive dividends as well as for management will get bonuses or achieve maximum profit. To measure company profits and analyze reports on profit achievement, it can be done using financial ratios. Maximum profit can be an indicator of a company achieving success (Olfiani & Handayani, 2019; Nurdin et al., 2018). Rahman and Ahmad (2018) explain that the company's hope is how the profits generated can continue to increase because with increased profits it can be said that the company's performance is getting better.

Positive profit growth can be seen that a company has managed and utilized its resources to generate profits and has shown good company financial performance. The increase in net profit was caused by an increase in sales and a decrease in operating expenses owned by the

company. And the decrease in net profit was caused by a decrease in sales and an increase in operating expenses. The increase or decrease in the value of the company's losses will have an impact on the company's operational activities and the company's survival.

RESEARCH METHOD

The population used is companies listed on the Indonesia Stock Exchange, namely construction and building sub-sector companies for the 2015-2020 period with a total of 14 companies. Based on the specified sample criteria, 10 companies were obtained as a research sample.

RESULTS AND DISCUSSION

Classic assumption test

All the data used has been subjected to classical assumption testing, from this test the results are that all data pass the classic assumption test which includes the data normality test, heteroscedasticity test, multicollinearity test and autocorrelation test. Tables 2 and 3 below respectively show the model feasibility test (f test) and hypothesis test (t test).

F test

The F test is used to see the effect of the four independent (free) variables on the dependent (dependent) variable.

Table 1
F test
ANOVA^a

Model	Sum of Squares	df	MeanSquare	F	Sig.
Regression	.532	4	.133	4,182	.005 ^b
residual	1,750	55	032		
Total	2,283	59			

a. Dependent Variable: Y

b. Predictors: (Constant), X4, X3, X2, X1

Based on table 2, it can be seen that the calculated F value is greater than the F table value ($4.182 > 2.53$) a significance value of 0.005 is less than 0.05 ($0.005 < 0.05$) so it can be said that the regression equation model in this study is fit or proper to use.

T test

T test is used to determine whether the independent variable (*independent*) has a significant effect or not on the dependent variable (*dependent*).

Table 3
T test
Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	std. Error	Betas			tolerance	VIF
(Constant)	.198	.083		2,371	.021		
X1	.148	.161	.158	.916	.364	.468	2,139
X2	-.018	.072	-.041	-.257	.798	.557	1,794

X3	-.157	.041	-.479	3,840	.000	.894	1.118
X4	.370	.342	.139	1,081	.284	.845	1,183

a. Dependent Variable: Y

Effect of Working Capital to Total Assets

The test results show that the significance value of the Working Capital to Total Assets variable on Profit Growth is $0.364 > 0.05$, which means that the Working Capital to Total Assets variable has no effect on Profit Growth. The higher the Working Capital to Total Assets value can indicate that the greater the working capital obtained by a company than the total value of its assets. The existence of high working capital compared to total assets does not always increase profit growth. In other words, it is necessary to pay attention to the ability of a company to fulfill its short-term obligations, but not too much. So the use of total assets is more efficient and will increase profit growth. This result is consistent with the results of previous research conducted by Lina Sari and Bambang Purwanto (2018) which stated that working capital to total assets did not have a significant effect on profit growth.

Effect of Debt to Equity Ratio

The test results show that the significance value of the Debt to Equity Ratio variable to Profit Growth is $0.798 > 0.05$, which means that the company's capital structure is more dominated by debt than capital. The dominance of debt certainly has a negative impact on the viability of a company, especially in increasing the profits earned by the company. This shows that the increase in corporate debt used for operational activities or working capital of the company is not able to produce optimal profits, so that the Debt to Equity Ratio has no significant influence to be able to improve company performance or profits. This result is different from the results of previous studies conducted by Shinta Estininghadi (2017) who argued that the Debt To Equity Ratio has a significant effect on profit growth.

Effect of Total Assets Turnover

The test results show that the significance value of the Total Assets Turnover variable on Profit Growth is $0.000 < 0.05$, which means that Total Assets Turnover serves to measure a company's ability to use its total assets to generate net sales. The higher the activity ratio, the higher the profit potential. However, if the total assets to support sales achievement are dominated by debt, the profit potential will decrease. These results are consistent with the results of previous research conducted by Banu Wicaksono (2017) which states that Total Asset Turnover has a significant and significant effect on profit growth.

Effect of Return On Assets

The test results show that the significance value of the variable Return On Assets on Profit Growth is $0.284 > 0.05$, which means that the amount of Return On Assets owned by a company will not affect the amount of profit growth generated by the company. This result is different from the results of previous research conducted by Rike Jolanda Panjaitan (2018) which stated that return on assets has a significant effect on profit growth

CONCLUSION

The test results can be concluded as follows, Working Capital to Total Assets has no effect on Profit Growth in plastic and packaging sub-sector manufacturing companies, The Debt to Equity Ratio has no effect on Profit Growth in plastic and packaging sub-sector manufacturing companies, Total Asset Turnover has a negative effect on Profit Growth in plastic and packaging sub-sector manufacturing companies, Return On Assets has no effect on Profit Growth in plastic and packaging sub-sector manufacturing companies.

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