

THE EFFECT OF WORKING CAPITAL TURNOVER, FIRM SIZE, LEVERAGE, AND TOTAL ASSET TURNOVER ON PROFITABILITY IN THE PROPERTY & REAL ESTATE SECTOR IN INDONESIA

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ABSTRACT

The research aims to analyze the influence of Working Capital Turnover (WCT), Firm Size (FS), Leverage, Total Asset Turnover (TATO), and Profitability (ROA) on the Property & Real Estate sector listed on the Indonesia Stock Exchange (BEI) for the 2019-2022 period. The data collection technique used purposive sampling and obtained a total of 72 companies. Data were analyzed using Panel Data Regression using E-Views 10. The research results found that the TATO variable had a positive and significant effect on profitability. While WCT, Firm Size, and Leverage did not have a significant effect on profitability. This condition shows that the higher the asset turnover, the higher the resulting profitability.

Keywords: Profitability, WCT, Size, DER, TATO

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INTRODUCTION

The property and real estate sector is an industry that operates in the field of developing services that facilitate the development of integrated and dynamic areas. In 2023, in the property and real estate sector, there will be 88 companies listed on the Indonesia Stock Exchange. Everyone competes to create and develop modern property and real estate product creations on the market. When a company can win the competition, the level of sales revenue will increase. The greater the sales, the higher the profit generated by the company. This condition indicates that the development of the property and real estate industry is increasing. Therefore, management must be able to manage the company optimally so that the level of profitability expected by stakeholders is achieved and can be maintained.

Several previous studies on profitability have been carried out, but not many have used the variables working capital turnover (WCT), Firm size, Leverage, and TATO simultaneously as independent variables. Previous research found that Working Capital Turnover has a positive and significant effect (Zuraidah & Ghozali, 2021), (Jafira et al, 2021), (Ginting, 2018). Firm size also has a positive effect on profitability, (Zuraidah & Ghozali, 2021), (Pramesti, et al, 2016), (Julietha & Natsir, 2021), (Dewi et al, 2020). This means that the higher the company size, the higher the company's profitability value.

Then leverage as measured by the Debt to Equity Ratio (DER)) has a negative effect on profitability, (Zuraidah & Ghozali, 2021), (Pramesti, et al, 2016), (Jafira et al, 2021). Meanwhile Total Asset Turnover (TATO) has a positive effect on profitability, (Utama & Manda, 2021), (Wahyuni et al, 2018), (Pramesti et al, 2016), (Ginting, 2018). This means that the higher the Total Asset Turnover (TATO) value, the higher the profitability value. However, from several other studies, there are still differences in research results. This condition is interesting to research, so this research focuses on analyzing the influence of working capital turnover, firm size, leverage, and Total Asset Turnover on the profitability of property and real estate companies on the Indonesian Stock Exchange.

LITERATURE REVIEW

Profitability

Profitability is a ratio that is used as an assessment to measure the level of effectiveness of a company's management in achieving profits Kasmir (2014). The profitability of a company shows the comparison between profits and the assets or capital that produce those profits, in other words, profitability is the company's ability to generate profits during a certain period (Riyanto, 2011). In this research, the indicator used to estimate profitability is ROA, where Return on Assets is a ratio that shows how much the company's assets are able to generate profits, Husaini, et al (2022), Walyya et al (2022).

Working Capital Turnover (WCT)

Working capital turnover is a ratio that shows the level of effectiveness of working capital in achieving sales and is expressed in percentage form (Savitri, 2014). Working capital is an investment activity in the form of short-term assets that have a fast turnover cycle in the market (Brigham & Houston, 2015). Working capital turnover also measures the relationship between the funds used to finance a company's operations and the income the company generates to generate profits.

Firm Size

Company size is a scale that determines the size of the company which can be seen from the equity value, Pramana (2016). Large companies have greater access to the capital market than small companies. Company size is a scale on which companies can be categorized as small or large. Company assets can describe the size of the company (Ardyansah and Zulaikha, 2014). Large companies have an easier time obtaining capital compared to small companies because of the ease with which large entities will have high flexibility compared to small companies.

Leverage

Leverage describes how a company can guarantee its debt through capital. The use of leverage in a company can increase company profits, Walyya et al (2022). The use of debt in company funding activities not only has a good impact on the company. If the company does not pay attention to the proportion of leverage, this will cause a decrease in profitability because the use of debt creates a fixed interest burden (Putra, 2015). High leverage indicates that the company tends to use external funds in financing the company (Husaini, et al., 2022). Leverage can determine the increase in a loss. If a company carries more debt than its own capital, then the level of leverage decreases because the interest expense paid increases (Nurhayati, 2022).

Total Asset Turnover

Total Asset Turnover (TATO) is an activity ratio to measure a company's capability of total assets by comparing net sales with total assets (Indriyani, 2022). TATO is a ratio that can be used to determine the capital invested in all rotating assets within a certain period of time (Chandra et al., 2020). Total Asset Turnover is a ratio that shows the effectiveness of working capital, the relationship between working capital and sales, as well as the number of sales obtained by a business unit for every rupiah of working capital. Supardi et al. (2018). The increasing asset turnover in the company shows that the more effective the company is in managing assets the better the level of efficiency in using assets that will support sales (Apriliana, 2023).

RESEARCH METHODS

Data and Sample

This research was conducted on property and real estate sector companies listed on the Indonesia Stock Exchange, namely 88 companies. Data is obtained by visiting the official website, namely

www.idx.co.id. The sampling method used purposive sampling to obtain a sample of 72 companies for 2019-2022.

Measures

Profitability measurement in this research uses Return on Assets (ROA), namely the comparison between the Net Income and Total Assets of the company, Husaini, et al (2002), Walyya et al (2022). Working capital turnover is a ratio that can be used to describe and measure the level of effectiveness of a company's working capital within a certain period of time. The WCTO measurement is sales divided by current assets and reduced by current liabilities, Zuraidah (2021). Firm size is a description of the financial strength of a company within a certain period of time based on the assets it owns (Dirman, 2020). Company size is estimated by the natural log of the company's total assets (Ardyansah and Zulaikha, 2014). The debt ratio is a ratio used to measure a company's ability to pay debts if at some point the company is dissolved or liquidated (Nurhayati, 2022). Leverage is measured by the Debt to Equity Ratio, namely the comparison between total debt and the company's own capital. Total Asset Turnover is a ratio that shows the effectiveness of working capital, the relationship between working capital and sales, as well as the number of sales obtained by a business unit for every rupiah of working capital. Supardi et al. (2018). Total asset turnover is a comparison between sales and total company assets, Kasmir (2012).

Data analysis method

This research uses a panel data regression analysis model to test the influence of the independent variables, namely working capital turnover, firm size, leverage, and total asset turnover on the dependent variable, namely profitability. Data processing in this research uses E-views 10. The model in this research is as follows.

$$ROA_{it} = \alpha + \beta_1 WCTO_{it} + \beta_2 SIZE_{it} + \beta_3 DER_{it} + \beta_4 TATO_{it} + e_{it}$$

Information:

ROA = Return on Assets

α = Constant

$\beta_1, \beta_2, \beta_3,$ and β_4 = Regression coefficients

WCTO = Working capital turnover in company i period t

SIZE = Firm size in company i period t

DER = Debt to equity ratio in company i period t

TATO = Total asset turnover in company i period t

eit = Error term for company i period

RESEARCH RESULTS AND DISCUSSION

Descriptive Statistical Analysis

Descriptive analysis is a method used to describe and provide a general picture of the frequency of each variable. The characteristics seen from each variable are by looking at the average value, minimum, and maximum values. The results of the descriptive analysis in this research can be seen in Table 1.

Based on Table 1 above, it can be seen that there were 288 observations made in this research on profitability (ROA). The comparison between Std.Dev and the mean show that the variables ROA, WCT, DER, and TATO have Std.Dev values greater than the mean, this show that the level of data fluctuation in these variables is relatively high. Meanwhile, for the Firm Size variable, the level of data fluctuation is relatively low.

Table 1. Descriptive Statistical Analysis

	ROA	WCT	FS	DER	TATO
Mean	0.018733	0.679756	28.22524	0.564089	0.126949
Median	0.005871	0.342869	28.19709	0.441396	0.102643
Maximum	0.537113	74.51188	31.80540	7.609019	1.427792
Minimum	-0.375159	-61.71126	22.61880	-21.05752	-0.009422
Std. Dev.	0.090868	7.579515	1.830856	1.906747	0.138273
Probability	0.000000	0.000000	0.039714	0.000000	0.000000
Observations	288	288	288	288	288

Source: Data analyzed (2023).

Correlation Analysis

Correlation analysis is an analysis used to determine the closeness of the relationship between the independent variable and the dependent variable. The results of the correlation analysis in this research are as follows:

Table 2. Correlation Analysis

Correlation t-Statistic Probability	ROA	WCT	FS	DER	TATO
ROA	1.000000 ----- -----				
WCT	0.050814 0.860455 0.3903	1.000000 ----- -----			
FS	0.115680 1.969543 0.0499	0.038869 0.657834 0.5112	1.000000 ----- -----		
DER	0.031256 0.528849 0.5973	-0.014280 -0.241522 0.8093	0.017890 0.302595 0.7624	1.000000 ----- -----	
TATO	0.222035 3.851087 0.0001	0.096374 1.637449 0.1026	-0.042033 -0.711465 0.4774	0.015372 0.260003 0.7950	1.000000 ----- -----

Source: Data analyzed (2023).

Based on Table 2 above, it can be seen that all independents have a positive relationship (correlation) with the dependent variable. Working capital turnover (WCT) is positively and not significantly correlated with profitability (ROA) at the 10% level with a value of 0.3903. Firm size (FS) is positively and significantly correlated with profitability (ROA) at the 5% level with a value of 0.0499. Leverage (DER) is positively and not significantly correlated with profitability (ROA) at the 10% level with a value of 0.5973 and Total asset turnover (TATO) is positively and significantly correlated with profitability (ROA) at the 1% level with a value of 0.0001.

Model Selection Techniques

The model selection technique is carried out using the Chow Test and Hausman Test. From these two tests, the correct model will be obtained, namely the Common Effect Model (CEM), Fixed Effect Model (FEM) and Random Effect Model (REM). To determine the best model between FEM and CEM, the Chow test can be carried out. The Chow test results are as follows.

Table 3. Chow Test

Effects Test	Statistic	d.f.	Prob.
Cross-section F	2.374041	(71,212)	0.0000
Cross-section Chi-square	168.494234	71	0.0000

Source: Data analyzed (2023).

Based on Table 3 above, it can be seen that the Chi-square probability value is 0.0000. This value is below the standard error tolerance value in this study, namely 0.05. So it can be concluded from the Chow test that the best model in this research is the Fixed Effect Model (FEM), Gujarati (2010). So then the Hausman test is carried out to select the best model between the Fixed Effect Model (FEM) and the Random Effect Model (REM).

The next step is to determine the best model between FEM and REM using the Hausman Test. The Hausman test results are as follows:

Table 4 Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	3.711826	4	0.4464

Source: Data analyzed (2023).

Based on Table 4 above, it can be seen that the Probability value is $0.4464 > 0.05$, so it can be concluded that the Hausman test results chose the Random Effect Model (REM) as the best model in this research. So the estimation of hypothesis testing in this research uses Random Effect Model (REM) panel data regression.

Panel Data Regression Estimation

From the results of the analysis of model selection techniques carried out in this research, the model implemented in this research is the Random Effect Model (REM) model which can be seen in the table below as follows:

Table 5. Panel Data Regression Estimates with Fixed Effect Model (REM)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.147756	0.104933	-1.408094	0.1602
WCT	0.000209	0.000663	0.315695	0.7525
FS	0.005157	0.003697	1.394826	0.1642
DER	-0.000125	0.002868	-0.043620	0.9652
TATO	0.164273	0.040082	4.098383	0.0001
R-squared	0.062383	Mean dependent var		0.011995
Adjusted R-squared	0.049130	S.D. dependent var		0.078160
S.E. of regression	0.076216	Sum squared resid		1.643912
F-statistic	4.707223	Durbin-Watson stat		1.955875
Prob(F-statistic)	0.001082			

Source: Data analyzed (2023).

Based on table 5 above, researchers can arrange the equations in this research as follows:

$$ROA = 0.1478 + 0.00021WCT + 0.00516FS - 0.00012DER + 0.1643 TATO + eit$$

From the results of the equation above, it can be seen that the constant value in this study is -0.147756. This shows that if WCT, FS, DER, and TATO are constant then profitability (ROA) will remain constant at a value of -0.1477.

Based on Table 5, the results of panel data regression estimation with the Random Effect Model, it can be seen that Working Capital Turnover (WCT) has a probability value of 0.7525. This means that Working Capital Turnover (WCT) has no significant effect on profitability (ROA) in property & real estate sector companies listed on the Indonesian stock exchange for the 2019-2022 period.

Based on Table 5, the results of panel data regression estimation with the Random Effect Model, it can be seen that Firm Size (FS) has a probability value of 0.1642. This condition means that Firm Size has no significant effect on profitability in property & real estate sector companies listed on the Indonesian stock exchange for the 2019-2022 period.

Based on Table 5, the results of panel data regression estimation with the Random Effect Model, it can be seen that Leverage (DER) has a probability value of 0.9652. This means that leverage has no significant effect on profitability in property & real estate sector companies listed on the Indonesian stock exchange for the 2019-2022 period.

Based on Table 5, the results of panel data regression estimation with the Random Effect Model, it can be seen that Total Asset Turnover (TATO) has a t-count value of 4.098383 with a probability value of 0.0001. This shows that Total Asset Turnover (TATO) has a positive and significant effect on profitability in property & real estate sector companies listed on the Indonesian stock exchange for the 2019-2022 period. The results of this research are in line with research found by (Wahyuni, 2018), (Utami, 2021), (Pramesti, 2016), (Ginting, 2018), (Jafira, 2021).

CONCLUSION

Based on the results of the panel data regression analysis in the previous section, it can be concluded that the Total Asset Turnover (TATO) variable has a positive and significant effect on profitability. Meanwhile, the variables Firm Size, Leverage as measured by DER, and Working Capital Turnover do not have a significant effect on profitability in property & real estate sector companies listed on the Indonesian stock exchange for the 2019-2022 period.

Stakeholders must analyze the company's condition by looking at TATO which has a positive influence on the company's profitability. This means that the higher the asset turnover, the resulting profitability is also higher. For further research, companies in the industrial, materials, energy and transportation sectors will be used. This research only uses several factors that influence profitability, so it is hoped that future researchers will use other factors that can influence profitability, for example using variables on liquidity ratios and using DAR as a proxy for leverage.

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