

The Effect of Working Capital Turnover and Receivables Turnover on Profitability in Automotive Sub-Sector Manufacturing Companies Listed on the Indonesia Stock Exchange for the 2019-2023 Period

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Abstract

This study aims to examine the effect of working capital turnover and accounts receivable turnover on profitability. The population in this study are manufacturing companies listed on the Indonesia Stock Exchange in the automotive sub-sector for the 2019-2023 period. The sampling technique used in this study is a purposive sampling technique consisting of 9 companies that meet the criteria. The analysis technique used in this study is multiple linear regression analysis with the hypothesis test used is a partial test, simultaneous test and coefficient of determination. The results of this study indicate that partially working capital turnover does not affect profitability. In addition, accounts receivable turnover in this study also has no effect on profitability. Simultaneously working capital turnover and accounts receivable turnover do not affect profitability, this is indicated by the results of the f test which shows the calculated f value is smaller than the f table. This indicates an imbalance between sales and production. However, the results of the determination coefficient test (R²) show that Working Capital Turnover and Receivables Turnover affect Profitability or Return on Investment by 17.9%. While the remaining 82.1% (100% - 17.9%) is influenced by other variables not examined in this study. The results of this study provide practical implications for company management, especially the automotive sub-sector, in order to improve the effectiveness of working capital and receivables management to achieve a higher level of profitability and design a more efficient long-term financial management strategy.

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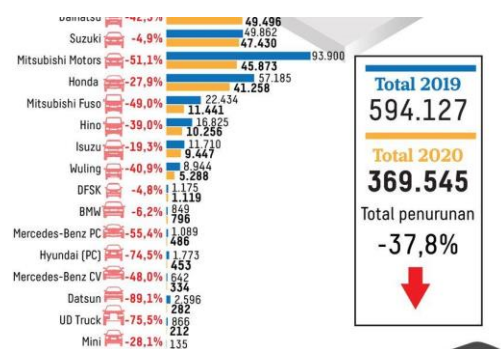
1. INTRODUCTION

With the business world developing rapidly in the era of globalization and more sophisticated technology, it has become evident that there is increasing competition in the business world. To win the competition, management must manage working capital well. The level of profit can be calculated using the profitability ratio. Kasmir (2016:196) defines profitability ratios as a measure of a company's ability to generate profits. This ratio also provides a measure of how effective a company's management is.

To achieve high profitability, a company must have sufficient working capital. Kasmir (2016:249) says working capital is funds used to finance business operations, especially short-term ones. Working capital can be defined as all current assets, or after deducting current liabilities. Working capital turnover shows how much the company's ability to utilize working capital is to produce net sales and net profit that can be generated by the

company. As research conducted by Wastam (2021) shows that working capital turnover influences *return on investment*. In other words, a company's net profit increases along with its investment in assets and vice versa.

One of the assets listed on the balance sheet is receivables, which include current assets that have an impact on capital. Giri (2017) states that receivables are demands from customers and other parties to obtain certain money, goods and services in the future as a consequence of the delivery of goods or services at that time. Meanwhile, according to Biswan and Mahrus (2020) receivables are an entity's claim to receive cash in the future due to a transaction or event that has occurred in the past. If the investment embedded in receivables is too high it will cause low working capital turnover, which means it is more difficult for the company to increase sales volume. As a result, lower sales volume will lead to lower profits. Therefore, using accounts receivable can be successful in planning. As research conducted by Diary (2020) states that Profitability is partially influenced by receivables turnover, The lower the receivables turnover indicates that the company's receivables are larger, which means that the company also sells a lot of credit. As a result, sales volume increases and the company's profitability also increase.



The automotive industry is one of the most impacted by the COVID-19 pandemic. Demand for cars decreased, and car production in Indonesia also decreased at the start of the pandemic. As many people reduce travel and purchase of non-essential items during the pandemic, the demand for cars and motorized vehicles will decrease. To continue operating efficiently during the pandemic, automotive companies must make strategic adjustments in managing their working capital because this phenomenon may face challenges in maintaining their cash flow and working capital turnover.

Apart from the pandemic phenomenon in 2019-2020 above which showed a decline in sales in the automotive sector, there will be another phenomenon in 2023 that will occur in the business world, especially the automotive sub-sector. In 2023, the business world is faced with significant challenges due to uncertain global economic conditions, high inflation and changes in people's consumption patterns.

In the manufacturing sector, especially the automotive sub-sector, to remain profitable, companies must increase operational efficiency. Working capital turnover and receivables turnover are two very important components that influence the company's financial performance in this context.

This research focuses on the influence of working capital turnover and accounts receivable turnover on profitability which is measured using *Return on Investment* (ROI) and case studies on companies belonging to the automotive sub-sector listed on the Stock Exchange Indonesia (IDX). The automotive sub-sector includes companies engaged in the manufacturing, distribution and sales of motor vehicles.

2. METHOD

In completing this research, the author used quantitative research methods. The data source for this research is secondary data, which is data that is not obtained directly from the source. The data source in this research was obtained from website official Indonesian Stock Exchange (BEI) <https://www.idx.co.id/id> and each company's website. According to Anwar Sanusi (2011: 87) part of the selected population elements is called the sample. The samples used in this research were taken using the method *purposive sampling*, namely selecting samples based on certain criteria that are relevant to the research objectives. The independent variables in this research are Working Capital Turnover (X1) and Receivables Turnover (X2), and the dependent variable is Profitability (Y). The analysis technique used in this research is the classic assumption test which consists of the normality test, multicollinearity test, heteroscedasticity test and autocorrelation test. This research uses multiple regression analysis with hypothesis testing, namely the T test (partial test), F test (simultaneous test), and the R² coefficient of determination test. Data processing in this research uses SPSS version 30.

3. RESULTS AND DISCUSSION

Partial Test Results (t Test)

Coefficients ^a					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1	(Constant)	-.003	.134	-.019	.985
	Perputaran Modal Kerja	-.016	.020	-.145	.408
	Perputaran Piutang	.200	.169	.204	.245

a. Dependent Variable: Profitabilitas

The Effect of Working Capital Turnover on Profitability

Based on the results of the partial test (t test) that has been carried out between Working Capital Turnover (X1) on Profitability, it shows that the t value $\text{count} -0,836 < t_{\text{table}} 2.03793$ and has a significant figure of $0.408 > 0.05$. So H_1 is rejected and H_0 is accepted, meaning that the first hypothesis in this study does not affect profitability, because the resulting significance value is greater than the significance level of profitability or 0.408 is greater than 0.05 so it can be concluded that working capital turnover does not have a significant influence on profitability in this study.

Turnover Working capital which has a negative influence on company profitability is caused by an imbalance between the efficiency of using working capital and operational costs. The automotive industry is highly dependent on complex supply chains. Disruptions in the supply chain (for example, delays in raw materials or increases in component prices) can cause operational costs to rise, so that profitability is depressed even though working capital turnover increases. In situations like this, even high working capital turnover does not always result in increased profitability.

This research is in line with the results of previous research conducted by (Lestariningsih, 2015) with t test results with a significance value greater than 0.05, namely 0.260, which states that partially working capital turnover has no effect on profitability. Research with similar results was also found by (Rahayu & Chairiyaton, 2022) which stated that significantly and partially the working capital turnover variable had no effect on profitability. This means that the faster a company manages its working capital, the more it can result in a decrease in profitability. Inefficient working capital management can lead to a lack of liquidity, thereby limiting a company's ability to invest and generate profits.

This research is different from the results of research conducted by (Putriani Sormin, 2023) which stated that working capital turnover has a significant effect on profitability.

The Effect of Receivables Turnover on Profitability

Partial Test Table (t Test)

Coefficients ^a					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1	(Constant)	-.003	.134	-.019	.985
	Perputaran Modal Kerja	-.016	.020	-.145	.408
	Perputaran Piutang	.200	.169	.204	.179

a. Dependent Variable: Profitabilitas

Based on the results of the partial test (t test) that has been carried out between Receivables Turnover (X2) on Profitability, it shows that the t value count $1,179 < t_{table} 2.03793$ and has a significant figure of $0.245 > 0.05$. So H_2 rejected, meaning that the second hypothesis in this research does not affect profitability, because the resulting significance value is greater than the significance level of profitability or 0.245, greater than 0.05, so it can be concluded that accounts receivable turnover has no effect on profitability.

Receivables turnover which has no effect on profitability is due to poor receivables management. This reflects an imbalance between the efficiency of receivables management and sales strategy. Many automotive companies provide loose credit policies to dealers or customers to increase sales. This causes receivables to increase, so that receivable turnover appears faster. However, excessive credit can reduce profitability due to the increased risk of default.

This research is in line with the results of previous research conducted by (E. Fujiwisata, R. Purbayati, F. Hadiani, 2020) that receivables turnover has no partial effect on ROA. This is indicated by the probability value of receivables turnover being greater than 0.05, namely 0.8201. This shows that the findings of this study contradict the theory and the hypothesis is rejected. Research with similar results was also found by (Mimi Yetri, 2020) who stated that there was no significant influence from the receivable turnover variable on profitability. This is different from the results of research conducted by (Kaula Desma Sari, 2024) which states that receivables turnover has a positive and significant effect on profitability. This condition can be caused by the fact that the company in this study has a very low receivable turnover, far below the receivable turnover standard. As a result, many uncollectible receivables occur *over investment* on receivables, so that the company's profitability does not have a significant impact.

The Effect of Working Capital Turnover and Receivables Turnover on Profitability

Simultaneous Test Table (f Test)

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	,152	2	,076	,742	,482 ^b
	Residual	4,306	42	,103		
	Total	4,458	44			

a. Dependent Variable: Profitabilitas

b. Predictors: (Constant), Perputaran Piutang, Perputaran Modal Kerja

. These results show the F, F Test testing_{count} $0,742 < F_{table} 3.220$, which means that Working Capital Turnover and Receivables Turnover together have no significant influence on profitability.

Working capital turnover and accounts receivable turnover may have no effect on profitability due to an imbalance between sales and production. The reason is that in increasing the turnover of working capital or receivables, the company may increase production beyond actual, as a result this occurs *overstocking* products that increase storage costs as well as selling products at discounted prices that suppress profitability

The results of this study are consistent with the results of previous research conducted by (Nastiti Rizky Shiyammurti & Jihan Nur Salsabila, 2024) stated that working capital turnover and accounts receivable turnover simultaneously did not have a significant effect on profitability (ROA). This is indicated by the results of simultaneous testing showing that the value probability is 0.930717 which exceeds the significance level of 0.05 or 5%. Apart from that, the f test results show the calculated f value of 0.071886, which is smaller than the table f value (3.14). These findings provide practical implications for automotive company management in order to increase the effectiveness of working capital and receivables management to achieve higher levels of profitability and design more efficient long-term financial management strategies.

Coefficient of Determination Test Table (R^2)

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.423 ^a	.179	.134	.92582	1.150

a. Predictors: (Constant), LNX2, LNX1
b. Dependent Variable: LNY

Based on the results of the coefficient of determination test (R^2) of 0.179 or equivalent to 17.9%. Shows that Working Capital Turnover and Receivables Turnover influence Profitability or Return on Investment amounted to 17.9%. Meanwhile, the remaining 82.1% (100% - 17.9%) was influenced by other variables not examined in this research.

The results of this research are in line with the results conducted by (Azizah et al., 2018) where the R^2 value is 0.168, this means that 16.8% of the profitability variable is influenced by independent variables, namely accounts receivable turnover, inventory turnover and working capital turnover. Meanwhile, the remaining 83.2% (100% - 16.8%) is influenced by other variables not explained in this research.

Working capital turnover and receivables turnover have a contribution or influence on profitability of 17.9%, this means that the variables working capital turnover and receivables turnover play a role in explaining the company's ability to generate profits from the investments made. In other words, increasing the efficiency of working capital and receivables management can help increase a company's profitability, but its influence is not dominant.

The results of this research indicate that the influence of working capital turnover and accounts receivable turnover on increasing company profitability is not too large. As much as 82.1% of the variation in profitability is influenced by other variables not explained in this research, these variables may include capital structure, operational efficiency and fixed asset management.

4. CONCLUSION

Based on the descriptions and tests that have been collected in the previous chapter. So the results of research conducted by the author regarding working capital turnover, accounts receivable turnover and profitability in companies listed on the BEI (Indonesian Stock Exchange), can be drawn as follows:

1. Working capital turnover in companies listed on the Indonesia Stock Exchange is -0.836 or -83.6% and has a significant value for the partial influence of working capital turnover (X1) on profitability (Y) of $0.408 > 0.05$ and the t value $t_{\text{count}} -0,836 < t_{\text{table}} 2.03793$ so the result of hypothesis H_1 rejected means there is no influence of working capital turnover (X1) on profitability (Y). Because the resulting significance value is greater than the significance level of profitability or 0.408, greater than 0.05, it can be concluded that working capital turnover has no effect on profitability.
2. The receivables turnover in companies listed on the Indonesia Stock Exchange is 0.438 or 4.38% and has a significant value for the partial influence of receivables turnover (X2) on profitability (Y) of $0.245 > 0.05$ and the t value $t_{\text{count}} < t_{\text{table}}$ amounting to 1.179 < 2.03793 so the result of hypothesis H_2 rejected means there is no influence of accounts receivable turnover (X2) on profitability (Y). Because the resulting significance value is greater than the significance level of profitability or 0.664, greater than 0.05, it can be concluded that receivables turnover has no effect on profitability.
3. There is no influence of working capital turnover (X1) and accounts receivable turnover (X2) simultaneously on profitability (Y) which has a significant value of $0.482 > 0.05$ and $F_{\text{count}} 0,742 < F_{\text{table}} 3.220$ so the result of hypothesis H_3 rejected, meaning there is no influence between working capital turnover (X1) and accounts receivable turnover (X2) simultaneously on profitability (Y).

Coefficient of determination test results (R^2) of 0.179 or equivalent to 17.9%, indicating that Working Capital Turnover and Receivables Turnover have an effect on profitability of only 17.9% while the remaining 82.1% is influenced by other variables not examined in this research.

5. SUGGESTION

Based on the description, testing and conclusions above, this research is far from perfect, so the suggestions that can be given regarding the influence of working capital turnover and accounts receivable turnover on profitability listed on the Indonesia Stock Exchange are as follows:

1. For the automotive subsector, what researchers are doing is expected to increase cash turnover, so that it can contribute to profit growth. To manage the company's cash effectively, good management is needed so that it is not wasted. Apart from that, it is also hoped that being able to manage its receivables by accelerating timely collection of receivables will help the company recover capital, which in turn can increase profits.
2. It is hoped that future researchers can add other variables to determine the influence of profitability on the company.

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