

The Effect Of Fixed Asset Turnover And Working Capital Turnover On Profitability

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Article Info	Abstract
<p>Keywords: Fixed Assets; Profitability; ROA; Working Capital</p>	<p>This study examines the effect of fixed asset turnover and working capital turnover on profitability. The object of this research is food and beverage companies on the Indonesia Stock Exchange in 2014 - 2018. 14 companies were sampled by purposive sampling techniques. The method used in this study is quantitative method with secondary data. The data analysis technique in this study uses multiple regression analysis. The results of this study show that the turnover of fixed assets and the simultaneous turnover of working capital have an effect on ROA. The turnover of fixed assets has a positive influence on the ROA, and the partial turnover of working capital has no effect on the ROA.</p>

1. Introduction

Financial condition and healthy development of the company can be seen from the efficiency in the company's performance to be a reference to compete with other companies. Companies with good financial performance will generate maximum profit. The company's performance can be seen how much profitability the company has achieved through financial statements that are presented regularly every period. Companies engaged in the consumer goods sector have high operating activities, causing companies to be able to manage each of their activities in order to maximize profitability and control the turnover of working capital and fixed assets. (Ginanjari, 2019)

The consumption sector is an industrial sector engaged in food and beverages, cigarettes, pharmaceuticals, cosmetics, and household goods. Companies engaged in the consumer goods sector have high operating activities that cause the company to be able to manage each of its activities in order to maximize profitability and control the turnover of working capital and fixed assets. (Source: Badan Pusat Statistik)

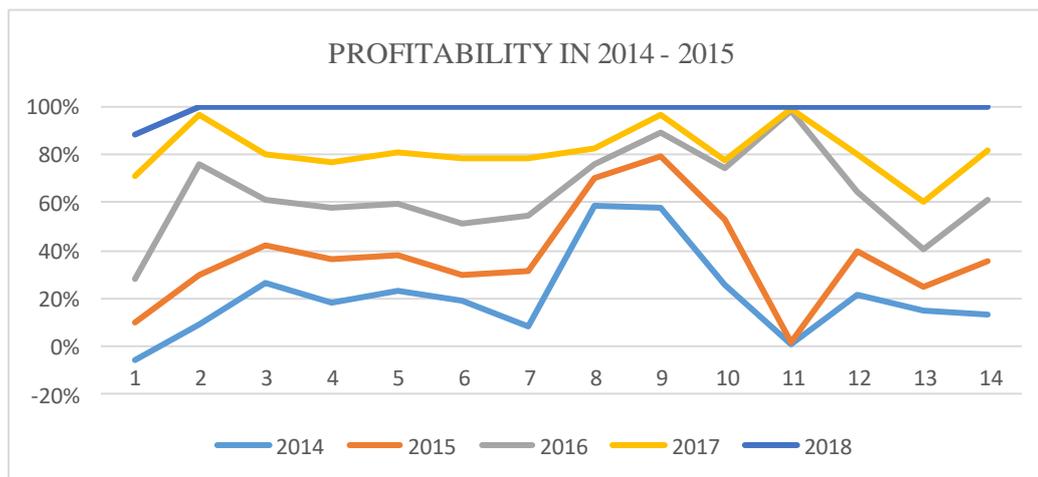
In the last 10 years, the Central Bureau of Statistics recorded the results of the 2019 Economic Census registration were 46.71 million companies, compared to the 2010 Economic Census the number of companies increased by 19.98% from 26.73 million to 46.71 million (Source: Badan Pusat Statistik) .

The more companies there are, the more complex the internal problems with the company's management will be, and the food and beverage sub-sector is an industry with a high level of competition in Indonesia, (Ginanjari, 2019). Profitability can be used as a benchmark of how effective the company's performance is seen from the profit earned compared to the results of the company's sales and investments. If the ROA increases, the profitability of the company will also

increase, resulting in a greater rate of return for shareholders. If a company has a high ROA then the company has the opportunity to increase growth (Ginanjar, 2019).

Profitability ratio is a ratio to assess a company's ability to make a profit. This ratio also provides a measure of the level of effectiveness of a company's management. This is indicated by the profit generated from the sale and investment. The bottom line is that the use of this ratio indicates the efficiency of the company. (Syamsudin, 2017). Profitability can be seen from the rate of Return on Asset (ROA) ratio. Profitability indicates the success of the company in obtaining profits. Profitability is seen from the company's income statement, because it can show the performance of a company. (Miradhi and Juliarsa, 2016).

Figure 1. Profitability in 2014-2015



Source : Indonesian Stock Exchange, 2018

The average ROA in 2014 and 2015 in Food and Beverages companies was 0.05%, but decreased to 0.26% in 2016, while for 2017 and 2018 the average ROA was 0.04%. Fixed Assets Turnover (FATO) is one part of the activity ratio that measures the company's level of efficiency in managing its fixed assets to generate revenue or sales. If the assets owned by the company are many, then it is expected that sales can also be increased, this will make the profit earned by the company will also increase.

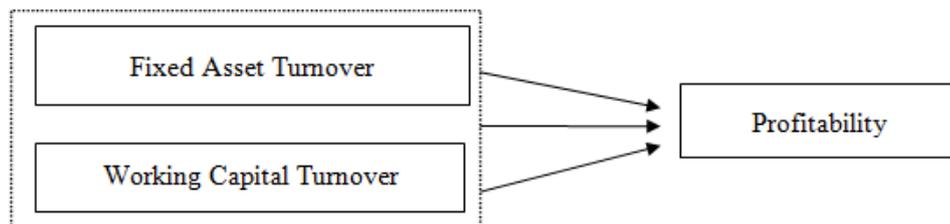
Working Capital Turnover (WCTO) is a comparison between sales and net capital. Working capital in this case is obtained by reducing current assets against current liabilities. The higher the turnover of working capital, the more effective the use of working capital and the higher the sales value of the company. WCTO can also be used as a measuring instrument for companies in the management of working capital, where the better the company manages working capital, the better the company's performance in generating profit. (Fahmi, 2015)

Research conducted by Sari (2014), Febrianty (2017) and Hikmayani (2018) stated that the turnover of fixed assets affects profitability. Meanwhile, Maulana's research (2017) stated that simultaneously or partially there is no significant effect of working capital turnover and fixed asset turnover on profitability levels. Another study conducted by Ginanjar (2019) stated that fixed assets affect profitability, while working capital does not.

Signalling Theory tells us about how a company should signal to users of financial statements. Managers provide information through financial statements that they implement a policy of accounting conservatism that generates better quality profit because this principle prevents companies from exaggerating profits and helps users of financial statements by presenting profits and assets that are not overstate. The information received by investors is first translated as good news or bad news. Stated that the gesture was an action taken by the

company's management that instructed investors on how management viewed the company's prospects. (Brigham and Houston, 2001).

Figure 2. Frame of Mind



Source : Processed by Author (2020)

2. Research Method

The population in this study was 20 food and beverage companies listed on the Indonesia Stock Exchange from 2014 to 2018. The sample selection method used is purposive sampling. Obtained 14 food and beverage companies listed on the Indonesia Stock Exchange that have been audited and go public that can be sampled. Data collection techniques used in this study are secondary data that is company data that has been published during the period 2014 to 2018 along with audited financial statements and annual reports listed on the Indonesia Stock Exchange (IDX) through the internet from the official website of the www.idx.co.id.

The data analysis techniques used in this study are descriptive statistics, classical assumption tests, multiple regression analysis and determination coefficients. In this study using independent variables namely Fixed Asset Turnover and Working Capital Turnover, as well as independent variable namely profitability using Proxy Return On Asset (ROA).

a. Fixed Asset Turnover

$$\text{FATO Ratio} = \frac{\text{Sales}}{\text{Net Fixed Asset}} \times 100\%$$

The fixed asset turnover formula is a ratio that measures the extent to which the company's ability to generate sales is based on the fixed assets owned by the company. Sasongko (2018).

b. Working Capital Turnover

$$\text{Working Capital Turnover Ratio} = \frac{\text{Net Sales}}{\text{Working Capital}}$$

The working capital turnover rate in one year can be found by dividing the year in months or days by the turnover period. Sasongko (2018).

c. Profitability

$$\text{Return on assets (ROA)} = \frac{\text{Net Income}}{\text{Total Asset}}$$

Profitability formula is a ratio to measure the efficiency of using company assets or Profitability is the ability of a company to generate profits. Syamsudin (2017).

3. Results and Discussions

HYPOTHESIS

Companies engaged in the consumer goods sector have high operating activities, causing companies to be able to manage each of their activities in order to maximize profitability and control the turnover of working capital and fixed assets. Signaling theory shows the existence of information asymmetry between company management and the parties with an interest in information. For this reason, managers need to provide information for interested parties through the issuance of financial statements. (Ginanjar, 2019). The theory suggests how a company should give signals to users of financial statements.

H₁: Fixed asset turnover positively affects profitability at food and beverage companies.

Working capital is obtained by reducing current assets to current liabilities. The higher the turnover of working capital, the more effective the use of working capital and the higher the sales value of the company. (Haryanto, 2019). The large sales value will increase the company's ability to earn profit.

H₂: Working capital turnover positively affects profitability at food and beverage companies.

The relationship between working capital turnover and profitability with signal theory is to suggest how a company should give signals to users of financial statements so that working capital turnover is measured by comparing sales to working capital. Working capital in this case is obtained by subtracting current assets from current liabilities. (Hikmayani, 2018). The higher the working capital turnover, the more effective the use of working capital and the higher the company's sales value.

H₃: The turnover of fixed assets and the simultaneous turnover of working capital positively affect profitability in food and beverage companies.

RESULT

Table 1. Statistic Descriptive

Variable	N	Minimum	Maximum	Mean	Std. Deviation	Variance
Fixed Asset Turnover	70	1,12	20,58	42,779	342,184	11,709
Working Capital Turnover	70	1,19	11,28	30,804	182,628	3,335
ROA	70	1,01	12,08	24,516	191,702	3,675
Valid N (listwise)	70					

Processed : SPSS 24 by researchers in 2020

Fixed asset turnover at Food and Beverage companies in 2014 – 2018 reached an average of IDR 4,277,9000 billion with the lowest value of IDR 1.12 billion (Nippon Indosari Corporindo, Tbk) in 2014 and the highest value of IDR 20.58 billion Rupiah (Cahaya Kalbar, Tbk) in 2018. Working capital turnover in Food and Beverage companies in 2014 – 2018 reached an average of IDR 3,080,4000 billion with the lowest value of IDR 1.19 billion (Sekar Laut, Tbk) in 2018 and the highest value of IDR 11.28 billion (Cahaya Kalbar, Tbk) in 2018. Return On Assets at Food and Beverage companies in 2014 – 2018 reached an average of Rp

2,451,6000 billion with the lowest value of Rp 1.01 billion rupiah (Sekar Bumi, Tbk) in 2018 and the highest value of Rp 12.08 billion rupiah (Cahaya Kalbar, Tbk) in 2018.

Table 2. Normality Test

One-Sample Kolmogorov-Smirnov Test	t-Stat	Asymp Sig.
N = 70	0.058	0.200

**) shows the coefficient of significance at 0.05*

From the results of data processing obtained a significant value at 0.200. Significance value greater than 0.05 or 5%, then residual distribution normal.

Table 3. Multicolonierity Test

Collinearity Statistics		
	Tolerance	VIF
(Constant)		
Fixed Asset Turnover	0.218	4.587
Working Capital Turnover	0.218	4.587

Processed : SPSS 24 by researchers in 2020

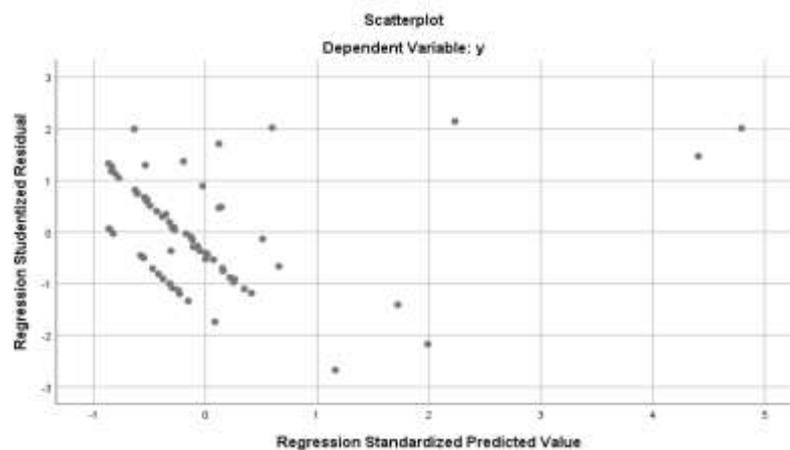
Based on the results of the multicolonierity test above, it was obtained that the tolerance value of each independent variable namely Fixed Asset Turnover and Working Capital Turnover is greater than 0.1. While the VIF value of each independent variable consisting of Fixed asset turnover and Working Capital Turnover is less than 10. So it can be concluded that in this study there is no multicolonierity between independent variables with each other.

Table 4. Autocorrelation Test

Variables	Durbin-Watson
Dependen :	2,284
ROA	
Independen :	
Fixed Asset Turnover	
Working Capital Turnover	

Processed : SPSS 24 by researchers in 2020

Based on the table above, it can be known that the value of Durbin Watson is 2,284. To detect autocorrelation or not, it can be seen through dw table values. With significance 0.05 obtained the value $Dl = 1.5542$ and $Du = 1.6715$, so the value $du < d < 4-du = 1.6715 < 2.284 < 2.3285$. Based on Durbin Watson's test decision-making, the regression model does not experience autocorrelation interference.

Table 5. Heteroskedisity Test

Processed : SPSS 24 by researchers in 2020

From the picture above can be seen the spread of the points above and below the Y axis and does not form a clear pattern, it can be concluded that the analysis model does not occur heteroskedisity disorder.

Table 6. Regression Analysis Result

$$ROA = \beta_0 + \beta_1FTA + \beta_2WCT + e$$

Variable	Coeff.	t-Stat	Prob.
(Constant)	0.169	0.799	0.427 *)
Fixed Asset Turnover	0.437	6.666	0.000
Working Capital Turnover	0.135	1.098	0.276
<i>Adjusted R-Square</i>	0.794		
<i>F-Statistic</i>	134.734	0.000	*)

*) shows the coefficient of significance at 0.05

Source : SPSS 24 by researchers in 2020

Based on the output in table 6 above can be concluded as follows:

1. The turnover of fixed assets is accepted so that it can be concluded that partially the Turnover of Fixed Assets has a significant positive effect on the ROA.
2. Working Capital Turnover has no positive and significant effect on ROA.

Based on the Table 6 above, also it can be concluded that the significance value of 0.000 is less than the significance level of 0.05. Thus, the hypothesis is accepted so that it can be concluded that the turnover of fixed assets and the turnover of working capital together have a positive and significant effect on ROA. From the table above, it can be known that the adjusted R square is 0.794 or 79.4%. This means that 79.4% of roa can be explained or influenced by variable Fixed Asset Turnover and Working Capital Turnover. While the remaining 20.6% is explained or influenced by other variables (financial factors or ratios) outside of the study.

4. Conclusions

The effect of fixed asset turnover has a positive and significant effect on ROA. It can be seen from the significance value of 0.000 is smaller than the level of significance 0.05. Thus the hypothesis that the Turnover of Fixed Assets is influential is accepted so that it can be concluded that partially the Turnover of Fixed Assets has a significant positive effect on the ROA. This result is in accordance with research conducted by Febrianty (2017) which is known that Fixed Asset Turnover has a positive effect on ROA.

Working Capital Turnover has a significance value of 0.276 greater than the level of significance of 0.05. Thus the hypothesis that the Work Capital Turnover effect is rejected so that it can be concluded that partially The Turnover of Working Capital does not have a positive and significant effect on the ROA. This result is in accordance with research conducted by Ginanjar (2019) which is known that Working Capital Turnover does not have a positive and significant effect on ROA.

Fixed Asset Turnover and Working Capital Turnover together or simultaneously positively affect ROA. This result can be concluded that the significance value of 0.000 is less than the level of significance of 0.05. Thus, the hypothesis is accepted so that it can be concluded that the Turnover of Fixed Assets and The Turnover of Working Capital together have a positive and significant effect on the ROA. These results are in accordance with research conducted by Hikmayani (2018) which is known that Fixed Asset Turnover and Working Capital Turnover simultaneously have a positive and significant effect on ROA.

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