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The Influence of Working Capital Turnover and Debt to Equity Ratio on Return on Asset

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Abstract: The Covid-19 pandemic in 2020 caused the performance of the pharmaceutical subsector to fluctuate. From these results, it can be seen that the Return on Assets of pharmaceutical subsector companies has decreased and Working Capital Turnover has also decreased. The low working capital turnover was due to a decrease in current assets and an increase in current debt used to finance company projects. A low working capital turnover ratio means that working capital processing is not running well, whereas a high working capital turnover ratio means that the company's working capital is functioning effectively**.** This research aims to know the influence of Working Capital Turnover and debt-debt-equity ratio on Return on Assets in companies' subsector pharmacy period 2017-2022. Data analysis techniques used that is analysis Descriptive and Verifiable using the Assumption Test Classic, Multiple Linear Regression Test, Analysis Coefficient Correlation, Analysis Coefficient Determination, and Hypothesis Testing. The results of this research show that the Working Capital Turnover Variable has partially no influence on the Return on Assets and the Debt to Equity Ratio variable has Partial influential negatively on the Return on Assets Overall Simultaneous Working Capital Turnover and Debt to Equity Ratio affect the Return on Assets.
Keywords: Debt to Equity Ratio; Return on Assets; Working Capital Turnover

INTRODUCTION

Globalization has an influence positive for the Indonesian economy, this is happening Because of the more Lots widespread flow of funds all over the world. Indonesia is one of the countries that has aimed for global funding for investment especially in sectors of industry. Industry pharmacies are in a good situation, where request product pharmacy related to the COVID-19 response is increasing, on the contrary, requests for products that aren't related donate more than 90% of ingredients standard production nationally. During the COVID-19 pandemic, the industry of Pharma also feels its impact. Part big material standard drug national imported from both China and India. But company pharmacies that are listed on the Indonesian Stock Exchange only there are 11 companies namely Darya-Varia Laboratory Tbk, Indofarma Tbk, Kimia Farma Tbk, Kalbe Farma Tbk, Merck Tbk, Pyridam Pharma Tbk, Phapros Tbk, Industry Herbal Medicine and Pharmacy Sido Appear Tbk, Tempo Scan Pacific Tbk, Organon Pharma Indonesia Tbk, Soho Global Health. The stock exchange was established to organize and provide a system and/ or instrument trading effect. Availability systems and/ or good facilities make it possible for members of the Stock Exchange to offer a sell-buy effect in a way controlled, fair, and efficient.

Besides joining the Indonesian Stock Exchange, the company is also seen from the report of its finances. In identifying several strengths and weaknesses in the report finance company so must see from the ratio his finances. The ratio divided becomes several ratios, the ratio used to measure profit after tax is ROA or (Return on Assets). According to Natong (2020), the Return rate of assets or Return on Assets is the ratio that shows results (return) above the amount of assets used in the company Return on Assets is also something effective management in managing his assets. According to

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Novianti and Hakim (2018), Return on Assets is one ratio of profitability used to measure profit net obtained from the use of assets.

What influences ROA is WCTO (Working Capital Turnover). According to Kasmir (2019), working capital turnover is one ratio to measure or evaluate the effectiveness of a working capital company during a period certain. Apart from WCTO, DER (Debt to Equity Ratio) is used debt to ratio equity. According to Fahmi (2020), Debt to debt-to-equity ratio is the size used to analyze reports of finance to show big guarantees available for creditors. More Special Again, the debt-to-debt ratio equity is a matrix comparing finances amount owed against equity. (DER), increasingly tall assumption risk liquidity company and vice versa.

The following is initial data that shows the phenomenon of Working Capital Turnover, Debt to Equity Ratio, and Profitability (Return on Assets) in several company subsector pharmaceuticals listed on the Indonesian Stock Exchange for the 2017-2022 period:
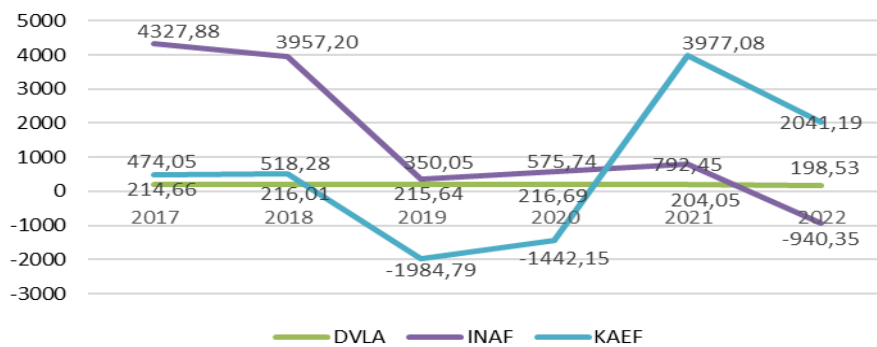

Figure 1. Working Capital Turnover Subsector Pharmacy
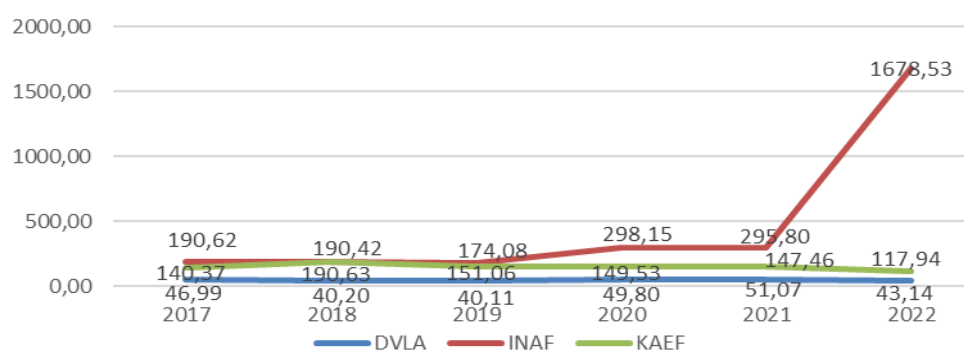Source: Data processed by the author (2023)

Figure 2. Subsector Debt to Equity Ratio Pharmacy
Source: Data processed by the author (2023)
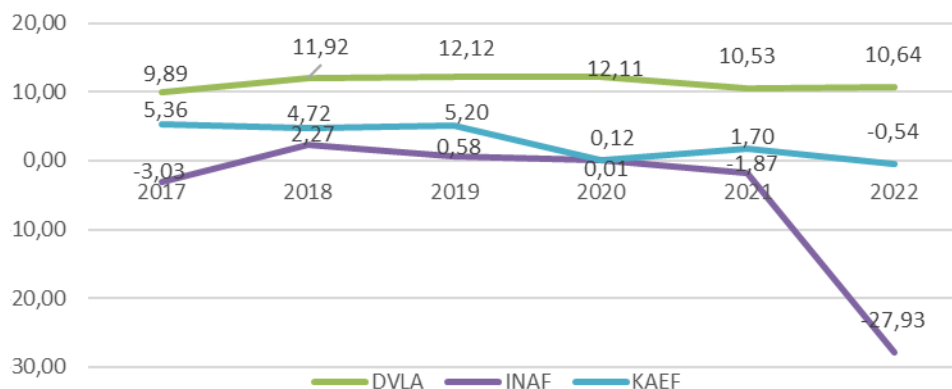
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Figure 3. Subsector Return on Assets Pharmacy
Source: Data processed by the author (2023)

The phenomenon that in a company this pharmacy experienced a slowdown in growth company, views from the Return on Assets of the Darya-Varia company Laboratory Tbk in 2017-2018 experienced an increase amounted to 2.03%, then in 2018-2019, it experienced an increase returned 0.2%, in 2019-2020 experienced a decrease of 0.01 %, in 2020-2021 experienced quite a decline large 1.56 % and in 2021-2022 experienced an increase of 0.11%. PT. Indofarma Tbk in 2017-2018 experienced a decrease of 0.64 % in 2018-2019 a decrease of 1.69 %, on 2019-2020 experienced quite a decline large 0.57%, in 2020-2021 experienced a decline of 1.88 % then in 2021-2022 experienced quite a decline large 29.8%. PT. Kalbe Farma Tbk in 2017-2018 experienced a decrease of 0.64 % in 2018-2019 experienced an increase of 0.48 % in 2019-2020 decline return of 5.08% then in 2020-2021 it experienced an increase of 1.58%. In 2021-2022 it will experience a decline of 1.16 %, it can be seen that the company subsector pharmacy experienced fluctuation from Return on Assets in 2018-2022. There is the COVID-19 pandemic, especially in 2020, resulted in performance subsector pharmacy fluctuates. From the results Can is known that the company's Return on Assets subsector pharmacy experienced a decline and Working Capital Turnover also experienced a decline.

Research conducted by Nugraha and Lisandri (2021) shows that working capital turnover is influential and positive to Profitability, total asset turnover is not influential, and influential capital structure is negative to profitability. Research results from Putri et al. (2018) show that capital structure and working capital turnover are influential and positive to profitability. However, research conducted by Ariyandini et al. (2018) shows a result that capital structure and working capital turnover are influenced negatively by profitability whereas ratio current, and debt ratios, influence positively.

Based on the phenomenon that has been outlined above, as well as existing conflicting research, the researcher is interested in doing research with the title "The Influence of Working Capital Turnover and Debt to Equity Ratio on Return on Assets".

METHODS

The method used in this research is method quantitative, with descriptive and verification data analysis. Analysis descriptive covers average value, minimum value, value maximum, and standard deviation. Analysis verification includes assumption tests classic, multiple linear regression tests, analysis coefficient correlation, analysis coefficient determination, and hypothesis testing. Variables used namely Working Capital Turnover (X1), Debt to a debt-to-equity ratio (X2), and Return on Assets (Y). The

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data in this research were obtained from the Indonesian Stock Exchange, www.idx.co.id, and the official website company. With the use of the purposive sampling technique with population A total of 11 companies and samples were used in as many as 9 companies' subsector pharmaceuticals listed on the Indonesian Stock Exchange for the 2017-2022 period.

The criteria used to sample in this research are as follows: (1) Population company subsector pharmaceuticals listed on the Indonesian Stock Exchange (BEI); (2) Publishing report finance in a way complete during the 2017-2022 period is appropriate with the required title in research. Based on the criteria above, the research unit consists of 9 companies' pharmacy can be used as samples in research. A list of 9 companies can be seen in Table 1 below:

Table 1. Research Unit Criteria

No	Code Company	Name	Date Listing (IPO)	Amount Report Finance
1	DVLA	Darya-Varia Laboratoria Tbk	11 November 1994	6
2	INAF	Indofarma Tbk	17 April 2001	6
3	KAEF	Kimia Farma Tbk	04 July 2001	6
4	KLBF	Kalbe Farma Tbk	30 July 1991	6
5	BRAND	Merck Tbk	23 July 1981	6
6	PYFA	Pyridam Farma Tbk	16 October 2001	6
7	PEHA	Phapros Tbk	26 December 2018	6
8	SIDO	Industri Jamu dan Farmasi Sido Muncul	18 December 2013	6
9	TSPC	Tempo Scan Pacific Tbk	17 June 1994	6
		Amount Population		**54**

Source: Data that has been processed (2023)

So, the number of samples that is several company units (9) x period observation research (6 years) = 54 samples study

RESULTS AND DISCUSSION

Analysis descriptive in this research aims to explain description on variables studied. Analysis descriptive covers minimum, maximum, average (Mean), and standard values deviation using IBM SPSS Statistics 26 as follows:

Table 2. Analysis Results Descriptive

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
WCTO	54	-1984,79	7399.06	591.3217	1457.14680
DER	54	9.06	1676.53	120.6269	231.14125
ROA	54	-27.93	92.10	10.1585	14.43456
Valid N (listwise)	54				

Source: Data that has been processed with SPSS 26 (2023)

Based on table 2 has been processed using SPSS 26 to obtain the researched data totaling 54 samples from every variable. Working Capital Turnover (WCTO) gained a mark maximum amounting to 7399.06% value found at PT Phapros Tbk in 2019. Meanwhile the minimum value of -1984.79% is found at PT Kimia Farma Tbk in 2019. Meanwhile, the mean value (average) is 591.3217% and the value standard deviation amounts to 1475.14680%.

Debt to Equity Ratio (DER) has a mark maximum amounting to 1676.53% in PT Indofarma Tbk in 2022. Meanwhile, the minimum value of 9.06% is found at PT Industri Herbal Medicine and Pharmacy Sido Appeared in 2017. The temporary mark mean (average) is 120.6269% and the standard deviation amounts to 231.14125%.

Return on Assets (ROA) has marked the maximum of 92.10% at PT Merck Tbk in 2018. Meanwhile, the minimum value of -27.93% is found at PT Indofarma Tbk in 2022. Meanwhile, the mark mean (average) is 10.1585% and the standard deviation amounts to 14.43456%. After getting a description related to every variable under study, then furthermore will statistical tests be carried out using analysis multiple linear regression. However, before that, a researcher must fulfill condition implementation testing analysis multiple linear regression that is carried out assumption tests classic moreover first to see There is or not problems assumption classic.

Test Assumptions Classic

In this study, the one-sample Kolmogorov-Smirnov test was used for test normality regression with method analysis graphs and also view normality output results in one-sample Kolmogorov-Smirnov, here are the results of the normality test:

Table 3. Normality Test Results *One-Sample Kolmogorov-Smirnov*

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residuals
N		42
Normal Parameters [a, b]	Mean	0.0000000
	Std. Deviation	0.70319134
Most Extreme Differences	Absolute	0.116
	Positive	0.116
	Negative	-0.091
Statistical Tests		0.116
Asymp. Sig. (2-tailed)		0.175 [c]
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		

Source: Data that has been processed with SPSS 26 (2023)

Based on normality test results using the One-Sample Kolmogorov-Smirnov above, obtained results significant (Asymp. Sig. 2-tailed) of 0.175 value bigger than 0.05 then the data is normally distributed. Furthermore, the Multicollinearity test was carried out to know whether there is or not multicollinearity, as can be seen from VIF (Variance Inflation Factor) and Tolerance values.

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Table 4. Multicollinearity Test Results

Model	Coefficients [a]						
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	3,274	0.231		14,197	0,000		
LAG_X1	0.002	0.009	0.033	0.231	0.819	0.702	1,425
LAG_X2	-0.203	0.041	-0.693	-4,916	0,000	0.702	1,425
a. Dependent Variable: LAG_Y							

Source: Data that has been processed with SPSS 26 (2023)

Based on Table 4, the VIF value for variable Working Capital Turnover and Debt to Equity Ratio is 1.425 < 10.00 and for mark Tolerance is 0.702 > 0.10. From the value, the conclusion in the regression model is no happen multicollinearity and satisfies multicollinearity test requirements. Then Heteroscedasticity test was carried out for the test There is no inequality of variance and residuals from something observation to observation of others.
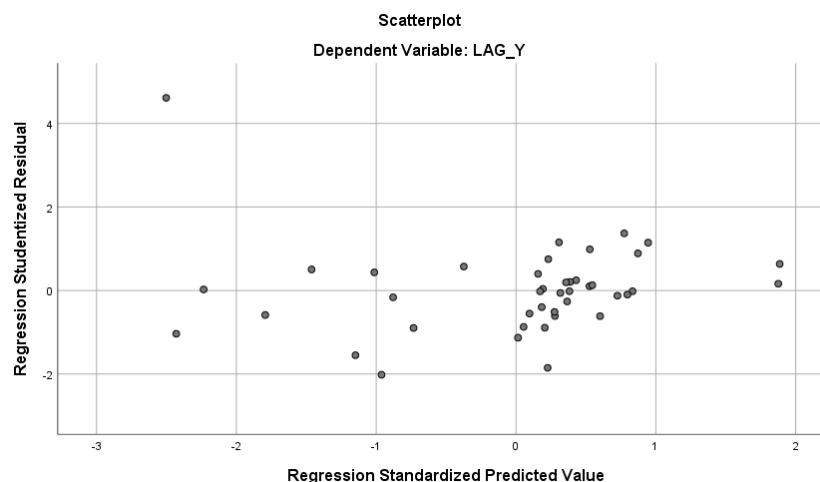

Figure 4. Heteroscedasticity Test Results
Source: Data that has been processed with SPSS 26 (2023)

Seen the graph that dot, dot, dot spread in a way random, no there are clear patterns, as well scattered data points above and below number 0. In other words, you can conclude that this study did not happen heteroscedasticity so the regression model is worth using. So, an autocorrelation test was carried out to know whether there was no correlation between error bully in the period certain and with the period previous, method testing using the Durbin-Watson test see mark DW in the table Model Summary.

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Table 5. Autocorrelation Test Results with Durbin Watson

| | | | Model Summary [b] | | |
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.676 [a]	0.456	0.429	0.72100	1,783

a. Predictors: (Constant), LAG_X2, LAG_X1
b. Dependent Variable: LAG_Y

Source: Data that has been processed with SPSS 26 (2023)

Based on Table 5 is visible mark Durbin Watson is 1.783 meaning the mark Durbin Watson (DW) is bigger than the limit above (Du) 1.6061 as well smaller than (4-Du= 2.3939), 1.6061<1.783<2.3939. Can concluded that this equation does not Have autocorrelation positive or negative based on Table Durbin Watson. This shows the data is worthy of use.

Analysis Multiple Linear Regression
Analysis multiple linear regression aim test influence two variable independent (free) or more to One variable dependent (bound). Presented below results of the calculation of multiple linear regression tests using SPSS 26 as follows:

Table 6. Analysis Results Multiple Linear Regression

| | | Coefficients [a] | | | | |
| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
		B	Std. Error	Beta		
1	(Constant)	3,274	0.231		14,197	0,000
	LAG_X1	0.002	0.009	0.033	0.231	0.819
	LAG_X2	-0.203	0.041	-0.693	-4,916	0,000
a. Dependent Variable: LAG_Y						

Source: Data that has been processed with SPSS 26 (2023)

Based on the results data testing above, then obtained equality regression like below:

$$Y = 3.274 + 0.002 X1 - 0.203 X2 + 0.231$$

Concluded from the results of multiple linear equations each variable can outlined as follows: (1) The value of constant (a) is 3.274, which means If Working Capital turnover (X1) and Debt to Equity Ratio (X2) have a value of 0 (zero). The Return on Asset (Y) level is 3.274, which means influential positive, constant positive his wife happens increase mark level return on asset amounting to 3,274; (2) Coefficient regression Working Capital Turnover (X1) has a mark of 0.002 points the describe that If happen increase working Capital Turnover (X1) is 1 unit, then will be followed with growth level Return on Assets of 0.002. Can conclude Working Capital Turnover has no influence on Return on Assets; (3) Coefficient regression variable Debt to Equity Ratio (X2) has the mark of (-) 0.203 points showing that between Debt to Equity Ratio with Return on Assets related negatively. This illustrates that If happen increase in the Debt-to-Equity Ratio is equal to 1 unit, then the level of Return on Assets will experience a decline of 0.203, with the assumption variable other independents are considered constant.

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Then The coefficient test was carried out for purposeful correlation to know the direction and strength connection between two variables or more. The direction relationship is stated with positive and negative, whereas the strength connection is stated with a big small coefficient correlation.

Table 7. Analysis Results Coefficient Correlation

Correlations		LAG_X1	LAG_X2	LAG_Y
LAG_X1	Pearson Correlation	1	0.546 **	-0.346 *
	Sig. (2-tailed)		0,000	0.025
	N	42	42	42
LAG_X2	Pearson Correlation	0.546 **	1	-0.675 **
	Sig. (2-tailed)	0,000		0,000
	N	42	42	42
LAG_Y	Pearson Correlation	-0.346 *	-0.675 **	1
	Sig. (2-tailed)	0.025	0,000	
	N	42	42	42
**. Correlation is significant at the 0.01 level (2-tailed).				
*. Correlation is significant at the 0.05 level (2-tailed).				

Source: Data that has been processed with SPSS 26 (2023)

Based on the output results in the table the obtained correlation between Working Capital Turnover and Return on Asset Ratio is (-) 0.346 or (-) 34.6% with a mark sign. 0.025. This shows a connection correlation with interpretation negative and very low. The correlation between Debt-to-Equity Ratio and Return on Assets is (-) 0.675 or (-) 67.5% with mark sign. 0,000. This shows exists the connection correlation is negative and very low. Furthermore, R^2 Test Analysis was carried out to measure and know big change variable bound influence variable free. In this research coefficient determination uses mark adjusted R^2.

Table 8. Coefficient Test Results Determination Partial

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations		
	B	Std. Error	Beta			Zero-order	Partials	Part
1 (Constant)	3,274	0.231		14,197	0,000			
LAG_X1	0.002	0.009	0.033	0.231	0.819	-0.346	0.037	0.027
LAG_X2	-0.203	0.041	-0.693	-4,916	0,000	-0.675	-0.619	-0.580
a. Dependent Variable: LAG_Y								

Source: Data that has been processed with SPSS 26 (2023)

Based on Table 8 above mark coefficient determination (R^2) or R Square variable independent in a way, Partial Working Capital Turnover and Debt to Equity Ratio to Return on Asset can be obtained calculated with formula Kd = β x Zero Order x 100, then:
Known:
Beta X1   = 0.033
Beta X2   = -0.693
Zero Order   = -0.346
Zero Order   = -0.675

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$$Kd\ X1 = 0.033 \times (-0.346) \times 100$$
$$= -1.1418$$
$$Kd\ X2 = (-0.693) \times (-0.675) \times 100$$
$$= 46{,}7775$$

So can concluded, the influence of the Working Capital Turnover to Return on Assets that is -1.1418, and the influence Debt to Equity ratio to Return on Assets amounts to 46.7775.

Meanwhile, the simultaneous test can be calculated from the partial test results' second variable, namely:
$$Kd\ Simultaneous = (-1.1418) + 46.7775$$
$$= 45.63\%$$

Furthermore, measuring big influence variable independent in a way simultaneous can be seen in Table 9 below:

Table 9. Coefficient Test Results in Determination Simultaneous

Model Summary [b]				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.676 [a]	0.456	0.429	0.72100

a. Predictors: (Constant), LAG_X2, LAG_X1
b. Dependent Variable: LAG_Y

Source: Data that has been processed with SPSS 26 (2023)

Based on Table 9 above can is known that The R Square value is 0.456, which means the contribution influence Working Capital Turnover and Debt to Equity Ratio against Return on Assets is 45.6% and the remaining 54.4% is influenced by variables others.

Hypothesis Testing

This hypothesis test, a t-test (partial) was carried out which was aimed at knowing how much big influence variable independent that is Working Capital Turnover and Debt to Equity Ratio in a way Partial to variable dependent that is Return on Assets. Test results hypothesis partial (t-test) as follows:

Table 10. T-Test Results (Partial)

Coefficients [a]					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	3,274	0.231		14,197	0,000
LAG_X1	0.002	0.009	0.033	0.231	0.819
LAG_X2	-0.203	0.041	-0.693	-4,916	0,000

a. Dependent Variable: LAG_Y

Source: Data that has been processed with SPSS 26 (2023)

Based on Table 10, the variable's Working Capital Turnover own mark t $_{count}$ of 0.231 with a mark significance of 0.819, and the variable Debt to Equity Ratio own mark

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t $_{count}$ amounting to -4.916 with a mark significance of 0.000. To determine the t-test results, value they will be compared to with value in the t $_{table}$ with conditions a=5% or 0.05 and dk= (nk-1) or (42-2-1) = 39 so mark t $_{table}$ 2.02269. So, can is known influence each variable as follows:

Obtained mark t $_{table}$ of 2.02269 and value t $_{count}$ variable Working Capital Turnover of 0.231, results in the showing mark t $_{count}$ < t $_{table}$ namely 0.231< 2.02269 and value significance 0.819. So based on the t-test results obtained conclusion is that No There is no influence of Working Capital Turnover on Return on Assets in the company subsector pharmaceuticals listed on the Indonesian Stock Exchange for the 2017-2022 period, which means H0 is accepted and H1 is rejected. This is because other factors need to be considered if the Working Capital Turnover is taller will affect the Return on Assets or profit company. If something company has term debt and term short enough, even If working capital turnover quickly, the income owned by the company will used to pay expenditures company. Therefore, for measuring changes in working capital very effectively no one can predict in a period, and the level of Working Capital Turnover is not will influence a big or small Return on Assets.

This is supported by research by Putri and Kusumawati (2020) state that working capital turnover does not influence a way significant to profitability. Study Zainuddin et al. (2021) state that Working Capital Turnover does not influence Return on Assets. Research Ginting (2018) states that Working Capital Turnover does not influence Profitability.

T-test results on variables Debt to Equity Ratio obtained t $_{count}$ amounting to (-) 4,916 results the showing mark t $_{count}$ -4.916 > t $_{table}$ - 2.02269 and value significance of 0.000. Significance value smaller than 0.05. So based on the results of the t-test, the conclusion is that Debt-to-Equity Ratio has an effect negative and significant Return on Assets in the company subsector pharmaceuticals listed on the Indonesian Stock Exchange for the 2017-2022 period, which means H02 is rejected and H2 is accepted.

The Equity Ratio is the ratio that shows how able a company is to use capital to fulfill its obligation company. The taller the Debt to the Equity Ratio the lower the Return on Assets or profit company. The reason is its high mark Debt debt-to-equity ratio is the use of the term debt sufficient length big, so the use of the term debt sufficient length big will result decline in Return on Assets or profit company. This happened Because the bigger the debt then the more the costs and risks caused by company debt are also large to creditors or parties outside compared to your own capital company. This is supported by research by Indriyani and Mudjijah (2022) stated that Debt To debt-to-equity ratio is influential negatively on profitability. As well as research Linggasari and Adnantara (2020) state that the Debt-to-Equity Ratio Influential Negative to Return on Assets.

Then A purposeful F (Simultaneous) Test was carried out to know if all variables independent in a way play a role together on variable dependent.

Table 11. F Test Results (Simultaneous)

Model		Sum of Squares	df	Mean Square	F	Sig.
			ANOVA ^{a}			
1	Regression	17,023	2	8,512	16,374	0,000 ^{b}
	Residual	20,274	39	0.520		
	Total	37,297	41			
a. Dependent Variable: LAG_Y						
b. Predictors: (Constant), LAG_X2, LAG_X1						

Source: Data that has been processed with SPSS 26 (2023)

Based on Table 11, F test results are obtained mark f_{count} is 16,374 with a mark significance of 0.000. that value will compared to with f_{table} with a=0.05 ie as big as the f_{table} = (k; nk-1) = (2; 42-2-1) = (2;39) so the f_{table} is 3, 24. So obtained mark f_{count} > value f_{table} (16.374 > 3.24) and value significance 0.000 < 0.05 so can conclude that Working Capital Turnover and Debt to Equity Ratio in a way simultaneously influential in a way significant to Return on Assets company subsector pharmaceuticals listed on the Indonesian Stock Exchange for the 2017-2022 period, which means H03 is rejected and H3 is accepted. This means although Working Capital Turnover does not influence Return on Assets, because of the lack of Notice aspects important to Working Capital Turnover like cash turnover, turnover inventory, and turnover receivables the company must use in a way effective to increase Profitability, however, if done examiner in a way together can give significant impact to Return on Assets company. If working capital and capital structure are managed better and more efficiently will there is a possibility That make profitability company increase every year.

The existence of adequate working capital and capital structure possible company can operate its activities without obstacles. Working capital and capital structure are very important for something company to reach a profit company, because in operating activities every company requires an internal capital amount of certain good loan funds or your funds. This is supported by research by Ananda et al (2019) stated that Capital Structure (DER) and Working Capital Turnover (WCTO). together have a significant influence on Profitability (ROA). As well as research Putri (2022) stated that Working Capital Turnover and Debt to Equity Ratio in a way simultaneously influence Profitability.

CONCLUSION

Based on the results of research and discussion of existing data done researcher about the influence of Working Capital Turnover and Debt debt-equity ratio To Return on Assets in the company subsector pharmaceuticals listed on the Indonesian Stock Exchange for the 2017-2022 period. So can concluded that Working Capital Turnover in a way Partial is not influential on the Return on Assets and the Debt to Equity Ratio in a way Partial influence is negative and significant to the Return on Assets. Working Capital Turnover and Debt to Equity Ratio simultaneously own influence on Return on Assets.

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