



The Effect of Working Capital Management, Sales Growth on Profitability in Property and Real Estate Companies Listed on the Indonesia Stock Exchange (IDX) in 2019-2022

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Abstract. This research aims to determine the effect of working capital management and sales growth on profitability in property and real estate companies listed on the Indonesia Stock Exchange (IDX). The variables used in this study are current assets, current liabilities, and sales growth as independent variables, while Return on Assets (ROA) is used as the dependent variable. The subjects analyzed were property and real estate companies listed on the Indonesia Stock Exchange (BEI), and the research was carried out from 2019 to 2022. This research is a quantitative causality study using the method of multiple linear regression analysis with panel data. There are 85 property and real estate companies in the population, and this research selected 7 property and real estate companies as samples using the purposive sampling method. The results of data analysis showed that there was a significant mutually influencing relationship between these variables current assets, current liabilities, and sales growth on ROA. Effective working capital management, which is reflected in good management of current assets and current liabilities, can contribute to a higher level of profitability.

Keywords: Profitability, Sales Growth; Working Capital Management.

1 INTRODUCTION

This research aims to analyze the effect of working capital management and revenue growth on the profitability of property and real estate companies listed on the Indonesia Stock Exchange (IDX) for the 2019-2022 period. The property and real estate industry plays an important role in Indonesia's economic growth. Therefore, understanding the factors affecting the profitability of companies in this field is very relevant. According to data from the Central Statistics Agency (BPS), the property and real estate sectors contribute significantly to Indonesia's Gross Domestic Product (GDP). In 2020, this sector stopped at around 13.8% of Indonesia's total GDP.

This research provides valuable insights and empirical evidence on the impact of working capital management and sales growth on the profitability of property and real estate companies listed on the IDX. Working capital management needs to be adapted to conditions and rapid changes in the business environment [1]. Effective working

capital management plays a vital role in keeping a business running smoothly and improving its financial health. This study tried to analyze how working capital management can affect the profitability of property and real estate companies in Indonesia. This research involves aspects such as cash, accounts receivable, accounts payable and inventory management to reveal specific strategies and methods to improve financial performance.

Sales growth is also an important factor in the performance of land and real estate companies. This review will investigate the relationship between revenue growth and profitability of companies in this industry. Several factors such as market conditions, real estate demand, marketing strategies and economic trends were analyzed to understand how IDX-listed property and real estate companies drive sales growth to improve their financial performance. Through a deep understanding of market dynamics and customer needs, companies can develop effective marketing strategies and take advantage of growth opportunities to increase profitability [2].

Effective working capital management and sustainable sales growth had a significant impact on the profitability of property and real estate companies [3]. Through careful analysis of IDX-listed companies, this review makes an important contribution to better understand the factors affecting the profitability of this industry.

1.1 Literature Review

Working Capital Management.

Working capital management involves skills in properly and efficiently managing assets that can quickly be converted into cash and liabilities that must be settled immediately [4]. Similar idea was also expressed [5], stating that working capital management involves managing the company's short-term assets and liabilities with a focus on making decisions in financing these assets. Overall, working capital management involves the effective and efficient management of a company's current assets and current liabilities, including the financing decisions related to those current assets.

The most common measurement used to evaluate working capital management is the Cash Conversion Cycle (CCC) [6]. Cash Conversion Cycle (CCC) is the period of time during which a company's resources are tied up or tied into its operational cycle [7]. Calculated by the formula (1).

$$CCC = AAI + ACP - APP \quad (1)$$

Information:

CCC = Cash Conversion Cycle

AAI = Average Age of Inventory

ACP = Average Collection Period

APP = Average Payment Period

Sales Growth.

Sales growth is the increase in sales between the current year and the previous year, expressed as a percentage [8]. [9] revealed that profit growth reflects the company's success in investments made in the past period, so that the company's growth in the future can be predicted. The role of growth for business is that a business that grows efficiently can survive because it reflects a high level of business activity [10] which is calculated by the formula (2).

$$\text{Sales Growth} = \frac{\text{current period sales} - \text{previous period sales}}{\text{previous period sales}} \quad (2)$$

Profitability.

According to [11], profitability is a decision about activities that play a very important role in the company. Profitability can describe management performance, namely the ability to increase company profits during the financial year. Profitability is the company's ability to efficiently convert its assets and properties into profit [12].

According to [13], measuring the profitability ratio is:

$$ROA = \frac{\text{Net Profit}}{\text{Total Assets}} \times 100\% \quad (3)$$

Framework.

Referring to the theoretical basis, previous research findings, and problems that have been identified, Figure 1 is an overview of the research model framework used as a basis for formulating hypotheses.

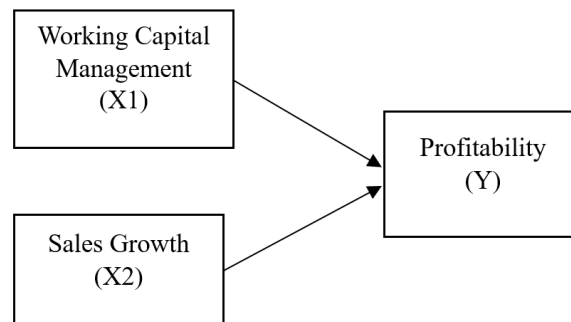


Fig. 1. Framework.

H1: Working Capital Management has a significant effect on profitability.

H2: Sales Growth has a significant effect on profitability.

2 METHODS

This research is a quantitative causality study using multiple linear regression analysis with panel data. The objects used in this research are property and real estate companies listed on the Indonesia Stock Exchange (IDX) where the research was carried out from 2019 to 2022. The population in this study is 85 property and real estate companies and a sample of 7 property and real estate companies with using purposive sampling technique.

The data used is secondary data in the form of reports available company finances from the official website of the Indonesia Stock Exchange (IDX), namely www.idx.co.id.

The hypothesis in this study was tested by using linear regression analysis double. Linear regression analysis equation in this study is as follows:

$$Y = \beta_0 - \beta_1 CCC + \beta_2 SG + SIZE + \varepsilon \quad (4)$$

Information:

Y = Profitability as measured through ROA

B₀ = Constant

CCC = Measured working capital management through the cash conversion cycle

SG = Sales growth

B_{1,2} = Coefficient on each variable independent

ε = Estimated error

3 RESULTS AND DISCUSSION

Descriptive statistics is a statistical method used to provide a description of the research object based on the sample used. Descriptive statistics only provide a summary of the data without further analysis [14]. The results of descriptive statistics performed on the variables CCC, SG and ROA using the SPSS version 16 program is shown in Table 1.

Table 1. Descriptive Statistics.

	N	Minimum	Maximum	Mean	Std. Deviation
ROA	28	-05.72	15.77	5.2500	5.23730
CCC	28	-673.43	1221.44	3.0213	327.97642
SG	28	-1.00	2.08	.E6	.43035
Valid N (listwis)	28			.2513	

From Table 1 it can be seen that there are 28 data from 7 property and real estate companies listed on the Indonesia Stock Exchange (IDX) with a four-year observation from 2019 to 2022. The average value of ROA is 5.25% which means the company can generate a net profit of 5.25% of its total assets in one period with a standard deviation

value of 5.23%, a minimum value of -5.72% and a maximum value of 15.77%. CCC, which is the average number of days in which inventory turns over, collects receivables, and pays vendors, averages 3.02 days. The standard deviation value is 327.98 days, but the minimum value is -673.43 days and the maximum value is 1,221.44 days. The average value of SG is 25.13%, which means that on average a company can achieve an increase in sales of 25.13% of the company's total sales over a certain period of time. If the standard deviation value is 43%, then the minimum value is -100% and the maximum value is 208%.

Hypothesis testing for this study was then carried out partially using the t-test, which satisfies the classical acceptance test.

Table 2. F Test Results.

ANOVA ^b					
Model	Sum of Squares	df	Mean Square	F	Sig.
¹ Regression	473.649	2	119.285	4.210	0,003
Residual	4801.132	153	20.133		
Total	5274.781	155			

a. Predictors: (constant), SG, CCC

b. Dependent Variable: ROA

The F test aims to determine the effect of the independent variables jointly or as a whole on the dependent variable [15]. If the sign value is 0.05, the independent variable has no significant effect on the dependent variable [15] in the "Sig" column. Table 2 shows the sign. $0.000 < 0.05$. This means that the CCC and SG variables together have an effect on the ROA variable. Thus, it can be concluded that H₀ is rejected. All changes made at CCC and SG together will affect the ROA of property and real estate companies listed on the Indonesia Stock Exchange in 2019-2022.

Table 2 shows a significance value of $0.003 < 0.05$. This means that the CCC and SG variables together have an effect on the ROA variable. This means that H₀ is rejected.

Table 3. Coefficient of Determination.

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.281 ^a	.102	.089	5.12934

a. Predictors: (onstant), SG, CCC

b. Dependent Variable: ROA

In this study, the coefficient of determination test was used to determine the extent to which changes in the influence of the independent variables can explain changes in the dependent variable. When R² is 1 or close to 1, the variation of the independent variables used can explain 100% of the dependent variable [15]. The results of the coefficient

of determination in this study are shown in the Table 3. Table 3 shows the coefficient of determination (adjusted R-squared) of 0.089 or 8.9%. This means that 8.9% ROA can be explained by three independent variables, namely CCC and SG. The remaining part by 91.1% can be explained by other causal factors outside the model.

Table 4. T Test Results.

Model	Coefficients ^a			t	Sig.
	Unstandardized Coefficients	Standardized Coefficients			
	B	Std. Error	Beta		
1 (Constant)	5.761	4.237		1.624	.085
CCC	.003	.001	.201	2.681	.006
SG	2.689	.652	.302	3.984	.000

a. Dependent Variable: ROA

The purpose of the t-test is to test the effect of individual independent variables on the dependent variable by assuming the other variables are constant [15]. The results from Table 4 shows that CCC has a significance value of 0.006 < 0.05, with a positive regression coefficient of 0.003, which means H01 is accepted. This shows that working capital management as measured by the cash conversion cycle does not have a negative effect on return on assets. Furthermore, SG has a significance value of 0.000 < 0.05, with a positive regression coefficient of 2.689, which means H02 is rejected. This shows that sales growth has a positive influence on return on assets.

The test results also found that the cash conversion cycle has a positive effect on return on assets. Previous research conducted by [6], [16], [17], and [5] showed a negative relationship between the cash conversion cycle and profitability, which means the shorter the cash conversion cycle, the more efficient the management is in managing the company's working capital. However, the results of this study show a positive relationship, namely the longer the cash conversion cycle, the more return on assets will increase. This can be caused by several factors, such as the characteristics of property and real estate companies that have large-value inventories, such as apartments, housing, shops, and land ready for sale that affect these results. In addition, the difference in the age of receivables between housing and apartments also plays a role, where the age of receivables for housing is generally shorter due to the shorter development period compared to apartments. Company debt in financing projects can also affect the cash conversion cycle, which must be paid immediately to contractors. However, the possibility of data anomalies and measurement errors also needs to be considered in this study.

Sales growth also has a positive effect on return on assets. This shows that if the company's sales growth continues to increase, the profits generated will also increase. DuPont analysis conducted by [18] shows that sales can affect company profitability. The company's focus on aggressive sales strategies, especially to develop markets [10], and product diversification to attract new market share [19], can increase opportunities to increase revenue.

4 CONCLUSIONS

Based on data analysis and the results of the research discussion previously explained, it can be concluded that:

1. Based on the results of testing the first hypothesis, no significant influence was detected between Cash Conversion Cycle (CCC) and Return on Assets (ROA). The regression coefficient of CCC on ROA showed a positive direction of 0.003. Therefore, H01 was accepted, which indicated that working capital management as measured through CCC did not have a negative influence on ROA.
2. Based on the results of the second hypothesis test, it was found that sales growth (SG) had a significant effect on Return on Assets (ROA). The SG regression coefficient on ROA had a positive direction of 2.689. This shows that if sales growth increases, ROA will also increase. Therefore, H02 was rejected.

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