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THE INFLUENCE OF COMPANY SIZE, CURRENT RATIO AND WORKING CAPITAL TURNOVER ON PROFITABILITY IN PT. INSURANCE BINA DANA ARTA Tbk

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Abstract

This research aims to determine the effect of company size, current ratio and working capital turnover on profitability at PT. Bina Dana Arta Insurance. Both simultaneously and partially. This type of research uses secondary data. With data from 2018 – 2022. The data analysis method used is quantitative methods and multiple linear regression analysis. By using statistical formulas with SPSS version 24.

Keywords: Company Size, Current Ratio, Working Capital Turnover, Profitability

INTRODUCTION

Profitability is a company's ability to generate profits in a certain period. Profitability can be measured by ROA (Return On Assets) and NPM (Net Profit Margin) because ROA is a measurement of a company's ability to generate profits from the use of all the resources or assets owned by a company. Apart from that, ROA can also be interpreted as the result of a comparison between a company's net profit and the total assets it owns and NPM is a measure of the comparison of the total amount of net profit with the total amount of revenue of a company. The benchmark that is often used in profitability is ROA (Return On Assets). Current Ratio is a true indicator of company liquidity because this calculation considers the relative relationship between current assets and current liabilities for each company. This ratio shows how quickly current assets can be converted into cash to meet short-term obligations.

Working capital used in operational activities is expected to be received back from the sales of business products produced within a short period. The shorter the business period, the faster the turnover of working capital so that the higher the level of profitability obtained. The existing working capital has not been able to be managed effectively and efficiently with respect to income in one period, because spending has not been structured, both business spending and non-business spending. So sometimes in the implementation of the business high costs arise which are not accompanied by high income.

The following is profitability data (ROA) on company size, current ratio and working capital turnover at PT. Bina Dana Arta Insurance Tbk.

Table 1. Profitability (ROA), Company Size, Current Ratio and Working Capital Turnover at PT. Bina Dana Arta Insurance Tbk. 2018 – 2022.

Tahun	Profitability (ROA)	Company Size	*Current Ratio*	Working Capital Turnover
2018	0,52	21,78	185,76	67,56
2019	1,44	21,67	194,55	88,83
2020	5,58	21,63	145,91	41,29
2021	6,30	21,64	172,44	43,51
2022	3,69	21,63	162,58	43,36

Sumber :Data olahan 2024

LITERATURE REVIEW AND HYPOTHESIS

1. Profitability

1. Understanding Profitability

Profitability is the company's ability to earn profits in relation to sales, total assets and own capital. Thus, long-term investors will be very interested in this profitability analysis. For example, shareholders will see the profits they will actually receive in the form of dividends. (Sartono, 2015: 122)

Profitability 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 shown by the profits generated from sales and investment income. The point is that the use of rationality shows the company's efficiency. (Kasmir, 2018:196)

Profitability is the company's ability to earn a profit from the capital used to produce the data. (Harjito, 2015:19)

Profitability is an analysis model in the form of a comparison of financial data so that the financial information becomes more meaningful. (Samryn, 2013 :417)

Profitability is measuring the company's ability to generate profits at certain levels of sales, assets and share capital. (Halim, 2013:83).

From this description, the researcher concludes that profitability is the company's ability to generate profits from its sales activities in order to provide information to shareholders. The profitability ratio is a ratio to assess a company's ability to make a profit. This ratio provides a measure of the level of management effectiveness of a company. This is addressed by profits generated from sales and investment income. (Kasmir 2018:198).

Profitability is the company's ability to earn profits in relation to sales, total assets and own capital. (Maming, 2019:130). It can be concluded that the level of success of a company can be seen from the profits it obtains. So the profitability ratio can be used to assess successful performance. The profitability ratio itself is a ratio that is usually used to measure or assess a company's ability to earn profits, where the profits obtained can be obtained from sales results or from the use of capital owned by the company.

2. Factors Affecting Profitability

Profitability is a ratio that measures a company's ability to generate profits. Return on Assets (ROA) is one of the profitability ratios. According to a quote from Brigham and Houston

(2011: 89), the profitability ratio shows the combined influence of liquidity, asset management and debt on operating results.

1). Liquidity Ratio.

This ratio measures the company's ability to meet its short-term obligations, which is calculated by comparing the company's current assets with current liabilities.

The liquidity ratio consists of:

a. Current Ratio, knowing the company's ability to fulfill its short-term obligations by comparing all liquid assets owned by the company with current liabilities.

b. Acid Test, measures a company's ability to fulfill short-term obligations using more liquid current assets, namely without including inventory elements divided by current liabilities. According to Brigham and Houston (2011:79), liquid assets are assets that can be converted into cash quickly without having to reduce the price of the asset too much.

2). Management Ratios. Assets "Asset management ratio (asset management ratio), measures how effectively a company manages its assets" (Brigham and Houston, 2011: 81).

3). Management Ratios.

Debt The asset management ratio determines the extent to which the company's ability to fulfill the company's long-term obligations (debt) is used to finance all company activities.

Debt management consists of:

a. Debts Ratio, knowing the percentage of funds provided by creditors.

b. Times Interest Earned (TIE), measures how much operating profit can decline until the company cannot meet its annual interest expense.

c. The Fixed Charge Coverage Ratio is almost similar to the TIE ratio, but recognizes that many of the company's assets are being leased and settlement funds must be paid.

The objectives of profitability ratios include measuring the company's ability to generate profits during a certain period, comparing the company's profit position from the previous year to the current year, assessing profit growth over time, measuring how much net profit is generated from each rupiah of funds embedded in total assets. as well as in total equity, as well as measuring gross profit margin, operating profit and net profit on sales. (Hery, 2014).

Based on the description above, it can be concluded that the aim of profitability is to know the amount of profit earned from year to year, to know the amount of net profit after tax with own capital and can be used by investors as a benchmark for assessing a company.

2. Company Size

1). Understanding Company Size

This research will calculate company size using the natural logarithm of total assets (natural logarithm of assets). (Raisa Pratiwi, 2017).

Company size is a scale where the size of the company can be classifiedaccording to various ways, including: Total Assets, log size, Sales and estimated market capitalization, etc. The bigger the company, the greater the total assets it owns. (Fachrizal, 2018).

2). Company Size Calculation

The calculation of company size according to Niresh (2014:76) is measured using two formulas, namely:

1. Company size = Ln Total Assets Assets are assets or resources owned by a company. The components or contents contained in an asset are divided into three categories, namely:

a. Current assets are assets that are relatively easy to convert into money, sell or use within one year. Current assets include; cash, receivables, inventory, prepaid expenses.

b. Fixed assets are assets belonging to a company that can be clearly measured (tangible) and are permanent. Fixed assets are purchased for the purpose of the company's own use and are not resold. Fixed assets can be divided into: tangible fixed assets (buildings, land, machinery, equipment and vehicles) and intangible fixed assets (goodwill, copyrights, patents, franchises and trademarks)

c. Other assets are assets that are not included in current assets and fixed assets that cannot be grouped into the criteria above. The greater the assets owned by a company, the company can invest in both current assets and fixed assets and also meet product demand. This will further expand the market share that will be achieved which will then affect the company's profitability.

2. Company size = Ln Total Sales

Sales is one of the marketing functions that is very important for the company to achieve the company's goals, namely making a profit to maintain the company's survival.

Sales is the turnover of goods or services sold, either in units or in rupiah. (Kasmir, 2018:305).

That way, the company's profits will increase, which in turn will also affect the company's profitability. (Reeve, et al, 2013:280).

The company size variable is measured by the Natural Logarithm (Ln) of total assets and total sales. This is because the total assets and total sales of each company are different and even have large differences, which can lead to extreme values. To avoid abnormal data, the data on total assets and total sales need to be aligned.

3. Current Ratio

1). Understanding Current Ratio

Current Ratio is a ratio that measures how far the cooperative's current assets can be used to meet its current obligations. Current Ratio Current Ratio is a type of liquidity ratio. The liquidity ratio is a ratio that describes the cooperative's ability to fulfill its maturing obligations.

Liquidity ratios can be used to measure the ability to meet short-term obligations when they fall due or in operational financing. Current Ratio is a ratio to measure the cooperative's ability to pay short-term obligations or debts that are immediately due when they are billed in full (Kasmir, 2018: 134).

The current ratio measures the cooperative's ability to meet its short-term debt using its current assets (assets that will turn into cash within one year of the business cycle) (Mamduh, 2016:75).

Current Ratio is the measure most commonly used to determine the ability to meet short-term obligations, because this ratio shows how far the demands of short-term creditors are met by

assets that are expected to become cash in the same period as the debt maturity (Sawir, 2014: 8) .

The current ratio or Current Ratio is a ratio to measure a company's ability to pay short-term obligations or debts that are due when they are collected in full. In other words, how much current assets are available to cover short-term liabilities (Kasmir, 2018: 134).

From the results of measuring the ratio, if the current ratio is low, it can be said that the company lacks capital to pay debts. However, if the ratio measurement results are high, it does not necessarily mean that the company's condition is good. This could happen because cash is not used as well as possible. Current assets generally produce lower returns compared to fixed assets. The higher this ratio, the greater the company's ability to pay its short-term obligations.

4. Working Capital Turnover

1). Understanding Working Capital Turnover

Working capital is essentially an amount that must be continuously available. The size of working capital depends on the type of company and determining the amount of working capital also has a very important meaning for the company, because if there is a lack of working capital to expand sales and expand production, it is very likely that the company will lose its income and profits (Reimeinda, 2016: 45).

"Working capital is a company's investment in short-term assets such as cash, securities (marketable papers), trade receivables and inventory" (Zuniarti, 2017: 125).

From the several definitions of working capital above, it can be concluded that working capital is capital used for daily activities in company operations. Working capital itself consists of current assets such as cash, securities, inventory and receivables owned by the company. The working capital owned by the company has a very important meaning for the company. The size of the working capital owned by the company will affect the profit or profit obtained by the company itself.

Based on the statement above, it can be said that working capital turnover is a ratio used to measure the effectiveness of a company's capital.

RESEARCH METHODS

This research was carried out at PT. Bina Dana Arta Insurance Tbk. using secondary data from the company in the form of Annual Profit and Loss Reports and Balance Sheets from 2018 to 2022 or a total of 5 years. The type and source of data used by the author in this research is secondary data (Quantitative). Data analysis uses normality test, heteroscedasticity test, multicollinearity test, autocorrelation test, multiple linear regression analysis. In this case, the data obtained is then processed with the help of SPSS and the multiple regression equation can be formulated as follows:

$Y = a + b1x1 + b2x2 + b3x3 + e$

RESULTS AND DISCUSSION

Normality Test Results

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		6
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	25.22461432
Most Extreme Differences	Absolute	.195
	Positive	.129
	Negative	-.195
Kolmogorov-Smirnov Z		.477
Asymp. Sig. (2-tailed)		.977

Based on the table above, the Kolmogorov-Smirnov Z value of Asymp. Sig. (2-tailed) namely 0.977. Because this value is greater than 0.05, it can be concluded that the data population on company size, leverage and profitability is normally distributed.

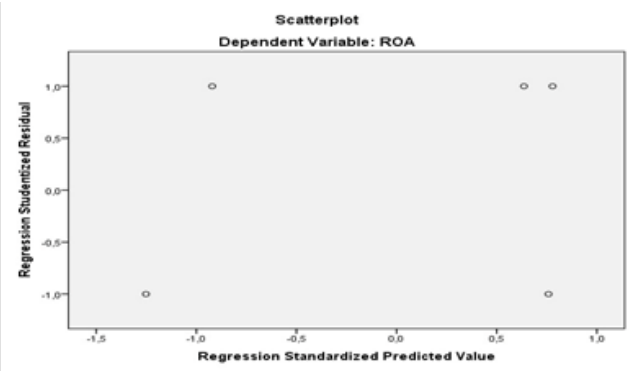
Multicollinearity Test Results

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	COMPANY SIZE	.641	1.560
	CURRENT RATIO	.207	4.838
	WORKING CAPITAL TURNOVER	.237	4.224

From the table above it can be seen that the amount of data does not have a VIF of more than 10, so it can be concluded that there is no multicollinearity.

Heteroscedasticity Test Results

This heteroscedasticity test is to test whether the data has the same variance or not. In this research, the results of the drasticity test can be seen as follows:



In the scatterplot graph, it can be seen that the points are spread randomly and evenly distributed above and below zero on the Y axis. This can be concluded that heteroscedasticity does not occur in this regression model. So the regression model can be used to predict the level of company value based on the input of independent variables.

Autocorrelation Test Results

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.921[a]	.849	.395	1.95673	1.836

a. Predictors: (Constant), WORKING CAPITAL TURNOVER, COMPANY SIZE, CURRENTRATIO
b. Dependent Variable: PROFITABILITY

From the table above, the Durbin Watson value > Alpha (1.836 > 0.05), meaning that among the independent variables in the regression equation model there is no autocorrelation.

Multiple Linear Regression Results

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	468.143	409.605		1.143	.458		
	COMPANY SIZE	-21.436	19.204	-.542	-1.116	.465	.641	1.560
	CURRENT RATIO	.028	.112	.211	.247	.846	.207	4.834
	WORKING CAPITAL TURNOVER	-.086	.096	-.715	-.895	.535	.237	4.224

a. Dependent Variable: PROFITABILITY

The multiple linear regression equation is as follows:
Y = 468.143 - 21.436 X1 + 0.028 X2 - 0.086 X3 + e
The regression equation above can be explained as follows:
1). The constant is 468.143
This means that the constant value shows that if the value of X1, X2 and X3 is zero then the value of Y is 468.143
2). The regression coefficient of X1 is -21.436
This means that if the value of Company Size (X1) increases by one unit, while the other variables are constant, variable Y will change by -21.436.
3). The regression coefficient X2 is 0.028
This means that if the value of Leverage (X2) increases by one unit, while the other variables are fixed, variable Y will decrease by 0.028.
4). The regression coefficient X3 is -0.086
This means that if the value of Profitability (X3) increases by one unit, while the other variables are constant, variable Y will increase by -0.086.

Coefficient of Determination Results (r square)

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.921[a]	.849	.395	1.95673	1.836

a. Predictors: (Constant), PERPUTARAN MODAL KERJA, UKURAN PRSHN, CURRENTRATIO

a. Dependent Variable: Profitabilitas

The termination coefficient is 84.9%, which means that the contribution of the independent variable to the dependent variable is able to explain 84.9%, while the remaining 15.1% is influenced by other variables not examined in this research.

F Test Results

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	21.498	3	7.166	1.872	.482[b]
	Residual	3.829	1	3.829		
	Total	25.326	4			

a. Dependent Variable: PROFITABILITAS

b. Predictors: (Constant), PERPUTARAN MK, UKURAN PRSHN, CURRENT RATIO

Dari table di atas dapat di ketahui bahwa secara simultan variable independent tidak berpengaruh signifikan terhadap variable dependennya. Karena Signifikannya lebih besar dari 0,05.

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Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	468.143	409.605		1.143	.458		
	UKURAN PRSHN	-21.436	19.204	-.542	-1.116	.465	.641	1.560
	CURRENT RATIO	.028	.112	.211	.247	.846	.207	4.834
	PERPUTARAN MK	-.086	.096	-.715	-.895	.535	.237	4.224

a. Dependent Variable: PROFITABILITAS

1). Company Size

Company size does not have a significant effect on the profitability value because the significant value of 0.465 is greater than 0.05.

2). Current Ratio

The Current Ratio does not have a significant effect on the profitability value because the significant value is 0.846 > 0.05.

3). Working Capital Turnover

Working Capital Turnover does not have a significant effect on the profitability value because the significant value of 0.535 is greater than 0.05.

CONCLUSION

a. Company size, Current Ratio and Working Capital Turnover simultaneously have no effect on the company value of PT. Bina Dana Arta Insurance Tbk.

b. Company size has no effect on profitability at PT. Bina Dana Arta Insurance Tbk.

c. Current ratio does not have any effect on profitability at PT. Bina Dana Arta Insurance Tbk.

d. Working Capital Turnover influences Profitability at PT. Bina Dana Arta Insurance Tbk.

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