

# The Effect of Debt and Working Capital on Profitability (Case Study on Retail Trade Sub-Sector Companies Listed on The Indonesian Stock Exchange Period 2020-2022)

Sayyid Abdul Ghany<sup>1</sup>, Seflidiana Roza<sup>2</sup>, Esi Sriyanti<sup>3</sup>

<sup>1,2,3</sup> Faculty of Economics, Mahaputra Muhammad Yamin Solok University, Indonesia

## ARTICLE INFO

### Article history:

Received Oct 02, 2023

Revised Nov 20, 2023

Accepted Jan 11, 2023

### Keywords:

Debt,  
Working Capital,  
Profitability

## ABSTRACT

This study aims to determine the effect of debt and working capital on the profitability of retail trade sub-sector companies listed on the Indonesian stock exchange for the 2020-2022 period. The financial ratios studied are Debt and Working Capital. The population in this research is retail trading sub-sector companies on the Indonesian Stock Exchange for the 2020-2022 period. The sample consisted of 24 companies that published complete financial reports for 3 years (2020-2022) using the purposive sampling method, namely a sample selection technique using certain criteria that the researcher had determined for the object under study. Data collection was carried out using documentation methods, literature study and accessing the web and related sites. Data analysis was carried out using multiple linear regression analysis. The research results show that the debt variable has a partially significant effect on profitability. Meanwhile, the working capital variable has a partially significant effect on profitability. Simultaneously, it was found that debt and working capital jointly influence profitability with  $R^2$  0.171 (17.1%).

*This is an open access article under the [CC BY-NC](https://creativecommons.org/licenses/by-nc/4.0/) license.*



## Corresponding Author:

Sayyid Abdul Ghany,  
Faculty of Economics,  
Mahaputra Muhammad Yamin Solok University,  
Jln. General Sudirman No. 06 Solok City, Indonesia.  
Email: [sayyidabdulghany1998@gmail.com](mailto:sayyidabdulghany1998@gmail.com)

## 1. INTRODUCTION

Facing business competition, a business entity must really pay attention to a very fundamental thing, namely capital. In order to be productive in facing competition, companies must pay special attention to the use of their funds. Provision of funds can come from internal sources, namely own working capital/retained profits and external sources, namely debt (short-term debt and long-term debt). Under certain conditions a company can meet its funding needs by prioritizing internal sources, but due to company growth, the need for funds will become greater. In meeting these funding needs, the company must use funding sources that come from outside the company, namely debt.

Debt is one of the factors that influences a company's profitability, according to (Diana & Fani, 2021). Debt is often referred to as a liability, in simple terms it can be interpreted as a financial obligation that must be paid by the company to other parties. Companies use debt to finance various needs required by the company, for example to buy assets, raw materials, etc. Debt is an obligation to hand over money, goods or services to another party in the future as a result of transactions that have occurred in the past or previously. Judging from the repayment period or means of paying off debt, it can be divided into two groups, namely short-term debt (current debt) and long-term debt. Debt is one of the factors in increasing or decreasing profits generated by a company each year. If the debt obtained by the company increases, it is hoped that it will have a positive impact on

increasing profits so that the company's survival in the future will be guaranteed. The greater the debt, the greater the expected profitability.

Working capital is also one of the factors that influences profitability, according to (Diana & Fani, 2021) working capital is the funds owned by the company which are entirely used to generate profits in accordance with the company's main business. Working capital is an important factor in every business operational activity. The company's working capital must be adequate, because one of the company's failures is insufficient working capital. Not a few companies in our country need working capital to be able to fund the company's business activities. In operating its business, the company has a target of making a profit so that the company strives to maintain company continuity and strives to expand its business.

Apart from debt and working capital to support company activities, the issue of profitability is also important because it concerns the survival of a company. A company must always be in a profitable situation, because without profits it will be difficult for the company to attract capital from outside. The company management will try to increase these profits, because they are very aware of how important profits are for the company's future. Profitability can show a company's ability to gain profits in a certain period. Therefore, company management must be able to make appropriate decisions and policies regarding the use of funds originating from outside and within the company, namely debt and working capital. So that the company can remain in a profitable condition.

## 2. RESEARCH METHOD

Based on the problem formulation put forward, the type of research that the author uses is quantitative research. Quantitative research is research that obtains data in the form of figures obtained in the audited financial reports of retail companies on the retail trade sub-sector stock exchange for the period 2020, 2021 and 2022 obtained from the Indonesian stock exchange.

The data used in this research is secondary data. Secondary data in this research are the financial reports of sub-retail trading companies which have been audited by a Public Accounting Firm. The data sources in this research were obtained from companies listed on the Indonesian Stock Exchange through various books, company literature and other data, as well as internet sites related to the research object.

## 3. RESULTS AND DISCUSSIONS

### The Effect of Debt on Profitability

Based on the testing, the results obtained show that debt has an effect on profitability in retail trade sub-sector companies listed on the Indonesian Stock Exchange for the 2020-2022 period. Thus, the first hypothesis (H1) in this research is accepted, meaning that debt assessment has a contribution in influencing profitability. This is proven by the results of the analysis in table 4.7. It can be seen from the results that the t count is  $3.366 > t$  table  $1.667$  and the significant value is  $0.001 < \alpha$   $0.05$ . This means that the debt variable influences profitability.

This is in line with research conducted by previous researchers, (sari lianita, 2020), the results of hypothesis testing show that the debt variable for cosmetics and household goods companies on the Indonesian Stock Exchange has an effect on profitability.

### The Effect of Working Capital on Profitability

Based on the tests, the results showed that working capital influences the profitability of retail trade sub-sector companies listed on the Indonesia Stock Exchange for the 2020-2022 period. Thus, the second hypothesis (H2) in this study is accepted, meaning that working capital has an influence on profitability. It can be seen from the calculated t value is  $2.720 > t$  table  $1.667$  and the significant value is  $0.008 < \alpha$   $0.05$ . This means that the working capital variable influences profitability.

This is in line with research conducted by, (nurul jannatul, 2018) the results of hypothesis testing show that the working capital variable at the Lippo Karawaci Tbk company has a positive effect on profitability. Contrary to research conducted by, (Septiano et al., 2022) the working capital variable has no effect on profitability in Pharmaceutical Sub-Sector Manufacturing Companies in 2016-2020.

The Effect of Debt and Working Capital on Profitability

Simultaneous test results using the F test show that debt and working capital have an effect on profitability with calculated F being  $7.130 > F$  table  $3.130$  and a significant value of  $0.002 < \text{sig } \alpha$   $0.05$ . This means that debt and working capital simultaneously influence profitability. This means that the larger or smaller the debt and working capital will cause profitability to increase or decrease.

The results of this research are in line with research conducted by, (nurul jannatul., 2018). Hypothesis test results also show that debt and working capital have a significant effect on profitability at the Lippo Karawaci Tbk company.

#### **Coefficient of Determination**

The determination value is determined by an R Square of  $0.171$  or  $17.1\%$ . This means a low percentage of the independent variables debt and working capital on the dependent variable, namely profitability. The remaining  $82.9\%$  was influenced by other factors not examined in this study.

#### **4. CONCLUSION**

This research aims to see the extent of debt and working capital on profitability.

##### **The Effect of Debt on Profitability**

Through hypothesis testing, debt has a positive and significant effect on profitability. The calculated t value is  $3.366 > t$  table  $1.667$  and the significant value is  $0.001 < \alpha$   $0.05$ , it is said that debt has an influence on profitability. Because the significant results are smaller than the targeted significant level.

##### **The Effect of Working Capital on Profitability**

Through hypothesis testing, working capital has a positive effect on profitability. The calculated t value is  $2.720 > t$  table  $1.667$  and the significant value is  $0.008 < \alpha$   $0.05$  which is said to be working capital on profitability. Because the significant results are smaller than the targeted significant level.

##### **The Effect of Debt and Working Capital on Profitability**

Simultaneous test results using the F test show that debt and working capital have an effect on profitability with calculated F being  $7.130 > F$  table  $3.130$  and a significant value of  $0.002 < \text{sig } \alpha$   $0.05$ . This means that debt and working capital have an effect on profitability. Apart from that, it can also be seen from the R Square coefficient of determination value of  $0.171$  or  $17.1\%$ . This means a low percentage of the independent variables debt and working capital on the dependent variable, namely profitability. The remaining  $82.9\%$  was influenced by other factors not examined in this study.

#### **Suggestion**

It is also hoped that this research can provide input so that companies should reduce debt more because more debt is dangerous for a company's finances. Companies should continue to increase the value of working capital so that the financial health of a company is maintained and controlled.

In this research, the sample used is only the financial reports of retail trading companies, so the conclusions resulting from this research cannot be generalized to other industries. To get better research results, it is best for future research to expand the research sample so that it can describe a better sample group.

For other researchers, it is hoped that the results of this research can be used as a reference for studying other variables besides debt, capital and profitability issues which have been discussed by various authors and indicators, and are supported by the latest theories or researchers can conduct research by adding other variables such as company size.

#### **REFERENCES**

Diana, & Fani, J. (2021). Pengaruh Hutang, Modal Kerja, dan Penjualan Pada Sektor Food and Beverage yang Terdaftar di Bursa Efek Indonesia Pada Tahun 2014-2018. *Jurnal Manajemen*,

- 7(1), 25–42. <http://ejournal.lmiimedan.net>
- Firdaus, A. (2021). *Pengaruh modal kerja terhadap profitabilitas pada perusahaan sub sektor makanan dan minuman yang terdaftar di bursa efek indonesia (bei) periode 2013-2019*. *hariyanti*, 2016. (n.d.).
- Hartati, L., & Marsoem, B. S. (2021). Pengaruh Hutang Jangka Pendek Dan Hutang Jangka Panjang Terhadap Profitabilitas. *Jmbi Unsrat (Jurnal Ilmiah Manajemen Bisnis Dan Inovasi Universitas Sam Ratulangi)*, 8(2). <https://doi.org/10.35794/jmbi.v8i3.35718>
- Ibrahim, N. A. (2017). Pengaruh Modal Kerja Terhadap Profitabilitas Perusahaan PT Pelabuhan Indonesia IV (Persero). ...: *Universitas Hasanuddin, Fakultas Ekonomi Dan Bisnis* ... <https://core.ac.uk/download/pdf/77630668.pdf>
- Indriani, N. A., Anggriani, S., & Eriswanto, E. (2020). Pengaruh Hutang Jangka Panjang Terhadap Return on Investment Pada PT Kalbe Farma Tbk. *Jurnal Ilmu Manajemen Retail (JIMAT)*, 1(2).
- Jusriani, I. F., Rahardjo, Shidiq Nur pada tahun 2013 yang berjudul “Analisis Pengaruh Profitabilitas, Kebijakan dividen, Kebijakan Hutang, dan K. M. T. N. perusahaan (studi emepiris pada perusahaan manufaktur yang, & 2009-2011”, T. di B. E. I. periode. (2013). Analisis Profitabilitas, Kebijakan Dividen, Kebijakan Utang, Dan Kebijakan Manajerial Terhadap Nilai Perusahaan. *Jurnal Akuntansi Diponegoro*, 2(2), 1–10.
- Kalbuana, N., Yohana, Y., Bp, A. I., & Cahyadi, C. I. (2021). Pengaruh Ukuran Perusahaan, Kebijakan Hutang, Profitabilitas Terhadap Nilai Perusahaan (Studi Kasus Perusahaan Properti Yang Terdaftar Di Bursa Efek Indonesia Tahun 2016 – 2020). *Jurnal Riset Akuntansi Politala*, 4(2), 58–66. <https://doi.org/10.34128/jra.v4i2.79>
- Murti, W., & Indrayeni, N. (2020). Pengaruh Kas dan Hutang Jangka Pendek Terhadap Laba Bersih PT. Kalbe Farma, Tbk. *Jurnal Akuntansi*, 14(2). <https://ejournal.borobudur.ac.id/index.php/akuntansi/article/view/817>
- Rahmayanti, T. S., Saladin, H., & Sudiyanto, T. (1845). *Pengaruh Hutang Dan Pembagian Dividen Terhadap Harga Saham Pada Perusahaan Manufaktur Subsektor Makanan Dan Minuman Yang Terdaftar Di Bursa Efek Indonesia Pendahuluan Perusahaan sangat membutuhkan tambahan capital atau modal demi mennaikkan pendapatan per. 05*, 161–172.
- Rismadewi, R., Ekonomi, F., Mahaputra, U., & Yamin, M. (n.d.). *Perusahaan Jasa di Bursa Efek Indonesia - SahamOK.com*. 1–11. <https://www.sahamok.net/perusahaan-jasa-di-bei-bursa-efek-indonesia/>
- Rosyidah. (2013). *Pengaruh Efek Sektor, Jenis Laporan Keuangan dan Laba Terhadap Ketetapan Waktu Penyampaian Laporan Keuangan ( Studi Empiris pada Perusahaan Keuangan dan Manufaktur yang Terdaftar di Bursa Efek Indonesia Tahun 2011)*.
- Roza S. (n.d.). *Pengaruh Cash Flow Dan Debt Ratio Terhadap Struktur Modal Perusahaan Tekstil Dan Garmen Yang Terdaftar Di Bursa Efek Indonesia*.
- Salsabila, A. (2015). Pengertian Laporan keuangan, Tujuan Laporan Keuangan dan Analisis Laporan Keuangan. *Jurnal Akuntansi*, 53(9), 1689–1699.
- Seflidiana, N. (2020). *Dampak Pertumbuhan Modal Dan Utang Terhadap Kinerja Keuangan Perusahaan Sub Sektor Kontruksi Dan Bangunan Yang Terdaftar Di Bursa Efek Indonesia ( BEI ) Tahun 2016-2020*. 2(1), 18–30.
- Suparyanto&Rosad. (2021). *Pernyataan Standar Akuntansi Keuangan 2021*.
- Tnius, N. (2018). Pengaruh Modal Kerja Terhadap Profitabilitas Pada Pt. Hanjaya Mandala Sampoerna Tbk. *Jurnal SEKURITAS (Saham, Ekonomi, Keuangan Dan Investasi)*, 1(4), 66–79. <https://doi.org/10.32493/skt.v1i4.1380>