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Analysis of Working Capital Turnover, Company Size, and Profitability at PT. Maxis Paragon, Gunungsitoli City, Years 2019-2022

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ABSTRACT

The study aims to analyze working capital turnover, company size, and profitability at PT Maxis Paragon in Gunungsitoli City from 2019 to 2022. It's a descriptive study using secondary data, focusing on the company's financial reports. The findings indicate a healthy working capital turnover, exceeding the standard of >1 time. PT Maxis Paragon falls into the medium-sized enterprise category, with net worth ranging from Rp. 500 million to Rp. 10 billion and annual sales from Rp. 2.5 billion to Rp. 50 billion. However, profitability, measured by Return on Assets (ROA), shows substandard performance (<5.98%). Return on Equity (ROE) was below standard (<8.32%) for 2019-2020 but improved above standard for 2021-2022. Net Profit Margin (NPM) also indicates below-standard performance (<3.92%). These results suggest areas for improvement in profitability despite healthy working capital turnover and medium-sized enterprise status.

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1. INTRODUCTION

Essentially, every organization has fundamental objectives, particularly to maximize benefits. An organization's capacity to generate benefits can be estimated by assessing its ability to utilize resources and assets profitably and how it supervises organizational operations. Generally, an organization's financial presentation is an effort to evaluate its capacity to generate benefits, enabling it to identify potential developments and enhancements achieved. The financial performance of a company depicts actions taken to achieve business goals over time. Organizational execution can be anticipated by dissecting and evaluating past financial statements, used to anticipate financial positions and future financial executions. Financial statements reflect changes in a company's financial condition and are significant for both the organization and the company. They can reflect the accomplishments of a company during a specific period. They also provide an insight into the benefits obtained by an organization during a specific period (Nugraha et al., 2022).

A company's financial performance can be observed through working capital turnover, profitability generated by the company, and the size of the company. According to Kasmir, working capital turnover is a ratio used to assess or measure a company's working capital effectiveness. According to Irham Fahmi, working capital refers to a company's investment in short-term assets such as cash, receivables, securities, and inventory. Effective working capital management is achieved when it does not lead to excesses or shortages and meets established standards, thus providing satisfactory results (Civelek et al., 2022).

The faster the working capital is utilized, the more products can be sold, thereby increasing profitability. However, if a company holds onto many current assets, the opportunity for profit becomes limited. Therefore, reducing the amount of working capital by increasing its turnover is essential. The faster the working capital turnover, the less capital is required, resulting in increased profits. A high working capital turnover rate reflects a company's ability to profit from sales, ultimately enhancing profitability (Agyei, 2018). When profit margins remain stable, it indicates good business performance. Investors will have high confidence and tend to invest because they believe that the company's profitability will remain consistent. Conversely, if profitability is unstable, investor confidence will decrease, leading to a lack of interest in investment. Productivity reflects how an organization operates to provide benefits. It can be measured by combining the benefits generated by company activities with the resources used to create those benefits.

Profitability is a company's ability to obtain profits within a specific period. Profitability ratios include gross profit margin (GPM), operating income ratio, operating ratio, return on investment (ROI), net profit margin (NPM), return on assets (ROA), and return on equity (ROE). Return on Assets (ROA) is a crucial financial analysis method in financial accounting. ROA measures how effectively a company uses all the funds invested in its assets to generate profits through business operations. The higher the ROA value, the better the company's performance in generating net profit relative to total assets owned. Return on Equity (ROE) measures a company's ability to generate profits after tax using its own capital. ROE indicates the company's ability to generate after-tax profits using its own capital. A higher ROE means more efficient use of the company's own capital by management. Net Profit Margin measures a company's ability to generate net profit from sales. This ratio reflects the efficiency of production, personnel, marketing, and financial departments (Sulistianingsih & Santi, 2023).

Every action taken by a company requires funding, both to run daily operational activities and to support long-term investments. The financial health and growth of a company reflect the level of efficiency in its operations, which is key to maintaining its competitiveness in the market. High profitability levels indicate a favorable condition for the company. Some factors influencing company profitability include working capital turnover and the company's operational scale. Company size is a parameter used to classify companies based on various methods, such as total assets, logarithmic scale, stock market value, and others. The company's size affects its capacity to withstand risks from various situations it may face. Larger companies tend to have lower risks than smaller ones because they have stronger market control, enabling them to cope with economic competition better. Additionally, company size often determines investor confidence levels, often measured by the total assets owned by the company (Frimpong et al., 2022).

Companies with large total assets indicate that they have reached a mature stage, where their cash flow is positive and they are viewed as having good long-term prospects. It also indicates that the company is relatively more stable and capable of generating better profits than companies with smaller total assets. According to (Agyei, 2018) profitability ratios depict a company's ability to obtain profits through all available means, such as sales activities, cash, capital, the number of employees, the number of branches, and others. The benefits and objectives of applying profitability ratios are to observe profit acquisition within a specific time frame, identify differences in profit amounts from the previous year to the current year, observe differences in profit acquisition over time, determine the company's net profit, observe the results of working capital turnover, measure the company's ability to utilize existing resources, and other objectives and benefits. The higher the profitability ratio value, the better the operational performance in obtaining profits.

The research results of (Msomi & Nzama, 2022) indicate that based on the profitability ratios at PT. Maxis Paragon, Net Profit Margin (NPM) and Return On Equity (ROE) are considered less than good because their average ratios are below the industry average. Meanwhile, Return On Assets (ROA) is considered good because its average ratio is above the industry average, meaning the company can efficiently utilize company assets to generate profits. Based on the financial statements of PT Maxis Paragon Gunungsitoli for the period 2019-2022, it is known that the large amount of inventory or the condition of accumulated goods will cause the profitability at PT Maxis Paragon Gunungsitoli to not rotate. Given the aforementioned background, the author is interested in conducting research titled "Analysis of Working Capital Turnover, Company Size, and Profitability at PT Maxis Paragon in Gunungsitoli City for the Period 2019-2022."

2. RESEARCH METHOD

The research methodology used in this study is a quantitative approach. The quantitative approach is a systematic scientific approach to the parts and phenomena as well as the causality of their relationships (Owusu et al., 2019). The purpose of quantitative research is to develop and use mathematical models, theories, and/or hypotheses related to a phenomenon. This study falls under the descriptive research type, which describes or portrays a situation objectively, using secondary data, namely data obtained from the financial statements of PT. Maxis Paragon Gunungsitoli for the period 2019-2022.

The research variables used are working capital turnover, company size, and profitability. Working capital turnover is calculated using a formula adapted from Kasmir (2018), while the size of the company is measured based on Law No. 20 of 2008. Company profitability is calculated using a formula adapted from Siswanto (2021) with interpretations based on profitability ratios according (Nkundabanyanga et al., 2014).

Data collection techniques are carried out through observation of secondary data, namely the financial statements of PT. Maxis Paragon Gunungsitoli for the period 2019-2022. Data collection instruments use documentation and literature review methods. The data analysis technique used is descriptive testing to describe the company's situation objectively. This research is conducted at PT Maxis Paragon Gunungsitoli, a consumer goods distributor located in the city of Gunungsitoli.

3. RESULTS AND DISCUSSIONS

In this discussion, the working capital turnover at PT Maxis Paragon Kota Gunungsitoli shows a stable trend during the period of 2019-2022. Despite experiencing minor fluctuations, the turnover remains within the healthy category, indicating the company's ability to utilize working capital to generate net sales (Fauzi et al., 2020). This is crucial as it reflects how often the company's working capital revolves within a year, which in turn affects its success in managing day-to-day activities such as inventory purchases and employee payments.

Furthermore, PT Maxis Paragon Kota Gunungsitoli is classified as a medium-sized enterprise based on its total assets and sales results over a single period. However, the company has demonstrated consistent growth in size and sales performance from year to year, reflecting its ability to compete and sustain its business amid tough market competition (Shah et al., 2021).

The profitability of PT Maxis Paragon Kota Gunungsitoli is evaluated through three main ratios: Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM). Although ROA increased in 2021 but declined in 2022, with a less than favorable category. This indicates that the company has not maximized the management of all its assets to generate optimal profits. While ROE increased in 2021 but decreased in 2022, with a good category, indicating that the company's use of its own capital is still not optimally efficient in generating profits. Meanwhile, NPM fluctuated during the same period and remained below the industry standard. This suggests that the company needs to improve efficiency in controlling its operational costs to increase net profit from sales (Ngek, 2016).

Overall, although PT Maxis Paragon Kota Gunungsitoli has shown stable performance and consistent growth in several aspects, there is still room for improvement in managing working capital, efficiently using capital, and controlling operational costs to enhance overall profitability. In analyzing the working capital turnover at PT Maxis Paragon Kota Gunungsitoli, it's evident that the company has maintained a healthy turnover rate throughout the observed period. This stability suggests that the company has effectively managed its working capital to support its day-to-day operations. By ensuring a steady flow of working capital, PT Maxis Paragon can sustain its activities, including purchasing inventory and meeting employee salary obligations, without facing liquidity issues. This efficient management of working capital contributes to the company's overall financial health and operational resilience (Thomas, 2023).

Moreover, the classification of PT Maxis Paragon as a medium-sized enterprise underscores its growth trajectory and market presence. The company has demonstrated consistent expansion in both total assets and sales revenues over the years, reflecting its ability to navigate competitive market landscapes and capitalize on growth opportunities. As a medium-sized enterprise, PT Maxis Paragon occupies a crucial position within the market, serving as a key player in its industry and contributing to economic development in its locality (Satria et al., 2023).

However, despite the overall positive performance, the profitability ratios reveal areas where PT Maxis Paragon could enhance its financial performance. While Return on Assets (ROA) and Return on Equity (ROE) experienced fluctuations, with both indicators showing mixed results over the observed period, there is room for improvement in optimizing asset utilization and capital efficiency. Additionally, the Net Profit Margin (NPM) remained below the industry standard, indicating that the company needs to focus on cost management strategies to improve profitability. These findings suggest that PT Maxis Paragon could benefit from implementing measures to enhance operational efficiency and maximize returns on investment, thereby boosting its overall profitability and long-term sustainability (Hamdana et al., 2022).

4. CONCLUSION

Based on the calculation results and analysis of working capital turnover, company size, and profitability at PT Maxis Paragon Kota Gunungsitoli, several important conclusions can be drawn. First, the turnover of working capital in the company falls into a healthy category, indicating efficient working capital management. Second, PT Maxis Paragon Kota Gunungsitoli can be classified as a medium-sized enterprise, indicating stable market presence and growth. However, third, the profitability of the company varies, with ROA, ROE, and NPM sometimes falling below industry standards. This conclusion suggests that the company needs to improve operational efficiency and financial management to maximize profits (Toth & Kasa, 2022). From the recommendations provided, the company is advised to evaluate and enhance the effectiveness and efficiency of financial performance management. Controlling business debt burdens is considered crucial, as it affects the company's equity value and total assets. Additionally, inventory management needs to be improved to avoid stockpiling, which can impede profitability. Consequently, the company is expected to generate larger profits with increased ROA, ROE, and NPM values, as well as improving overall financial performance. It is essential for the company to continue maintaining financial performance to maximize profits from every sale, which ultimately will have a positive impact on overall financial performance.

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