Measurement Of Food And Beverage Company Profitability For 2014-2018 Using Working Capital, Debt To Equity Ratio And Current Ratio

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Abstract : This research was conducted to determine the impact of working capital, debt to equity ratio and current ratio on the company's ability to generate profits. The companies selected are those that are members of the food and beverage sector, where the number of samples selected is 23 companies during 5 research periods. The method used is descriptive verification. The results showed that only der variable had an effect on ROA, while WC and Cr had no effect on ROA.

Keywords: ROA, WC, DER and CR**.**

1. Introduction

Companies in carrying out their operations really need financial reports as a way to obtaininformation on *progress* reports on financial position and the results obtained as *outputs* in carrying out their operations. Financial reports are of course very useful for investors in planning investment to see the extent of success they have achieved. According to Asiah (2011) there is a need for careful planning in analyzing financial performance in a company.

There are various aspects that need to be considered in measuring financial performance, especially the expectations of those who invest their funds, in this case the company must be able and able to manage funds originating from investors, by assessing how much *capital gain the* company can generate. The higher the level of *capital gains* , the higher the company value. This condition usually occurs in Public Companies (Tbk), which trade their shares on the capital market or stock exchange (Juri, 2010).

The *food and beverages* sector is an important sector because this industry is engaged in basic needs.company, *Food and beverages* including a rapidly growing industry, as evidenced by the growing number of companies listed in Indonesia Stock Exchange from period to period. In 2014-2018, there were 16companies *food and beverages* in Indonesia. This industry is one of the industries that survives in the midst of Indonesia's economic conditions and is expected to have a beneficial impact on various parties including the community in meeting their needs.

According to the Indonesian Food and Beverage Entrepreneurs Association (Kemenperin), some of the external challenges faced by food and beverage companies are the lack of synergy in taxation and retribution regulations, high prices for raw materials and packaging, national energy policies, limited infrastructure, and high interest rates for loans / loans. in Indonesia. For the internal side, all depends on the effective and efficient implementation of strategy by company management. In order to survive in the midst of intense industrial competition, the management of a *food and beverage company* must be able to attract investors by providing good financial information.

According to the minister of industry, Hartarto, the growth of the food and beverage industry in 2016 increased by 8.4%. The following is a table of data on the growth of the *Food and Beverages* industry according to Industry Minister Hartarto.

Industrial Growth Data 2014-2018

Year	Industrial Growth
2014	8.15%
2015	8.90%
2016	10.40%
2017	8.16%
2018	9.8%

Source: www.kemenperin.go.id

The table above illustrates the development of thesector *food and beverages,* of course it will attract investors because this growth is above the economic growth of 5.02. *Supply* is constant, while *demand* will always increase in line with the increase in population and the increase in human needs for food and drink.

Currently the development and competition in the industry is very fierce, causing a competitive advantage to have developed and it involves the importance of the company's financial performance. Return on Asset is an indicator for measuring the company's financial performance and Return on Asset is included in the profitability ratio which is used to measure the effectiveness of the company in generating profits by utilizing its total assets. Return on Asset is the ratio between EBIT profit after tax to *total assets*. The bigger the Return on Assets presentation, the better the company's performance. Evaluation of company performance can be done using financial statement analysis which can be done using financial ratios. The ratios used to assess the company's financial performance include liquidity ratios, leverage ratios, activity ratios, and profitability ratios.

In a company, good working capital management is needed, this is because working capital management will have a major influence on the company's operational activities, in this case the company's revenue, the company's revenue will be reduced by cost of goods sold and operating expenses and other expenses until a profit or loss is obtained. . According to Riyanto (2001), working capital is a value or asset in the form of assets that can be immediately turned into cash and used for daily needs, for example for employee salaries, transportation costs, purchasing raw materials, paying debts and others. -other. Manager (leader) as the person in charge or supervisor of working capital management.

The solvency ratio is related to the external company, namely the extent to which a company uses financing through debt or financial leverage. Financial leverage can be a double-edged sword. In normal circumstances, the company gets the return from the investment funded by the loan proceeds greater than the interest paid, then the return on the owner's capital will be enlarged or leveraged. During a recession, sales are lower and costs are higher than expected, so the rate of return on equity of the leveraged company will fall sharply, and there will be losses. Meanwhile, debt-free companies will still benefit.

Companies that have a relatively high debt ratio will have higher return expectations when the economy is in a normal state, but have a risk of loss when the economy goes into recession. Therefore, the decision to use debt requires companies to balance the expected level of higher returns with increased risk (Brigham, 2006). Leverage means the use of fixed costs in an effort to increase profitability (Van Horne, 2005). Therefore, the leverage ratio, namely the ratio of debt to equity (Debt to Equity Ratio) is used as a variable to test its effect on company profitability. Thus, it is also necessary to see how much growth that occurs in the company by using sales growth which has an important role in working capital management. To find out how much sales growth is, it is also easy to see how much profit the company will get. The larger the company scale, the profitability will also increase, but at a certain point or amount, the size of the company will eventually decrease the company's profit. Therefore, with increasing sales, the company can cover the costs incurred during the production process. That way the company's profits will increase.

The liquidity of a company shows the company's ability to finance the company's operations, it can carry out its obligations, namely its short-term obligations. In the company's liquidity ratio, it can be measured through financial ratios such as: *current ratio, cash ratio* and *quick ratio*. The liquidity of a company can be a predictor of measuring the level of financial performance (*non-investment returns*).

Based on the above introduction, the problems examined in this study are formulated as follows:

1. Is there an effect of ROA on the toilet?

2. Is there an effect of ROA on DER?
3. Is there an effect of ROA on CR?

Referring to the above problems, this study aims as follows:

1. To determine the effect of ROA on WC.
2. This is to determine the effect of ROA on DER.
3. To determine the effect of SIZE ROA on CR.

2. Literature review

***Return on Assets* (ROA)**

Return on Assets (ROA) is one of the profitability ratios. In financial statement analysis, this ratio is most often highlighted, because it is able to show the success of the company in generating profits. ROA is able to measure the company's ability to generate profits in the past to be projected in the future. Assets or assets in question are the total assets of the company, which are obtained from own capital or from foreign capital which has been converted by the company into company assets which are used for the survival of the company.

According to Syamsuddin (2009) Return On Asset can be calculated with the following formula:

$$ROA = \frac{\text{Net Profit After Texas}}{\text{Total Assets}}$$

Working Ratio

Working Capital or net working capital. The ratio of net working capital is used to determine the ratio of net capital to current liabilities.

According to Martono and Agus D. Harjito (2005) the current ratio can be calculated with the following formula:

$$WC = \frac{\text{Current Assets - Current}}{\text{Liabilities Current Liabilities}}$$

Debt to Equity Ratio

Debt to Equity Ratio is a ratio that shows the percentage of provision of funds by shareholders against the lender. The higher the ratio, the lower the company's funding provided by shareholders. From the perspective of the ability to pay long-term obligations, the lower the ratio, the better the company's ability to pay long-term obligations.

According to Martono and Agus D. Harjito (2005) debt to equity ratio can be calculated with the following formula:

$$DER = \frac{\text{Total Liabilities,}}{\text{Total Equity}}$$

Current Ratio

Current ratio is the ability of the company's current assets to meet short-term liabilities with current assets owned. This short-term liquidity is important because short-term cash flow problems can result in a company going bankrupt. The most obvious case is in the banking sector, where if customers take large-scale funds in the short term (rush), the bank will experience liquidity problems which in turn result in bankruptcy.

According to Martono and Agus D. Harjito (2005) current ratio can be calculated with the following formula:

$$CR = \frac{\text{Current assets Current}}{\text{Liabilities}}$$

2.1. Hypothesis

The hypothesis formulated is:
H_1 = Working Capital affects ROA
H_2 = Debt to Equity Ratio affects ROA
H_3 = Current Ratio affects ROA

3. Research method

This study uses descriptive and verification research methods, the definition of descriptive methods according to Sugiyono (2013) is research conducted to describe independent variables, either only on one or more variables (independent variables) without making comparisons and looking for those variables with other variables, The verification method according to Sugiyono (2013) is research conducted on a particular population or sample with the aim of testing the predetermined hypothesis.

4. Research results and discussion

After going through model testing to determine the best model, followed by a classic assumption test to ensure that the data is suitable for use, the best model is obtained as follows:

Table 1.
Random Effect Model Test

Variable	Probability	Decision
WC	0.6916	Rejected
DER	0.0014	Accepted
CR	0.4830	Rejected
Adjusted R-squared	0.068216	

Source: output eviews 9 The

company's profitability as measured by ROA can be explained by the WC, DER and CR variables only at 6.82% while the rest is explained by other variables not included in the variables studied at 93.18%. To answer the hypothesis previously stated, it is known that there is only one variable that has an effect on ROA with the probability criterion being smaller than alpha (with a probability value of 0.0014 <0.05). The results of this study are in line with the results of research conducted by Jannati (2013), and Kurniawati (2014), which states that leverage has a positive and significant effect on profitability. It is revealed that companies with high levels of profitability have low levels of debt, because companies with high profitability have sources. abundant internal funds. Meanwhile, the hypothesis which states that WC and CR have an effect on ROA is rejected because it has a greater probability value than alpha (with the probability value of each variable being 0.6916> 0.05 and 0.4830 <0.05). This research is in line with that conducted by Burhanudin (2017) which states that working capital does not have a significant effect on profitability. This shows that manufacturing companies in Indonesia rely on the company's current assets to generate profits. The company maintains the amount of current assets at an optimal value with the aim of meeting maturing short-term liabilities and avoiding a decrease in the company's profitability (Muhamad & Saad 2010). Likewise, the results of this study are supported by the results of research conducted by Anggarsari & Aji, 2018 that the current ratio has no effect on profitability. Liquidity that continues to increase cannot take advantage of the opportunity to get bigger profits. A company whose current ratio is too high is also not good, because it shows the large number of idle funds which in turn can reduce the company's ability to earn profits. Empirical evidence also shows that companies with low current ratios are more able to produce better profitability than companies with high current ratios.

5. Conclusion

The results of this study indicate that what happens in the food and beverage sector is conformity with existing conditions, which is not a guarantee that the sector that is definitely needed by the community will be a sector that is attractive to investors. The tendency of profit taking is carried out by investors where only the DER variable has an effect on ROA, investors evaluate how much the company's total debt is borne by the company's own capital which will have an impact on the rate of return on the value of the investment made. Although it has no effect, working capital and current ratio should also be taken into consideration for both investors and companies, because these two variables can describe working capital management, which is the concept of processing current assets owned by companies such as cash, tradable securities, accounts receivable, and inventories, and includes current debt financing to boost current assets. In addition, working capital management is a concept that enables the management of current assets so that they can be converted into cash back effectively and efficiently so that they can affect the company's profitability. In addition, the current ratio that is too high for the company is not too good because it shows the large number of idle funds which in turn can reduce the company's profitability, so that the current ratio must be maintained so that it remains stable so as not to reduce the level of company profitability.

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