# Influence of Company Size, Capital Turnover, Leverage, Activity to Profitability Ratio in Automotive Companies Listed on IDX Period 2017-2021

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**Abstract** This study aims to determine the effect of variables Size Cash Turnover, Accounts Receivable Turnover, Leverage, activity ratio in the company. This research is a quantitative research using secondary data. The population in this study were all companies listed in the Automotive Sub-Sector Listed on the IDX for the 2017-2021 period, totaling 13 companies. The sampling technique used in this research is using purposive sampling. The sample in this study amounted to 8 companies with a financial reporting period of 5 years. Analysis of the data used using multiple regression analysis, and processed using Eviews version 10 software. The results of the study with multiple regression analysis showed that partially the variable size had a positive and significant effect on profitability, Cash Turnover, and Leverage Receivable Turnover, had no significant effect. on Profitability, while the Activity Ratio variable has a significant and positive effect on Profitability of the Automotive Sub-Sector companies listed on the IDX for the period 2017-2021. Meanwhile, the variables of Cash Turnover, Accounts Receivable Turnover, Leverage, Activity Ratio, have a significant effect on Profitability in Sub-Sector companies. Automotive listed on the IDX for the period 2017-2021. Multiple regression analysis shows the results that the variables Cash Turnover, Accounts Receivable Turnover, and Leverage are not able to strengthen the influence on Profitability of the company, while the Activity Ratio variable is able to strengthen the influence on Profitability in the Automotive Sub-Sector Companies listed on the IDX for the 2017- 2021 period.

**Keywords:** size; cash turnover; accounts receivable turnover; leverage; activity ratio

## 1. Introduction

The improving world economy after the global crisis has had a good impact on every company, especially banking companies in Indonesia, thus creating intense competition in the business world that cannot be avoided. This competitive business competition requires business people to improve their performance, especially in the banking sector in order to maintain survival and achieve company goals. Company performance can be measured in different ways and by applying various methods. The method generally used is the profitability ratio.

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Profitability is the ability of a company to generate profits within a certain period at the level of sales, total assets and own capital. Capital that is taken into account to measure profitability is only working capital in the company. Analysis of profitability is very important for creditors and equity investors. Investors invest shares in companies to get a return.

Return On Assets (ROA) is a ratio that shows the percentage of profits or net income obtained by the company with all resources and shows the company's effectiveness in managing assets both from own capital or from borrowed capital, investors will see how effective a company is in managing assets (Nurmasari & Rifkiawati, 2019).

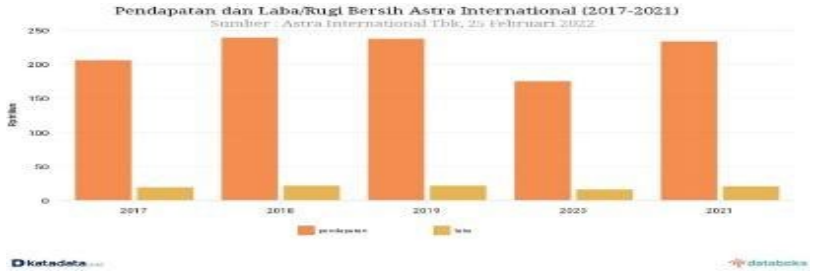


**Fig 1**. Profitability Char PT. Astra International Tbk.

From the above phenomenon, we can conclude that the rate of increase in profit every year experiences a number of profits that are not fixed or fluctuate. There are several factors that influence profitability, including the size of the company's capital turnover consisting of cash and receivables turnover, leverage, activity ratios.

This study agrees with research conducted by (Ratnasari & Budiyanto, 2016) which states that company size has a significant effect on profitability. Similarly, research conducted by (Lestari, 2019) which states that capital turnover has a significant effect on profitability. (Tasya & Cipta, 2021)which states that the activity ratio has a significant effect on profitability.

## Literature Review

## Company Size

Company silze shows the size of the company which can be seen from the level of sales, the number of workers or the number of assets owned by the company (dang, Thomas, n.d.) The greater the tota assets, the greater the profitabillity, the more capital investd by ilnvestors in the company.

## Cash Turnover

According to (Surya et al., 2017) cash turnover serves as a measure of the level of adequacy of the company's working capita needed to pay bills and finance sales. This means

that the cash turnover ratio is used to measure the level of cash availability to pay bills. Meanwhile, according to (Makmur, 2021) a little cash will produce a lot of cash turnover, but for companies that only want profits without looking at the company's liquidity, the company will relmain iln a liquid condition if at any time there is a bill

### Accounts Receivable Turnover

Accounts Receivable Turnover Accounts receivable turnover is the length of time it takes to convert receivables into cash. Accounts receivable turnover ratio is a comparison between sales and receivables on average during a certain period. The period in question is usually one year, but for analysis purposes, time units can be used based on quarterly, monthly, and so on. The higher the receivables turnover ratio, it means that the working capital invested in receivables is low. And vice versa if the receivabels turnover ratio is lower, it means that there is over investment in receivablels

### Leverage

Leverage is a measure of the company's ability to use funds that have a fixed burden to maximize the company's owner's income (Dewi et al., 2019). In defining the leverage ratio (Nurmasari & Rifkiawati, 2019) states as follows: Leverage ratio is a ratio used to measure the extent to which company assets are financed by debt. This means that a large amount of debt is used by the company to finance its business activities when compared to its own capital. From the aspect of solvency, the company prefers to spend using its own capital.

### Activity Ratio

According to (Nurmasari & Rifkiawati, 2019)the Activity Ratio is a ratio used to measure the effectiveness of the company in using its assets, includiing to measure the company's level of efficiency in utilizing existing rsources.

## 2. Methodology

This research uses quantitative method with causal approach associative technique. The data used is secondary data types of balance panel data types. The research data is taken from the financial statements of companies listed on the Indonesia Stock Exchange (IDX), containing the annual reports of automotive companies, from the period 2017 to 2021.

The population of this study is the automotive companies listed on the Indonesia Stock Exchange for the 2017-2021 period, totaling 13 companies regarding the sampling criteria studied, the results obtained are 8 companies, because there are 5 periods in this study, 5x8 = 40 observational data. Based on the sampling technique, the sample used in this study is purposive sampling. The data analysis method uses descriptive analysis with the help of eviews version 10.

## 3. Results and Discussion

the selection of the selected model is the Common Effect or Fixed Effect model, so to avoid the problem of heteroscedasticity and autocorrelation, it is done by giving weight to the selected model. In the Fixed Effect model, it can be seen in the output of the Fixed Effect model that the Durbin Watson value is 1.668039, so to correct the Durbin

Watson value from the violation of the classical assumption of autocorrelation, it is carried out with the Cross Section Weighted model, producing the following output:

**Table 1.** Output Cross Section Weighted model

Dependent Variable: INEF

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | -16.72810 | 1.743550 | -9.594281 | 0.0000 |
| SIZE | 0.606496 | 0.071129 | 8.526693 | 0.0000 |
| D(T_CASH) | 0.000232 | 0.000587 | 0.395745 | 0.6965 |
| D(A_RECEIVABLE) | 0.000328 | 0.000535 | 0.613898 | 0.5462 |
| D(LEVERAGE) | -0.001576 | 0.003360 | -0.469157 | 0.6440 |
| D(R_AKTIVITAS) | 0.026437 | 0.005486 | 4.819286 | 0.0001 |

Effects Specification

Cross-section fixed (dummy variables)

Weighted Statistics

| | | | |
|---|---|---|---|
| R-squared | 0.918058 | Mean dependent var | -0.055127 |
| Adjusted R-squared | 0.883390 | S.D. dependent var | 0.492337 |
| S.E. of regression | 0.155443 | Sum squared resid | 1.256458 |
| F-statistic | 26.48159 | Durbin-Watson stat | 1.850130 |
| Prob(F-statistic) | 0.000000 | | |

Unweighted Statistics

| | | | |
|---|---|---|---|
| R-squared | 0.500052 | Mean dependent var | 0.016440 |
| Sum squared resid | 1.425266 | Durbin-Watson stat | 1.823155 |

Source: Processed secondary data (2022)

## F-Statistik

Test conditions:

If the value of F statistics <0.05, the independent variable has a significant simultaneous effect on changes in the variation of the dependent variable. However, if the value of F statistics > 0.05, the independent variable has no simultaneous significant effect on changes in the variation of the dependent variable

From the results of the Fixed Effect Model regression model, it was found that the Prob (F-statistic) value of 0.000000 < 0.05, so that the Size variable, cash turnover variable, receivable turnover, leverage, activity ratio had a significant effect

simultaneously on the average change in variation. Profitability variable so that based on the F test the FEM regression model is feasible (goodness of fit).

### Hipotesis Test

Test conditions:
If the value of Prob < 0.05, then Ha is accepted and H0 is rejected.
If the Prob value > 0.05, then Ha is rejected and H0 is accepted. Result conclusion:

1. The value of the Prob Variable Size is 0.0000 <0.05, it can be concluded that the variable size partially has a significant effect on the average change in the variation of the profitability variable. So that Hypothesis 1 is accepted.
2. Prob value of cash turnover variable is 0.6960 > 0.05, it can be concluded that the cash turnover variable partially does not have a significant effect on the average change in the variation of the profitability variable. So that Hypothesis 2 is rejected.
3. Prob value of the receivables turnover variable is 0.5462 > 0.05, it can be concluded that the receivables turnover variable partially has a significant effect on the average change in the variation of the profitability variable. So that Hypothesis 3 is rejected.
4. Prob value of the leverage variable 0, 6440 > 0.05, it can be concluded that the leverage variable partially has no significant effect on the average change in the variation of the profitability variable. So that Hypothesis 4 is rejected.
5. The Prob Value of the Activity Ratio Variable 0.0001 <0.05, it can be concluded that the activity ratio variable partially has a significant effect on the average change in the variation of the profitability variable. So that Hypothesis 5 is accepted.

## 4. Conclusion

The results of hypothesis testing in this study can be concluded as follows:

1. There is a partially significant effect between the Size variable on the profitability variable in manufacturing companies listed on the BEI, so that hypothesis 1 is proven or accepted.
2. There is no partially significant effect between the cash turnover variable on the profitability variable in manufacturing companies listed on the BEI, so that hypothesis 2 is not sufficient evidence.
3. . There is no partially significant effect between the receivables turnover variable on the profitability variable in manufacturing companies listed on the BEI, so that hypothesis 3 is not sufficient evidence.
4. There is no partial effect between the leverage variable on the profitability variable in manufacturing companies listed on the BEI, so that hypothesis 4 is not sufficient evidence.
5. Partially there is an effect of the activity ratio variable on profitability, in manufacturing companies listed on the BEI, so that hypothesis 5 is proven or accepted.

With the results of hypothesis testing in this study, the formulation of the problem has been answered.

## Suggestion

1. The limitations of this study, namely only considering the profitability variable in terms of company growth, further research can be carried out in the future by considering the value of the company's stock index. So that it is expected to be empirical evidence to strengthen confidence in formulating the right strategy in determining the profitability of a company.
2. For automotive companies listed on the IDX, it is recommended to pay attention to high total asset turnover, high total asset turnover
3. means that changes in the selling price or unit of product resulting in high sales compared to total assets, with high sales, the company's profit will increase.
4. For companies in the automotive sub-sector, please pay attention to the working capital turnover because if the work turnover does not run properly, the company will experience losses or the company's profit will decrease.
5. For investors who want to invest in automotive companies on the Indonesia Stock Exchange (IDX), to really consider and pay attention to the influence of variables that affect the company's profitability so that they can provide strategic decision instructions for investors in deciding to invest. Pay attention to the state and health of the company both from internal and external factors of the company.

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