THE EFFECT OF WORKING CAPITAL TO TOTAL ASSET (WCTA) AND TOTAL ASSET TURNOVER (TATO) ON PROFIT GROWTH (PG) IN COMPANIES LISTED ON THE ISLAMIC STOCK INDEX (ISSI)

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Abstract

Global business competition is intensifying, necessitating organizations to improve their performance. Therefore, corporations are required to produce annual financial reports to enable investors to obtain information about profit growth. This study seeks to investigate the effects of Working Capital to Total Assets (WCTA) and Total Asset Turnover (TATO) on Profit Growth (PG), both individually and collectively, at PT. Metrodata Electronics Tbk. The research utilizes descriptive analysis through a quantitative methodology. Research findings demonstrate that WCTA has no significant partial influence on PG, with a determination coefficient of 52.2%, whereas TATO exhibits a substantial partial effect on PG, with a determination coefficient of 57.5%. Moreover, WCTA and TATO concurrently exhibit a substantial impact on PG, with a determination coefficient of 59.1%.

Keyword: *Working Capital to Total Assets; Total Asset Turnover; Profit Growth*

A. INTRODUCTION

This research is grounded in the grand theory of Corporate Financial Performance. This theory encompasses a comprehensive analysis of various financial aspects of a company, including profit growth, asset utilization efficiency, and various financial ratios that reflect the company's health and prospects [1]. In this context, a deep understanding of financial performance becomes key to evaluating and enhancing company competitiveness in an increasingly competitive market.

The intensifying business competition in Indonesia requires companies to manage and implement more professional corporate management. To compete with other businesses, management must be able to propel the company's ongoing development by making use of the resources at their disposal.[2]. In their operations, earning profit is the desired goal of every company. Companies in their activities always strive to achieve optimal profits, thereby maintaining business continuity [3].

Depending on how successfully the business controls its performance, profit growth usually varies from one period to the next. Kasmir claims that financial ratios are instruments for evaluating the performance and financial health of a business[4]. Financial ratios are derived by correlating components of financial statements. Gunawan and Wahyuni classify financial ratios into liquidity, solvency, activity, profitability, growth, and valuation ratios [5].

Profit growth is a crucial aspect that must be considered by every company to ensure long-term sustainability and success [6]. Profit improvement not only reflects good financial performance but also serves as an indicator of company health and competitiveness in the market. By focusing on profit growth, companies can attract investors, expand operations, invest in innovation, and provide more value to stakeholders [7].

The issues with PT. Indofarma Tbk's financial statements for the years 2011–2021 are listed below.

Table 1. Working Capital to Total Asset, Total Asset Turnover and Profit Growth Data of PT. Metrodata Electronics Tbk. Period 2012-2021

Years	*Working Capital to Total Asset* (WCTA)		*Total Asset Turnover* (TATO)		*Profit Growth* (PG)	
2013	33,95	↑	3,19	↑	45,67	↓

2014	37,29	↑	3,08	↓	58,02	↑
2015	38,46	↑	2,85	↓	21,43	↓
2016	39,89	↑	2,59	↓	(1,15)	↓
2017	43,23	↑	2,53	↓	15,91	↑
2018	45,31	↑	2,62	↑	13,85	↓
2019	45,84	↑	2,68	↑	25,59	↑
2020	50,70	↑	2,39	↓	1,23	↓
2021	45,27	↓	2,44	↑	40,69	↑

Source: Annual Report PT. Metrodata Electronics Tbk Periode 2012-2021

The rise or fall in the company's profits over the prior year is known as profit growth. Company performance can be seen from profit growth [8]. Every company strives to obtain maximum profit. The profit earned by the company greatly influences its operations. Profit, according to Harahap, is the excess of revenue over expenses for a given accounting period[9].

Company profit growth is influenced by various factors, and one significant factor is company activity as reflected in its activity ratios [10]. Activity ratios measure how effectively a company uses its resources, which in turn directly impacts profitability. Van Horne and Wachowicz state that "Activity ratios assess the velocity at which different accounts are transformed into sales or cash - inputs or outputs." [11].

One ratio that illustrates the business's capacity to fulfill commitments is working capital to total assets (WCTA). that must be met immediately by comparing working capital levels. According to Anggarsari and Seno, Having enough working capital helps the business run smoothly and profitably without running into financial problems[12].

The ratio known as Total Asset Turnover (TATO) illustrates how well a business uses its total assets to produce revenue and profits[13]. According to Brigham and Houston, TATO The ratio known as Total Asset Turnover (TATO) illustrates how well a business uses its total assets to produce revenue and profits[1]. Based on the table above, the WCTA, TATO, and PG values at PT. Metrodata Electronics during the 2012-2021 period showed fluctuations. In 2013, WCTA and TATO increased but were not followed by an increase in PG, which contradicts existing theory. Then in 2014, WCTA and PG increased but were not followed by an increase in TATO. This contradicts existing theory because if WCTA and PG increase, TATO should also increase. In 2015 and 2016, TATO and PG decreased, but were not followed by a decrease in WCTA. This contradicts existing theory, because if TATO and PG decrease, WCTA should also decrease. In 2017, WCTA and PG increased but were not followed by an increase in TATO, which contradicts existing theory. In 2018, WCTA and TATO increased, while PG decreased, which contradicts existing theory. In 2020, TATO and PG decreased while WCTA increased, which contradicts existing theory. Similarly in 2021, TATO and PG increased while WCTA decreased, which contradicts existing theory.

The research problems in this study are whether WCTA and TATO partially influence PG at PT. Metrodata Electronics Tbk for the 2012-2021 period, and how significant is the simultaneous influence of WCTA and TATO on PG at PT. Metrodata Electronics Tbk for the 2012-2021 period. Finding and evaluating the partial impact of WCTA and TATO on PG at PT. Metrodata Electronics Tbk for the years 2012–2021 is the aim of this study.

A series of prior studies with a similar aim were analyzed to support this investigation. Nabila Hanifah's research article indicated that both WCTA and TATO concurrently enhanced PG. Secondly, Fina Ferdiyana's research suggested that WCTA had a positive effect on PG to a certain degree. Third, Royda's investigation, The results demonstrated that TATO exerted no influence on PG, although WCTA had a partial effect. Fourth, the research conducted by Rurul Siti Martini and Purnama Siddi revealed that TATO exerted no influence on PG. The sixth study is by Pipit Septiyarina, which concluded that TATO had no impact on PG.

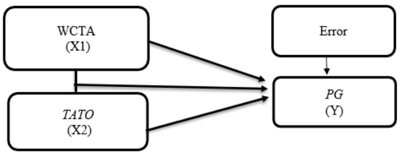

Figure 1. Conceptual Framework

B. RESEARCH METHODOLOGY

The research methodology integrates a quantitative approach with a descriptive verification technique. In order to test and provide answers regarding the present state of a study object, the descriptive technique collects data. The financial accounts of PT. Metrodata Electronics, Tbk (IDX: MTDL) are the subject of this study. The research utilizes secondary data sources, particularly the 2012–2021 Annual Reports of PT. Metrodata Electronics, Tbk, accessible on the authoritative web of the Indonesiaa Stock Exchange (IDX)

The independent variables influencing changes in the dependent variable constitute the variables utilized in this study. WCTA (X1) and TATO (X2) serve as the independent variables, whereas PG (Y) functions as the dependent variable. The analytical tools employed include partial and simultaneous regression analysis, partial and simultaneous correlation analysis, partial and simultaneous coefficient of determination, partial T-test, and simultaneous F-test.

C. RESULT AND DISCUSSION

a. Analysis Result

i. Regression Test

The Regression Test examines the relationship between variables, specifically between independent and dependent variables, to determine cause and effect relationships. The following calculations were performed using SPSS Version 25.

With a constant (a) of -52.335, the multiple linear regression equation above shows that PG has a negative value of -52.335 when both WCTA and TATO are zero (0). The coefficient (b1) for WCTA is negative at -0.889, meaning that for every one (1) unit increase in WCTA, there will be a decrease in PG by -0.889. The negative regression coefficient (b1) indicates a negative relationship between WCTA and PG. The coefficient (b2) for TATO is positive at 42.774, meaning that for every one (1) unit increase in TATO, there will be an increase in PG by 42.774. The positive b2 coefficient indicates a positive relationship between TATO and PG.

Table 4 Multiple Linear Regression Analysis
The Effect of WCTA and TATO on PG at PT. Metrodata Electronics

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-52,335	172,343		-,304	.770
	WCTA_X1	-.889	1,696	-258	-,524	.616
	TATO_X2	42,744	39,553	,533	1,081	.316

a. Dependent Variable: PG_Y

ii. Coefficient of Determination Test

Table 5 Coefficient of Determination Analysis
The Effect of WCTA and TATO on PG at PT. Metrodata Electronics

Model	R	R Square	Adjusted R Square	Sd Error of the Estimate
1	.769a	.591	.474	16,95354

a. Predictors: (Constant), TATO, WCTA

The coefficient of determination value, as determined by the computations above, is 0.591, or 59.1%. This shows that at PT. Metrodata Electronics, Tbk, WCTA and TATO account for 59.1% of PG, with additional factors not included in this study affecting the remaining 40.9%.

b. Discussions

i. The Impact of Working Capital to Total Asset (WCTA) on Profit Growth (PG)

The findings of the analysis show that WCTA has no discernible effect on PT. Metrodata Electronics Tbk's profit growth. With a significance level of 0.018 < 0.05, the t-value of -2.958, which is below the t-table value (2.306), provides support of this. 52.2% of the variation in Profit Growth can be explained by WCTA, notwithstanding its statistical insignificance.

This finding suggests that changes in working capital do not directly influence profit growth. Such results may be attributed to the electronic technology industry's characteristics, which rely more heavily on factors like product innovation, operational efficiency, and marketing strategies rather than traditional working capital management.

These results align with studies by Gunawan and Wahyuni [5] and Erawati and Widayanto [8], who similarly found no significant relationship between WCTA and profit growth. However, this contradicts established theory suggesting that effective working capital management enhances company profitability.

ii. The Impact of Total Asset Turnover (TATO) on Profit Growth (PG)

At PT. Metrodata Electronics Tbk, the investigation shows a strong positive correlation between TATO and profit growth. The significant level of 0.011, which is less than 0.05, and a t-value of 3.287, beyond the t-table value of 2.306, corroborate this finding. TATO contributes substantially to the disparity in profit growth at 57.5%.

These results confirm that company efficiency in asset utilization for generating sales plays a crucial role in enhancing profit growth. Higher TATO values indicate more effective asset management for revenue generation, ultimately leading to increased profits.

This finding supports existing theory that faster asset turnover enhances company profitability, and aligns with research by Puspitasari et al. [13], who identified a positive correlation between TATO and profit growth.

iii. The Simultaneous Effect of WCTA and TATO on Profit Growth (PG)

When examined together, WCTA and TATO demonstrate a significant impact on Profit Growth at PT. Metrodata Electronics Tbk. This is validated by an F-value of 5.050, exceeding the F-table value (4.74), with a significance level of 0.044 < 0.05. Collectively, these variables account for 59.1% of Profit Growth variation.

These findings highlight how the combination of working capital management (represented by WCTA) and asset utilization efficiency (represented by TATO) significantly impacts company profit growth. While WCTA alone shows no significant effect, its combination with TATO creates meaningful influence on Profit Growth.

This underscores the importance of a holistic approach to corporate financial management, emphasizing that companies must consider not just individual financial aspects but also the interplay between various financial factors to optimize profit growth.

D. CONCLUSION

Several conclusions can be made in light of the analysis's findings, hypothesis testing, and previous discussion. With a determination coefficient of 52.2%, WCTA partially demonstrates no discernible impact on PG at PT. Metrodata Electronics, with variables not included in this study accounting for the remaining 47.8%. This indicates that 52.2% of PG variation is caused by WCTA. With a determination coefficient of 57.5%, TATO has a strong partial effect on PG, while unexplored factors account for the remaining 42.5%. Simultaneously, WCTA and TATO significantly influence PG, evidenced by a determination coefficient of 59.1%, whereas external factors not examined in this study account for the remaining 40.9%.

This research reveals that in the context of PT. Metrodata Electronics Tbk, asset utilization efficiency (TATO) plays a more significant role in driving profit growth compared to working capital management (WCTA). However, when these two factors are considered together, they exert a stronger combined influence on profit growth.

The implications of these findings suggest that company management should prioritize improving asset utilization efficiency to drive profit growth, while maintaining effective working capital management. A strategy that integrates both aspects can yield optimal results in enhancing the company's financial performance

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