



The Influence of Working Capital and Company Size on the Profitability of Industrial Sector Companies Listed on the Indonesia Stock Exchange

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ABSTRACT

The Effect of Working Capital and Company Size on the Profitability of Industrial Sector Companies Listed on the Indonesia Stock Exchange. (Supervisor: Muspa). The purpose of this study is to analyze the influence of working capital and company size on company profitability in industrial sectors listed on the Indonesia Stock Exchange for the 2021–2024 period. The analysis method used in this study is a quantitative approach with multiple linear regression analysis techniques. The results of the study show that partially, Working Capital has a negative and significant effect on the profitability of industrial sector companies listed on the IDX. The size of the company has a positive and significant effect on profitability. Working capital and company size simultaneously have a significant effect on the profitability of companies in the industrial sector.

Keywords : Working Capital, Company Size, Profitability, Return on Assets (ROA), Indonesia Stock Exchange



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INTRODUCTION

The development of increasingly fierce business competition in the era of globalization requires companies to be able to manage resources effectively and efficiently to maintain the sustainability of their business. One of the indicators of a company's success is its ability to generate profits or profitability. A high level of profitability reflects the company's good performance and increases investor confidence in the company's future prospects. Profitability is influenced by various factors, including working capital and company size.

Working capital that is optimally managed can support the smooth running of the company's operational activities so that it has the potential to increase profits. Meanwhile, the size of the company as reflected in total assets or sales indicates the company's capacity to obtain funding sources and face business competition.

Several previous studies have shown different results regarding the influence of working capital and company size on profitability. The difference in the results of the study shows that there are still research gaps that need to be studied further, especially in industrial sector companies listed on the Indonesia Stock Exchange (IDX). Therefore, this study aims to analyze the influence of working capital and company size on the profitability of industrial sector companies listed on the Indonesia Stock Exchange.

RESEARCH METHODS

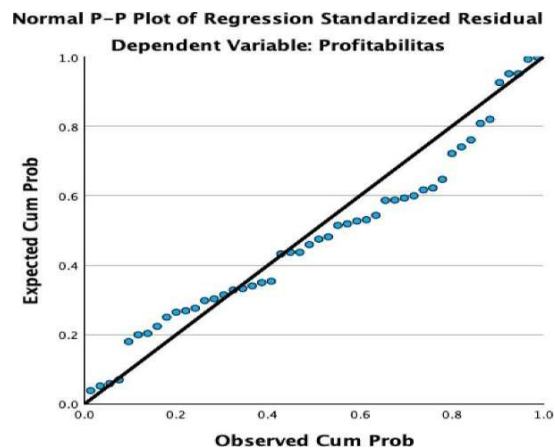
This study uses a quantitative approach with an associative method to analyze the influence of working capital and company size on profitability. The data used is secondary data in the form of financial statements of industrial sector companies listed on the Indonesia Stock Exchange (IDX) for the 2021–2024 period which was obtained through the IDX's official website. The research population consists of 14 industrial sector companies listed on the IDX main board.

The sampling technique uses purposive sampling based on the criteria of companies that have complete financial statements during the research period. Based on these criteria, 12 companies were obtained as a sample with a total of 48 observations.

The dependent variable in this study is profitability measured using Return on Assets (ROA). The independent variable consists of working capital measured by Net Working Capital (NWC), which is the difference between current assets and current liabilities, as well as company size measured using the natural logarithm of total assets (Ln Total Assets). Data analysis was carried out using multiple linear regression with the help of statistical software. Before hypothesis testing, classical assumption tests were carried out which included normality, multicollinearity, heteroscedasticity, and autocorrelation tests. Furthermore, hypothesis testing is carried out through the t-test to test the partial influence, the F test to test the simultaneous influence, and the determination coefficient (R^2) to measure the ability of independent variables to explain dependent variables.

RESULTS AND DISCUSSION

Based on data analysis of 12 industrial sector companies listed on the Indonesia Stock Exchange for the 2021-2024 period, it was obtained that all classical assumptions have been fulfilled. The normality test showed normal distribution data, the autocorrelation test produced a Durbin-Watson value of 1.832 which showed no autocorrelation occurred, the heteroscedasticity test showed a random data spread, and the multicollinearity test produced a Tolerance value of 0.476 and VIF 2.099 so that there were no symptoms of multicollinearity.



Sumber : Output SPSS (2025)

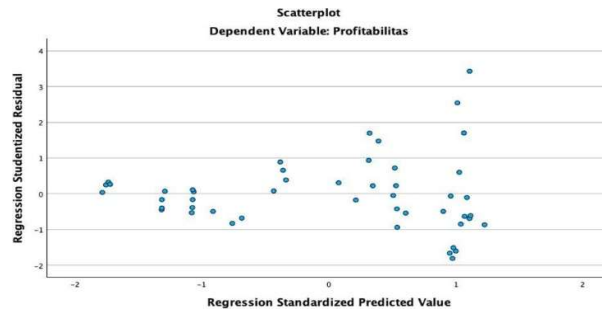
Figure 1. Normality Test Results

Table 1. Autocorrelation Test Results

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.920 ^a	.847	.840	1.07461	1.895

a. Predictors: (Constant), Ukuran Perusahaan, Modal Kerja
b. Dependent Variable: Profitabilitas

Sumber : Output SPSS (2025)



Sumber : Output SPSS (2025)

Figure 2. Heteroscedasticity Test Results

Table 2. Multicollinearity Test Results

Coefficients ^a								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	305.166	32.281		9.453	<.001		
	Modal Kerja	-10.840	1.154	-.794	-9.395	<.001	.476	2.099
	Ukuran Perusahaan	.582	.037	1.314	15.536	<.001	.476	2.099

a. Dependent Variable: Profitabilitas

Sumber : Output SPSS (2025)

The results of multiple linear regression analysis showed that working capital had a regression coefficient of -10.840, while the company size had a regression coefficient of 0.582. The results of the t-test showed that working capital had a negative and significant effect on profitability with a significance value of < 0.001. Meanwhile, company size has a positive and significant effect on profitability with a significance value of < 0.001.

Table 3. Multiple Linear Regression Analysis

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	305.166	32.281		9.453	<.001
	Modal Kerja	-10.840	1.154	-.794	-9.395	<.001
	Ukuran Perusahaan	.582	.037	1.314	15.536	<.001

a. Dependent Variable: Profitabilitas

Sumber : Output SPSS (2025)

The results of the F test showed a significance value of < 0.001, which means that working capital and company size simultaneously had a significant effect on profitability. In addition, the Adjusted R Square value of 0.840 indicates that 84.0% of the variation in profitability can be explained by working capital variables and company size, while the remaining 16.0% is influenced by other factors outside the research model.

Table 4. Test Results t

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	286.985	2	143.493	124.258	<.001 ^b
	Residual	51.966	45	1.155		
	Total	338.951	47			

a. Dependent Variable: Profitabilitas

b. Predictors: (Constant), Ukuran Perusahaan, Modal Kerja

Sumber : Output SPSS (2025)

Table 5. Test Results F

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.920 ^a	.847	.840	1.07461

a. Predictors: (Constant), Ukuran Perusahaan, Modal Kerja

Sumber : Output SPSS (2025)

The results of the study show that working capital has a negative and significant effect on profitability. These findings indicate that an increase in working capital that is not followed by efficient management can lead to idle funds, thereby reducing the company's ability to generate profits. Therefore, companies need to manage working capital optimally in order to support operational activities and increase profitability. The size of the company has been proven to have a positive and significant effect on profitability. Companies with larger assets tend to have wider access to funding, better operational efficiency, and higher capabilities in the face of market competition. This condition allows companies to obtain greater profits than companies with smaller sizes.

Simultaneously, working capital and company size have a significant effect on profitability. These results show that the company's success in generating profits is not only influenced by the ability to manage working capital, but also by the amount of resources the company has. Thus, efficient management of working capital and optimal utilization of assets are important factors in increasing the profitability of companies in the industrial sector.

CONCLUSION

Based on the results of the research, it can be concluded that working capital has a negative and significant effect on the profitability of industrial sector companies listed on the Indonesia Stock Exchange for the 2021–2024 period. This shows that an increase in working capital that is not managed efficiently can reduce the company's ability to generate profits. The size of the company has a positive and significant effect on profitability. The larger the size of the company, the greater the company's chances of increasing profits through the utilization of assets, resources, and wider access to funding. Simultaneously, working capital and company size have a significant effect on profitability. Thus, effective working capital management and increasing business scale are important factors in supporting the company's financial performance.

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