ANALYSIS OF WORKING CAPITAL MANAGEMENT IN INCREASING LIQUIDITY AND PROFITABILITY

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ABSTRACT

This study aims to determine the management of working capital in increasing liquidity. To find out the management of working capital in increasing profitability at PT. Perkebunan Nusantara III (Persero) Medan. To find out what causes the value of working capital to decline at PT. Perkebunan Nusantara III (Persero) Medan. The liquidity ratio is measured using the net working capital and current ratio while the profitability ratio is measured using gross profit margin and net profit margin. This research was conducted at PT. Perkebunan Nusantara III (Persero) Medan Period 2013-2017. The approach of this research is a descriptive approach. Data collection techniques in this study is to use the data documentation techniques Obtained from the financial statements of PT. Perkebunan Nusantara III (Persero) Medan. The technique of data analysis used is descriptive statistics items, namely statistics means analyzing the data to summarize and describe numerical the data so that it is easy to interpret. So that it can provide appropriate information. Based on the results of the study it can be concluded that the management of working capital items, namely net working capital and total asset turnover has not been able to increase company liquidity. While the measured profitability uses gross profit margin and net profit margin can be increased.

Keywords: Working Capital Management, Net Working Capital, Current Ratio, Gross Profit Margin, and Net Profit Margin.

INTRODUCTION

Nowadays the competition in the business environment is getting tougher. Many companies develop their business and many companies are standing. All companies that stand have goals and objectives to be achieved, namely to generate profit.

It can be ascertained that in order to run its activities every company requires a certain amount of funds. The funds are typically used for two things. First used for investment purposes. This means that these funds are used to purchase or refinance aktiva permanent and long-term that can be used repeatedly. Both are used to fund working capital, capital that is used for short-term financing. (Cashmere, 2009 :212)

Working capital would be better to use when done working capital management. "Working capital management is the management of short-term investments (source of funds)." (Margaretha, 2011 :29) If the use of working capital is good, then the company can pay current liabilities or short-term, which means the company is in a liquid state.

The efficiency of working capital can be seen from the turnover of working capital (working capital turnover). Working capital turnover is a ratio used to measure
the effectiveness of working capital (current assets) owned by the company in generating sales. (Hery, 2018 :184) is used to measure the ratio aktvitas keefektivitas companies in using assets owned.

### Table 1. Average Net Working Capital Turnover, Total Asset Turnover, Net Working Capital, Current Ratio, Gross Profit Margin, and Net Profit Margin Period 2013-2017

<table>
<thead>
<tr>
<th>Keterangan</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>Rata-Rata Per Tahun</th>
</tr>
</thead>
<tbody>
<tr>
<td>NWCTO</td>
<td>65.79</td>
<td>(10.42)</td>
<td>(17.76)</td>
<td>7.55</td>
<td>2.69</td>
<td>9.57</td>
</tr>
<tr>
<td>TATO</td>
<td>0.52</td>
<td>0.29</td>
<td>0.12</td>
<td>0.13</td>
<td>0.12</td>
<td>0.23</td>
</tr>
<tr>
<td>NWC</td>
<td>86.764</td>
<td>(597.984</td>
<td>(302.</td>
<td>223.622</td>
<td>439.024</td>
<td>391.60</td>
</tr>
<tr>
<td>CR</td>
<td>104.88</td>
<td>72.79</td>
<td>84.99</td>
<td>138.62</td>
<td>164.11</td>
<td>113.08</td>
</tr>
<tr>
<td>GPM</td>
<td>11.05</td>
<td>13.24</td>
<td>13.61</td>
<td>19.86</td>
<td>27.11</td>
<td>16.97</td>
</tr>
<tr>
<td>NPM</td>
<td>6.95</td>
<td>9.18</td>
<td>11.12</td>
<td>14.79</td>
<td>20.48</td>
<td>12.50</td>
</tr>
</tbody>
</table>

Source: Financial Statements of PTPN III (Persero) Medan 2018

If seen from the average PT. Perkebunan Nusantara III (Persero) Medan value Net Working Capital Turnover decrease. In 2013 amounted to 65.79 da decreased in 2014 and 2015 amounted -10.42 -17.76. In 2016 increased by 7.55 but still below average. 2017 declined by 2.69. The average Total Asset Turnover 0.23 PTPN III. On the average value of total asset turnover decreased. In 2013 and 2014 amounted to 0.52 and 0.29 respectively remained above average. 2015, 2016 and 2017 has decreased. The company's net working capital decreased on average. Namely in 2013, 2014, and 2015 has decreased. 2016 and 2017 have increased. This means that working capital is affected by the amount of current assets and current liabilities of the company. The average value of PTPN III Current Ratio amounted to 113.08, when seen under the three-year average which in 2013 amounted to 104.88; 2014 at 72.79, 2015 amounted to 84.99 and two years is above the average, namely 2016 and 2017 amounted to 138.62 at 164.11. This means that the higher the current ratio, the higher the level of liquidity of the company. The average value of the company Gross Profit Margin of 16.97. If seen by a year the value of the gross profit margin has increased every year, but based on the average gross profit margin decline in three years, namely 2013 by 11.05; 2014 at 13.24; and 2015 amounted to 13.61. As well as increases in 2016 and 2017 amounted to 19.86 at 27.11. The average value of net profit margin at 12.50, if it is seen year there are three which are below the average for the year 2013 by 6.95; 2014 at 9.18; and in 2015 amounted to 11.12. As well as an increase in 2016 and 2017 amounted to 14.79 at 20.48.

### LITERATURE REVIEW

**Net Working Capital Turnover**

"Net Working Capital Turnover (NWCTO) is the ratio of working capital activity to gauge how effective working capital management in the use of resources. Working capital turnover is the ability of working capital (net) rotates in a period of the cash cycle (cash cycle) of the company". (Sujarweni, 2017 :64) Turnover of working capital is a ratio used to measure the effectiveness of working capital (current assets) owned by the company in generating sales. Lower working capital turnover means the company currently has a working capital surplus. (Hery, 2018 :184)

It can be concluded that the working capital turnover ratio used to measure the effectiveness of working capital in generating sales.
Net Working Capital Turnover (Net working capital turnover) is influenced by several factors, namely: 1) The level of investment in current assets of the company; 2) The proportion of short-term debt used; 3) The level of investment in every kind of current assets; 4) Source-specific funding and composition of good debt that must be maintained. (Wardiyah, 2017 :385)

Total Asset Turnover
"Total Assets Turnover (TATO) is the ratio between sales and total assets of a company, which describes the speed of turnover total assets in a given period" (Wardiyah, 2017 :145). "Total Assets Turnover (TATO) is the ability of the funds that are embedded in the overall assets of spins in a certain period of invested capital or the ability to generate revenue". (Sujiarweni, 2017 :63)

Based on expert opinions above it can be concluded that the Total Assets Turnover (TATO) is a ratio used to measure the velocity of assets and measure the amount of sales derived from the company.

Total Asset Turnover (Tattoos) can be influenced by several factors: 1) Sales (sales) are the total amounts charged to customers for merchandise sold by the firm. 2) Assets are economic benefits that may occur in the future, acquired or controlled by an entity as a result of the transaction or event in the past. 3) Cash and cash equivalents is the most liquid assets a company has, the cash will be placed as the first component of current assets in the balance sheet. (Hery, 2018 :202)

Net Working Capital
Working capital is the funds required by the company to finance all operations of the company as the daily operational activities as well as in the company's long-term investment.

"Net working capital (net working capital), which is defined as current assets minus current liabilities, is a frequently used measure of liquidity." (Brigham and Houston, 2017 :89) Working capital is a widely used measure of liquidity. Working capital is also important to measure the liquidity reserves are available to meet the contingencies and uncertainties related to the balance between inflows and outflows of the company. (Subramanyam and Wild, 2014 :241)

From the opinion of the experts above, it can be concluded that the working capital is a widely used measure of liquidity. By calculating the difference between current assets and current liabilities.

There are several factors that affect the amount of working capital the company, namely: 1) the general nature and type of the company; 2) The time required to produce or obtain goods and the cost of production per unit or per unit purchase price of the goods. 3) Terms of the purchase and sales volumes; 4) The rate of inventory turnover; 5) piuttang turnover rate; 6) The effect of conjuncture (business cycle); 7) The degree of risk of possible decline in the selling price of short-term assets. 8) Effect of season; 9) Credit rating of the company. (Jumingan, 2018 :69)

Current Ratio
Current Ratio is one kind of liquidity ratios by dividing the current assets and current liabilities to know how big the company's current assets to meet current liabilities. The higher the current ratio, the more capable the company to pay current debt.
The current ratio is the most common measure used to determine the company's ability to meet short-term obligations because this ratio indicates how far the demands of short-term creditors met by assets, which is expected to be cash in the same period to maturity of debt. (Wardiyah, 2017 :144) Current Ratio measures the company's ability to pay current liabilities using current assets owned. The greater this ratio means more liquid companies. However, this ratio has a weakness because not all components of current assets have the same level of liquidity. (Sudana, 2015 :24)

From the above understanding can be concluded that the current ratio is a liquidity ratio to measure a company's ability to pay current debts by comparing the company's current assets by current liabilities. It is known that the greater this ratio means more liquid companies.

Current Ratio influenced by several factors, namely: 1) The distribution or proportion than current assets. 2) The trend data than current assets and current liabilities, for a period of five years or more from the last time. 3) The terms granted by the creditor to the company in organizing the purchase and credit terms granted by the company in selling their goods. 4) Present value (real value) of current assets, since there is a possibility the company has a fairly large outstanding amounts of these receivables is long but these are difficult to be charged so that the realization value may be less than reported. 5) The possibility of changes in the value of current assets, if the value of the inventory is getting down (deflation) then aktva lancaryang great (especially shown in the inventory) it does not guarantee the liquidity of the company. 6) Changes in inventories in relation to sales volume now or in the future, which may be the over-investment in inventory. 7) The need for the amount of working capital in the future, the greater working capital requirements in the future it is necessary to have a large ratio as well. 8) type or types of companies (companies that produce their own goods sold, a trading company or a service company). (Munawir, 2014 :73) 8) type or types of companies (companies that produce their own goods sold, a trading company or a service company). (Munawir, 2014 :73) 8) type or types of companies (companies that produce their own goods sold, a trading company or a service company). (Munawir, 2014 :73)

Gross Profit Margin

Data gross profit margin ratio of some period will provide information on trends in the gross profit margin obtained and compared with the standard will be known whether the margin ratio obtained by the company is high or vice versa. (Munawir, 2014 :99) The higher the gross margin means the higher the gross profit generated from net sales. It can be caused due to the high price or a low cost of goods sold. (Hery, 2018 :196)

Based on the expert opinion of the above it can be concluded that based on several expert opinions above can be deduced that the profit margin kotormerupakan one type of profitability ratio which is calculated by the gross profit share, and sales net. The results of the calculation of the profit margin kotorakan show whether the margins obtained by the company is high or vice versa. The higher the gross margin means the higher the gross profit generated from net sales.

Gross Profit Margin influenced by several factors: 1) Changes in sales price (sales price variance), namely the change between the actual selling price by selling price in the budget right or the selling price of the previous year. 2) Changes in the quantity of products sold (sales volume variance), namely the difference between planned product quantity / year before the actual quantity of products sold (realized). 3) Changes in cost
of sales per unit of product (cost price variance), namely the difference between the cost of goods sold per unit of product (cos units) according to budget / previous year at actual cost. 4) Changes in the quantity of goods sold (cost volume variance), namely the change in cost of sales due to changes in the quantity / volume sold or manufactured. (Munawir, 2014 :218)

**Net Profit Margin (NPM)**

This ratio measures the company's ability to generate net income from the sale of the company. This ratio reflects the efficiency of all parts, ie production, personnel, marketing, and finance in the company. (Sudana, 2015 :26) Net profit margin is a ratio used to measure the percentage of net income on net sales. This ratio is calculated by dividing net income to net sales. (Hery, 2018 :199)

Based on several expert opinions above can be deduced that the net profit margin is a measure of profit by comparing profit after interest and tax to the sale of the company. This ratio measures the company's ability to generate profits besides sales made by the company.

*Net Profit Margin (NPM)* is influenced by several factors, namely: 1) Rise and fall of the number of units sold and the price per unit. 2) Rise and fall of the price of goods sold. Changes in the cost of sales is influenced by the number of units purchased or produced or sold and the purchase price per unit or cost per unit. 3) The ups and downs of business costs that are influenced by the number of units sold, the variation in the number of units sold, the variation in price levels and operating efficiency of the company. 4) Rise and fall of the postal revenue or non-operating expenses are influenced by variations in the number of units sold, the variation in the price level and the change of policy in giving or receiving a discount. 5) The ups and downs of tax, a company which is influenced by the size of the profits from the high and low tariffs or taxes. 6) There is a change in accounting methods. (Jumingan, 2018 :165)

**RESEARCH METHODS**

The approach in this study is a descriptive study, which analyzes the data to issue independent variables. Researchers do not intend to seek the relationships between variables. This study uses quantitative data, which is data that is tangible specific figures can be operated mathematically Yanga. Source data used are secondary data is data that does not directly provide data to data collectors, such as other people or documents. Data collection technique used is the technique of documentary studies, study data collection instrument documentation in the form of a list of documents which serves to collect data by viewing / judging of historical data / past. Data analysis technique used is the technique of descriptive statistical analysis means analyzing the data to summarize and describe the numerical data to be easy to interpret.
RESULT AND DISCUSSION

Net Working Capital Turnover (NWCTO)

Judging from the results of calculation net working capital turnover, the value of net working capital turnover PT. Perkebunan Nusantara III (Persero) Medan has decreased and is below the average. Where in 2013 the value of net working capital turnover amounted to 65.79, 2014 and 2015 amounted to -10.42 working capital turnover value of -17.76. The decline in the value of net working capital due to decreased working capital due to the high current debts of the company. Then in 2016 the value of working capital turnover amounted to 7.55 and in 2017 amounted to 2.69. Continuous decline that occurred due to the decreased sales every year acquired the company, but when viewed from an average overall, this was due to decrease in working capital but the sales increase.

It can be concluded that the turnover of working capital has decreased. Turnover unfavorable working capital due to reduced working capital acquired company, but higher sales of acquired companies.

Total Asset Turnover (TATO)

Based on the calculation diatas, Total Asset Turnover value PT. Perkebunan Nusantara III (Persero) Medan has decreased and is below the average. Only in 2013 the value of total asset turnover is above the average of 0.52. 2014 decreased by 0.29. Decrease due to the low value of the sale. In 2015, the value of total asset turnover of
0.12. Then in 2016 and 2017 by 0.13 by 0.12. The decrease each year due to the high and low sales total assets acquired company.

It can be concluded that the value of Total Asset Turnover decreased. The decrease was caused by a decline in sales, which means that the company has not quite efektif in controlling and running its operations by using its assets in generating sales.

**Net Working Capital (Net Working Capital)**

![Net Working Capital Chart]

Figure 3. Net Working Capital

Judging from the data above in net working capital, net working capital of the company is below average. But if seen by her, then the value of the company's net working capital increases. The decrease occurred only in 2014 amounted to -597,984,818,825 this was due to the low value of current assets and current liabilities height. In 2015, the value of net working capital -302,024,417,262 due to the current liability that is still larger than the current assets owned. Mengalamipeningkatan 2016 and 2017 respectively 774,743,178,784 and 2,233,622,779,136 followed by the increase in current assets of the company.

It can be concluded that the decrease in net working capital. Net working capital is less well due to the decrease in current assets that are owned, but the high current debts of the company.

**Current Ratio (Current Ratio)**

![Current Ratio Chart]

Figure 4. Current Ratio

Judging from the data current ratio above, the value of the current ratio of the company is below average. However, when seen her then current ratio values increase.
In 2013 the value of the current ratio of 104.88, 2014 amounted to 72.79 decreased due to increase in current liabilities of the company. In 2015 the value of the current ratio of 84.99, 2016 and 2017 respectively 138.62 and 164.11, followed by an increase in current assets of the company.

It can be concluded that the value of the current ratio decreased. Values that are less good current ratio caused by high current debts of the company and lack of current assets.

**Gross Profit Margin (GPM)**

![Gross Profit Margin](image)

Judging from the data profit gross margin above, the value of gross profit margin was below average. But if seen by her continuing to rise. In 2013 amounted to 11.05%, in 2014 amounted to 13.24%, 2015 amounted to 13.61% of the increase due to the increase in gross profit of the company acquired. Then in 2016 amounted to 19.86%; and in 2017 amounted to 27.11% also experienced an increase followed by an increase in gross profit.

It can be concluded that the company's gross profit margin decline. gross profit margin is not good due to the high sales of the company, but lower gross profit company.

**Net Profit Margin (NPM)**

![Net Profit Margin](image)

Judging from the data above net profit margin, net profit margin value or the value of the company's net profit margin was below average. However, if viewed by year, the value of net profit margin increased. In 2013 amounted to 6.95%, in 2014...
amounted to 9.18%, and in 2015 amounted to 11.12%. The increase was due to an increase in net profit of the company acquired. Then in 2016 amounted to 14.79% and in 2017 amounted to 20.48%. Peningkatan that occurs continuously due to higher income earned in each year of the company, but if it sees fit overall average, this was due to declining sales but profits obtained increased.

It can be concluded that the net profit margin decline. Net profit margin is not good, due to higher sales of acquired companies, but the net profit earned far below the average or are not balanced with the sale obtained.

**Net Working Capital Turnover**

*In Improving Liquidity at PT Perkebunan Nusantara III (Persero) Medan*

The analysis showed that the turnover of working capital and liquidity decreased the company experienced sizeable decline in 2014 and 2015. While the net working capital turnover increase when viewed under a year. In 2016 and 2017 net working capital reduction turnover mengalami while net working capital and current ratio increased. This suggests that the new working capital management back after the current liability company effectively reduced.

Working capital turnover ratio is high reflecting the good quality of working capital. The faster the spin the working capital, the faster capital return.

**Net Working Capital Turnover Increase Profitability in PT. Perkebunan Nusantara III (Persero) Medan**

From the analysis of net working capital turnover decreased, while profitability increases every year. It can be seen from the working capital turnover in 2017 decreased while gross profit margin and net profit margin increased. This shows that the net working capital turnover can increase the profitability of PT. Perkebunan Nusantara III (Persero) Medan.

**Total Asset Turnover**

*In Improving Liquidity PT. Perkebunan Nusantara III (Persero) Medan*

From the results of data analysis total asset turnover decreased while liquidity increased. visits of 2016 and 2017 the value of total asset turnover decreased while net working capital and current ratio increased. This shows that the total asset turnover may increase liquidity PT. Perkebunan Nusantara III (Persero) Medan.

**Total Asset Turnover Increase Profitability in PT. Perkebunan Nusantara III (Persero) Medan**

From the results of data analysis mengalami total asset turnover decline while profitability increases every year. It can be seen that in 2016 the value of gross profit margin and net profit margin already increased. This shows that the total asset turnover decreased to increase the profitability of PT. Perkebunan Nusantara III (Persero) Medan.

**Cause Decrease in Net Working Capital PT. Perkebunan Nusantara III (Persero) Medan**

Of net working capital data can be clearly seen that the value of net working capital decreased when viewed in the overall average. Where in 2014 experienced a considerable reduction in the amount of -597 984 818 825 -302 024 417 262 and 2015 amounted to. Based on the results of analysis show that the decrease in the value of net
working capital of the company because the company's current debt is greater than the current assets of the company. Lancaar debt is not entirely come from the company, but the debt created by the subsidiaries.

CONCLUSION

The conclusion of this study based on the results of research and discussion are as follows management of working capital to improve liquidity as measured by the current ratio has not been successful because of the value of net working capital owned still low. Working capital management to improve profitability as measured by gross profit margin and net profit margin is optimal. This can be seen by the increase in the value of gross profit margin in 2016 and 2017 respectively by 19.86% and 27.11%. While the net profit margin value respectively by 14.79% and 20.48%. The cause of a decrease in net working capital in 2014 and 2015 at PT. Perkebunan Nusantara III (Persero) Medan due to higher current liabilities that are not followed by the company's current assets.

SUGGESTION

Companies must increase the value of current assets and reduce current debts in order to improve the company's liquidity. Companies should be able to increase sales in order to improve prositabilitas greater. For further research that will do the research, you should add or use other variables in the study to be more perfect.

REFERENCES


