

Optimizing the Use of Working Capital in an Effort to Increase Company Profitability

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ABSTRACT

This research aims to determine the optimization of the use of working capital in an effort to increase company profitability at PT. Semen Indonesia (Persero) Tbk. This research is quantitative descriptive. The population in this research is the financial statements of PT. Semen Indonesia (Persero) Tbk, and the sample for this research is the financial report of PT. Semen Indonesia (Persero) Tbk for the 2019-2023 period. The data collection technique used is financial ratios, namely liquidity ratios using the current ratio, activity ratios using working capital turnover, and profitability ratios using Net Profit Margin (NPM). The research results show that efficient use of working capital can increase company profitability. The results of data analysis from the assessment of each ratio can be concluded that the liquidity ratio using the current ratio calculation can be said to be quite good during the 2019-2023 period. The activity ratio using working capital turnover calculations is said to be good during the 2019-2021 period, but in the 2022-2023 period the activity ratio is categorized as not good. Profitability ratios using NPM obtained fluctuating results during the 2019-2023 period. The company's NPM in 2019-2021 was efficient, but in 2022-2023 the company's NPM was categorized as inefficient.

Kata Kunci: working capital, liquidity ratio, activity ratio, profitability ratio

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1. INTRODUCTION

Currently competition in the business world is very tight. In dealing with this, companies must manage their resources as optimally as possible in order to achieve company goals. Every company has the same goal, namely achieving maximum profits (Jihadi et al., 2021). For this reason, companies are required to be more efficient in operating their companies. Every company needs funds for company operational activities (Tumbel et al., 2017). The funds needed to finance company operations are called working capital. Working capital is an investment invested in assets such as cash, banks, securities, receivables, inventory and other current assets. Working capital is needed to finance the company's operational activities and is expected to maintain the company's continuous development.

In managing resources efficiently, companies need to focus on working capital management. Working capital management includes managing assets such as cash, receivables and inventories with the aim of maintaining the Company's liquidity and operational sustainability (Oktavia & Indrati, 2021). It is important for companies to optimize working capital turnover to minimize the risk of lack of funds in carrying out operational activities. A good working capital management strategy can help a company meet financial obligations on time, prevent late payments to suppliers, and increase competitiveness in a competitive market.

In addition, companies need to understand that working capital is not only related to the amount of funds available, but also to the efficiency in managing them (Aktas et al., 2015). In this context, technology can be a very effective tool for improving operational efficiency. The use of sophisticated financial information systems can help companies optimize working capital management processes, such as inventory management and receivables collection. With the right technology, companies can identify potential efficiency improvements and make better decisions in resource allocation (Wang et al., 2018).

Apart from focusing on working capital management and implementing technology, it is important for companies to continue to develop long-term financial strategies (Karadag, 2015). This includes wise investment planning, diversification of funding sources, and continuous evaluation of financial performance. With a holistic approach to working capital management and financial strategy, companies can build a strong foundation to survive and thrive in increasingly fierce business competition.

Working capital is closely related to the company's profits or level of profitability, so the use of working capital must be managed as efficiently as possible so that the company's profitability can be increased (Anton & Afloarei, 2020). The company's success is not only assessed by the company's ability to earn profits, but is emphasized on the company's effectiveness and efficiency in managing existing working capital. Effectiveness is the level of success of a company in achieving its stated goals. Meanwhile, efficiency is an activity to achieve goals using the minimum possible resources.

The importance of working capital management in increasing company profitability lies in the balance between liquidity and return on investment (Samiloglu & Akgün, 2016). In managing working capital, companies need to ensure that they have sufficient liquidity to meet financial obligations that are due soon, while still optimizing investments to achieve maximum returns. Therefore, companies need to pay attention to working capital components such as inventory, receivables, and short-term liabilities to maintain the right balance between liquidity and profitability.

Efficient working capital management also requires a deep understanding of the Company's operational cycle (Pais & Gama, 2015). Companies must be able to identify and manage periods where working capital needs increase, such as during high seasons or changes in market trends. With a good understanding of industry dynamics and business cycles, companies can take appropriate actions to anticipate fluctuations in working capital and maintain financial stability in the long term.

Apart from that, collaboration between departments within the company is also very important to achieve optimal working capital management (Gelsomino et al., 2016). Effective communication between finance, production, and sales teams can help identify potential efficiency improvements throughout the supply chain. In doing so, companies can reduce unnecessary working capital costs and increase their ability to adapt to changing market conditions, which in turn can support increased company profitability.

Determining working capital for cash, receivables and inventory must be used as efficiently as possible. The amount of working capital must be in accordance with the company's needs, because both excess and deficiency of the company's working capital both have a negative impact on the company. Excessive working capital will cause waste in company operations (Fivga & Dimitriou, 2018). In addition, a lack of working capital will also hinder the Company's operational activities.

Good working capital is the efficient use of working capital which will have a positive impact on the company's profitability (Mun & Jang, 2015). The level of company profitability can be measured by Net Profit Margin (NPM). The level of working capital efficiency can be measured by working capital turnover, while to determine the company's ability to pay its short-term obligations it can be measured by the liquidity ratio, namely the current ratio.

Net Profit Margin (NPM) is a key parameter in evaluating the effectiveness of working capital management on company profitability. NPM measures how much net profit a company generates from each revenue. By optimizing working capital turnover, companies can increase NPM by reducing working capital costs and increasing operational efficiency (Basyith et al., 2021). In this context, focusing on components such as credit policy, inventory management, and receivables management can make a significant contribution to increasing the company's level of profitability.

In addition, the current ratio, which is a liquidity ratio, provides an overview of the company's ability to pay its short-term obligations. Companies need to ensure that the current ratio is within a healthy range to ensure

smooth operations and minimize liquidity risks (Madushanka & Jathurika, 2018). Therefore, efficient working capital management not only impacts profitability, but also ensures that the company has sufficient financial resilience to overcome challenges and opportunities in a changing market. By understanding and optimizing these parameters, companies can achieve the right balance between operational efficiency, profitability and financial sustainability.

Based on the description presented above, the researcher took the research object at PT. Semen Indonesia (Persero) Tbk. PT Semen Indonesia (Persero) Tbk ("SMGR") was founded in 1957 in Gresik, under the name NV Semen Gresik. In 1991, PT Semen Gresik was the first state-owned company to go public on the Indonesian Stock Exchange. Furthermore, in 1995, PT Semen Gresik (Persero) Tbk consolidated with PT Semen Padang and PT Semen Tonasa which later became known as the Semen Gresik Group.

In its development on January 7 2013, PT Semen Gresik (Persero) Tbk was transformed into PT Semen Indonesia (Persero) Tbk, and acted as a strategic holding company that houses PT Semen Gresik, PT Semen Padang, PT Semen Tonasa, and Thang Long Cement Company. . With the principle of "Building Strength to advance Indonesia" Semen Indonesia continues to increase synergy and innovation in order to achieve quality excellence, maintain integration and continuity of economic performance, is committed to the environment and provides social benefits in all operational activities. The following presents working capital and profitability data for PT Semen Indonesia (Persero) Tbk for the period 2019 to 2023:

Table 1. Data on Working Capital and Profit/Loss of PT Semen Indonesia (Persero) Tbk 2019-2023

Year	Working Capital (Rp)	Change (%)	Profit and loss (Rp)	Change (%)
2019	6.376.615.127	Change	5.567.659.839	-
2020	3.393.514.288	(38%)	4.525.441.038	(19%)
2021	2.221.485.399	(44%)	4.535.036.823	0%
2022	4.998.241.479	125%	2.043.025.914	(55%)
2023	7.804.848.028	56%	3.085.704.236	51%

Source: PT Semen Indonesia (Persero) Tbk (data processed, 2023)

Based on table 1 above, it can be seen that the level of profit and working capital at PT Semen Indonesia (Persero) Tbk experienced fluctuations from the 2019-2023 period. In 2019, the company's working capital decreased and company profits also decreased. The decrease in working capital was caused by a decrease in current assets from the previous year, while the company's liabilities increased. The decrease in company profits was caused by a decrease in income but the company's expenses increased. In 2020, the company's working capital decreased while the company's profit remained the same. The decrease in working capital was caused by a decrease in current assets. Meanwhile, the company's profit did not experience a significant change from the previous year because the company's sales and expenses also did not experience significant changes.

In 2021, the company's working capital increased while company profits decreased. The increase in working capital is caused by the increase in current assets being greater than the increase in current liabilities. The decrease in company profits was caused by an increase in expenses. Based on this data, the researcher wants to analyze how the company's working capital is managed, thereby influencing the company's level of profitability. Based on this background, researchers are interested in conducting research with the title optimizing the use of working capital in an effort to increase the company's profitability.

2. RESEARCH METHODS

2.1 Research Variables

According to Sugiyono (2016:38) that "research variables are basically anything in any form that is determined by the researcher to be studied so that information about it is obtained". The variables that will be examined in this research are working capital, liquidity ratio, activity ratio and profitability ratio.

- 1) Working capital is the costs used to fulfill the company's operational activities.
- 2) Liquidity ratio is a ratio used to measure how liquid a company is.
- 3) The activity ratio is a ratio used to measure the level of efficiency in utilizing company resources.
- 4) The profitability ratio is a ratio used to measure a company's ability to earn profits.

2.2 Operational Definition of Variables

To obtain a clear picture of the variables that will be studied in this research, operationally the following limitations are given:

- 1) Working capital is the total of current assets used to finance the company's daily operational activities at PT Semen Indonesia (Persero) Tbk.
- 2) Efficiency is the ability of an organization or company to achieve predetermined targets by using the minimum possible resources. This research looks at how PT Semen Indonesia (Persero) Tbk uses its working capital efficiently. Where in this research working capital efficiency is calculated using the current ratio and working capital turnover.
- 3) Profitability is the ability of PT Semen Indonesia (Persero) Tbk to earn profits during a certain period where in this research profitability is calculated using the Net Profit Margin (NPM) ratio.

2.3 Data Types and Sources

The type of data used by researchers in compiling this research is quantitative data. Quantitative data is numerical data that shows the results of measuring variables and is used for research purposes. The data source used in this research is secondary data or additional data which contains information related to the research object. Company financial report data is accessed and downloaded from the official website of the Indonesia Stock Exchange (BEI), namely www.idx.co.id and the official website of PT Semen Indonesia (Persero) Tbk, namely www.semenindonesia.com.

2.4 Population and Sample

The population in this research is all financial reports of PT Semen Indonesia (Persero) Tbk which are listed on the Indonesia Stock Exchange (BEI) during the 2019-2023 period. The sample from this research comes from financial report data, especially balance sheets and profit and loss reports for the last 5 years, namely from 2019-2023 at PT Semen Indonesia (Persero) Tbk.

2.5 Research Design

Research design is a process or steps used as a guide in carrying out research, so that research can be carried out systematically to achieve the desired results. The following is the research design used in this research:

2.6 Data Analysis Techniques

After the data was collected, the data was then analyzed by researchers in this report in a quantitative descriptive manner. Quantitative descriptive is a method that analyzes a problem based on calculating research results. To further prove the role of working capital in determining company profitability, researchers used the ratio analysis method with data analysis stages in the form of:

- 1) Analyze the company's ability to fulfill its maturing obligations using the liquidity ratio or what is usually called the working capital ratio, where the calculation ratio used in this research is the current ratio;

$$\text{Current Ratio} = \frac{\text{Current asset}}{\text{Current Debt}} \times 100\%$$

Table 2. Standards for Measuring the Efficiency of Using Working Capital (Liquidity Ratio)

Ratio Type	Efficiency Standards	Criteria
Rasio Lancar	>300%	Very good
	150% - 300%	Good
	100% - 149%	Good enough
	<100%	Not good

Source: Huntotnygo, 2014.

- 2) Analyze the company's working capital turnover in 1 year using the activity ratio, where the ratio calculation used in this research is the working capital turnover ratio;

$$\text{Working Capital Turnover} = \frac{\text{Net sales}}{\text{Working capital}}$$

Table 3. Standard Industry Ratios (Activity Ratios)

Ratio Type	Efficiency Standards	Criteria
Working Capital Turnover	> 4 Times	Very good
	4 Times	Good
	<4 Times	Not good

Source: Kasmir, 2015.

- 3) Measuring the level of company profitability using profitability ratios, where the ratio calculation used in this research is Net Profit Margin (NPM);

$$\text{NPM} = \frac{\text{Laba Bersih}}{\text{Penjualan Bersih}} \times 100\%$$

Table 4. Standards for Measuring the Efficiency of Using Working Capital (Profitability Ratio)

Ratio Type	Efficiency Standards	Criteria
Return On Assets (ROA)	> 11%	Very good
	8% - 11%	Good
	<11%	Not good

Source: Huntynngo, 2014.

3. RESULTS AND DISCUSSION

3.1 Research Results

a. Analysis of Working Capital Development at PT Semen Indonesia (Persero) Tbk

Table 5. Data on Working Capital Development of PT Semen Indonesia (Persero) Tbk 2019-2023

Year	Working Capital	Change (%)
2019	6.376.615.127	-
2020	3.393.514.288	(38%)
2021	2.221.485.399	(44%)
2022	4.998.241.479	125%
2023	7.804.848.028	56%

Source: Processed Data, 2023

Based on the data above, it can be seen that PT Semen Indonesia (Persero) Tbk's working capital in the 2019-2023 period fluctuated. In terms of percentage change, in 2022 there will be the most drastic increase in working capital during 2019-2023, namely 125% from the previous year. This happened because there was an increase in the company's receivables and inventories. Meanwhile, in 2021 the company's working capital experienced the most significant decline, namely by 44%. This happened because of a decrease in company cash.

b. Analysis of the Efficiency of Using Working Capital (Liquidity Ratio)

Tabele 6. PT Semen Indonesia (Persero) Tbk Current Ratio Calculation Results 2019-2023

No	Year	Value (%)	Criteria
1	2019	221	Goog
2	2020	160	Goof
3	2021	127	Good enough
4	2022	157	Good
5	2023	195	Good

Source: PT Semen Indonesia (Persero) Tbk (data processed, 2023)

Based on table 6 above, it shows the company's ability to maintain its liquidity during the 2019-2023 period. The company's current ratio value during the 2019-2023 period fluctuated. In the table it can be seen that the company's liquidity value has decreased from 2019 to 2020, but is still categorized as good because it is above industry standards. This decrease was caused by a decrease in the company's current assets. In 2021, there was another decline in the company's liquidity and it was in the quite good category. This decrease was caused by a decrease in the company's cash and cash equivalents while the company's current liabilities increased. In 2022 and 2023, the company's liquidity continues to increase and is in the good category.

c. Analysis of Working Capital Turnover (Activity Ratio)

Table 8. PT Semen Indonesia (Persero) Tbk Working Capital Turnover Calculation Results 2019-2023

No	Year	Value (Times)	Criteria
1	2019	4,23	Not good
2	2020	6,84	Very good
3	2021	11,76	Very good
4	2022	5,56	Very good
5	2023	3,93	Very good

Source: PT Semen Indonesia (Persero) Tbk (data processed, 2023).

Based on table 11 above, it shows that the working capital turnover of PT Semen Indonesia (Persero) Tbk fluctuated during the 2019-2023 period. In the table it can be seen that the lowest working capital turnover value occurred in 2018 with a value of 3.93 times and was categorized as poor because it was below the efficiency measurement standard. This happens because the increase in working capital is greater than the increase in net sales obtained by the company that year. The highest working capital turnover value occurred in 2021 with a value of 11.76 times and was categorized as very good because it was above the efficiency measurement standard. This happens because the company's net sales increase while working capital decreases.

d. Analysis of the Efficiency of Using Working Capital (Profitability Ratio)

Table 8. PT Semen Indonesia (Persero) Tbk Net Profit Margin (NPM) Calculation Results for 2019-2023

No	Year	Value (Times)	Criteria
1	2019	21	Very Efficient
2	2020	17	Very Efficient
3	2021	17	Efficient
4	2022	7	Very Efficient
5	2023	10	Not Efficient

Source: PT Semen Indonesia (Persero) Tbk (data processed, 2020).

Based on table 8 above, it can be seen that the profitability ratio of PT Semen Indonesia (Persero) Tbk fluctuates during the 2019-2023 period. Based on efficiency measurement standards, in 2019 and 2020 the company's ROA value was in the very efficient category. In 2021, the company's

ROA value will decrease, and is in the efficient category. The decrease in ROA occurred because the company's net profit decreased, which was also caused by a decrease in company sales. In 2022 and 2023, the company's ROA will decline again, and based on efficiency measurement standards, the company's ROA value in 2022 and 2023 is included in the inefficient category. The ROA value in 2021 and 2022 is said to be inefficient because the company's net profit has decreased.

e. **e. Summary of Financial Ratio Analysis Results of PT Semen Indonesia (Persero) Tbk 2019-2023**
Table 9. Comparison of Financial Ratios of PT Semen Indonesia (Persero) Tbk 2019-2023

Description	2019	2020	2021	2022	2023
Liquidity Ratio:	221%	160%	127%	157%	195%
Current Ratio	(Good)	(Good)	(Good)	(Good)	(Good)
			Enough)		
Activity Ratio:	4,23 kali	6,84 kali	11,76 kali	5,56 kali	3,93 kali
Working Capital Turnover	(Good)	(Very Good)	(Very good)	Not good)	(Not good)
Profitability Ratio:	21%	17%	17%	7%	10%
Net Profit Margin (NPM)	(Very Efficient)	(Very Efficient)	(Efisien)	(Very Efficient)	(Not Efficient)

Source: Processed Data, 2023

Based on table 9, it is found that the current ratio of PT Semen Indonesia (Persero) Tbk fluctuated during the 2019-2023 period. On average, during the 2019-2023 period, the company's current ratio can be said to be quite good. Calculating the activity ratio using the working capital turnover ratio obtained fluctuating results during the 2019-2023 period. In 2019-2021, the company's activity ratio is said to be good, while in 2022-2023 the company's activity ratio is not good. The profitability ratio of PT Semen Indonesia (Persero) Tbk fluctuated during the 2019-2023 period. When compared with efficiency measurement standards, the company's NPM in 2019-2021 is efficient, but in 2022-2023 the company's NPM is categorized as inefficient.

3.2 Discussion

The calculation results in 2019 show that the company's current ratio is said to be good, working capital turnover is said to be good, and the NPM obtained by the company is said to be very efficient. A good current ratio value is caused by the value of the company's current assets being greater than the value of the company's current liabilities. The company's working capital turnover value in 2019 is said to be good, this is due to the high sales value obtained by the company in that year. The NPM value obtained in 2019 is said to be very efficient, this is due to the company's high sales, which causes the company's net profit to also be high.

The calculation results in 2020 show that the company's current ratio and NPM values have decreased, while the company's working capital turnover has increased. The decrease in the value of the current ratio was caused by a decrease in the value of current assets, while the company's current liabilities increased. The increase in working capital turnover was caused by a decrease in the company's working capital. The decrease in the NPM value obtained by the company was caused by a decrease in the company's sales, causing the net profit obtained by the company to also decrease (Evany et al., 2022).

The calculation results in 2016 show that the company's current ratio and NPM values have decreased, while the company's working capital turnover has increased. The decrease in the current ratio was triggered by an increase in the company's current debt while the company's current assets decreased. The value of the company's working capital turnover has increased, this is because the value of the decrease in working capital in the company is greater than the value of the decrease in the company's sales. The decline in the company's NPM was triggered by a decrease in the company's revenue so that the company's net profit did not increase significantly.

The calculation results in 2022 show that the company's current ratio has increased, while the working capital turnover value and the company's NPM value have decreased. The increase in the company's current ratio was triggered by an increase in the company's current assets. According to Kusmayadi et al. (2019) the

decline in working capital turnover was triggered by a fairly large increase in the company's working capital from the previous year. The NPM value obtained by the company also decreased quite drastically, this was due to a decrease in the company's sales while the company's expenses increased, thus affecting the net profit obtained by the company that year.

The calculation results in 2023 show that the company's current ratio and NPM values have increased, while the company's working capital turnover value has decreased. According to Masyita & Harahap (2018) the increase in the value of the company's current ratio was due to an increase in the company's current assets while the company's current liabilities decreased. The value of the company's working capital turnover decreased due to a fairly large increase in working capital from the previous year. The NPM value has increased, but is still in the inefficient criteria based on NPM efficiency standards. The unfavorable NPM value is triggered by an increase in company expenses.

Based on the results of the analysis of the company's financial performance from 2019 to 2023, it is clear that the company started this period with a solid financial condition. In 2019, the company showed good performance with a healthy current ratio, efficient working capital turnover, and a very efficient net profit margin. However, significant changes occurred in 2020, where there was a decrease in the current ratio and NPM due to a decrease in sales, even though working capital turnover increased. 2022 and 2023 see the company recover with an increase in the current ratio, but offset by a decrease in working capital turnover and NPM. Key factors to consider are declining sales and increasing expenses, which need to be addressed to ensure the company's continued financial health.

As a recommendation, companies need to carry out an in-depth analysis of the factors that influence decreased sales and increased expenses. Efforts to improve marketing strategies and increase operational efficiency can help overcome these challenges. Additionally, working capital management needs to be strengthened to ensure optimal use of resources. Careful strategic planning, a focus on sales growth, and effective cost management will be the key to taking the company towards long-term sustainability and growth.

4. CONCLUSIONS AND SUGGESTION

Based on the results of research regarding the efficiency of using working capital in an effort to increase company profitability at PT Semen Indonesia (Persero) Tbk, it can be concluded that based on working capital development data analyzed at PT Semen Indonesia (Persero) Tbk for the 2019-2023 period, it is said to be not good. This is because the company's cash tends to decrease, and the company's working capital experienced the most drastic decline in 2020 and 2021. The decrease in the company's working capital was caused by a successive decrease in the company's current assets.

In terms of liquidity ratios, the current ratio of PT Semen Indonesia (Persero) Tbk fluctuates during the 2019-2023 period. On average during the 2019-2023 period, the company's current ratio can be said to be quite good based on the standard industry ratio used in this research. This is because the company's current assets are always higher than the company's current debt, which means that the company is able to finance its current debt only by using the company's current assets. The results of the current ratio calculation show that the company's liquidity management is quite optimal.

In terms of activity ratio, PT Semen Indonesia (Persero) Tbk's working capital turnover fluctuates during the 2019-2023 period. Calculating the activity ratio using the working capital turnover ratio obtained fluctuating results during the 2019-2023 period. In 2019-2021, the company's activity ratio is said to be good, while in 2022-2023 the company's activity ratio is not good. The decrease in the company's activity ratio in 2022-2023 was caused by the company's high working capital in that year.

In terms of profitability ratios, PT Semen Indonesia (Persero) Tbk fluctuated during the 2019-2023 period. When compared with efficiency measurement standards, the company's NPM in 2019-2021 is efficient, but in 2022-2023 the company's NPM is categorized as inefficient. The decline in the NPM value that occurred in 2022-2023 was caused by the company's high expenses in that year. Efficient use of working capital can increase company profitability. In research, an increase in working capital turnover is always followed by an increase in company profitability.

Based on the results of the analysis that has been carried out and referring to the conclusions outlined above, suggestions are proposed that can be used as consideration for PT Semen Indonesia (Persero) Tbk in making decisions, namely that the company must pay more attention to working capital management, including

the use of economical working capital. The amount of working capital must be in accordance with the company's needs. Economical use of working capital will help the company carry out its operational activities well and sustainably. The company's working capital cannot be lacking. If there is a shortage of working capital, the company's operational activities cannot be fully funded, so the company must maintain its current assets. Then, using the liquidity ratio using the current ratio calculation, the company should maintain or maintain the company's liquidity level. Because the company's liquidity level for the 2019-2023 period is quite good.

For the activity ratio using the working capital turnover ratio calculation, a low value can be anticipated with the company needing to pay attention to the company's sales level so that working capital turnover can increase. One way that companies can increase sales is by determining a sales strategy. A sales strategy is needed with the aim of facing competition with other companies. Companies must be creative and innovative to be able to compete with other companies. Lastly, the profitability ratio, through NPM calculations, which tends to decrease can be anticipated by company management needing to manage sales levels and manage the company's net profit so that the company's net profit can increase.

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