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The Effect of Working Capital and Operational Costs on Net Income in Automotive Companies and Components Listed on the Indonesia Stock Exchange (IDX) for the 2014-2018 Period

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Abstract

The purpose of this study was to determine the effect of working capital variables and operational costs on net income. The independent variable used in this study is working capital and operational costs while the dependent variable used in this study is net income. The population in this study are automotive sector and component companies listed on the IDX. The number of samples is 30 financial report data. The method of determining the sample used is purpose sampling. The analytical tool used in this study is the multicollinearity test, and heteroscedasticity test. The statistical analysis used is multiple linear regression analysis, and hypothesis testing consisting of t test and f test and determination coefficient (R2). The results showed that the partial test results (t test) of the study stated the significance of working capital (0,006), and operational costs (0,000). And simultaneous results (f test) of the study state significance (0.001), which means simultaneously working capital and operational costs for net income. For R2 test 0.407, it means that 40.7% of net profit is influenced by working capital, and operational costs. While the rest is influenced by other variables outside of the variables used in this study.

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I. Introduction

The company is a profit-oriented organization by selling goods and/or services to the public. If it is based on the main activities carried out, broadly speaking, the types of companies are divided into three categories, namely service companies, trading companies, and manufacturing companies. operational costs and income that can generate maximum profit for the survival and development of the company.

Every company must analyze financial statements in order to find out the company's strengths and weaknesses to facilitate its business activities every company must have a report that describes the financial position of a company.

Companies called financial statements. Financial statement analysis includes whether assets and liabilities are managed properly, including financing activities to increase firm value (Hery, 2014). Working capital is the company's investment in the short term or also known as current assets, including cash/bank, inventories, receivables, short-term investments and prepaid expenses. There is an accounting convention that current assets are company assets that are converted to cash/banks in less than 1 (one) year.

Hendra (2011:156) 0perational costs can be divided into two, namely selling costs and general costs and administrative costs. Sales costs are costs that are directly related to all activities or activities that support the operation of selling merchandise.

Meanwhile, general and administrative expenses are incurred in order to support office activities/affairs and general operations (Hery, 2016: 53). Net profit is net income derived from transactions of income, expenses, gains and losses. Profit is generated from the difference between incoming resources (income and gains) and outgoing resources (expenses and losses) during a certain period (Hery, 2016:44)

Several studies that have been conducted previously related to working capital and production costs (Octaviana, 2015). The results of the study indicate that working capital has a significant influence on the Net Profit of Food and Beverage Sector Companies listed on the Indonesia Stock Exchange for the 2011-2015 period and has a positive relationship with the magnitude of the influence which is in the low category. Production Costs have a significant influence on the Net Profit of Food and Beverage Sub-Sector Companies listed on the Indonesia Stock Exchange for the 2011-2015 period with the magnitude of the effect in the low category.

In addition, Iskan (2014) based on the results of the analysis found that working capital has a positive effect on net income in coal mining sub-sector companies listed on the Indonesia Stock Exchange in 2011-2014, where higher working capital will be followed by higher profits. net. Operating costs have a negative effect on net income in coal mining sub-sector companies listed on the Indonesia Stock Exchange in 2011-2014, where the higher the operating costs, the lower the net profit.

Stock Exchange is an institution/company that organizes/provides system (market) facilities to bring together securities buying and selling offers between various companies/individuals involved in the purpose of trading securities of companies that have been listed on the stock exchange. According to the capital market law number 8 of 1995, the stock exchange is "a party that organizes and provides a system and or means

to bring together offers to buy and sell securities of other parties with the aim of trading securities between them." (Hendi and Tjiptono, 2006:41).

The development of the automotive world is now increasingly rapid, especially in Indonesia. The products launched are also increasingly sophisticated following technological developments to meet consumer satisfaction. Economic growth and development mark the pace of globalization. At that time the conditions of competition were getting sharper in the business world, thus demanding economic actors to create and implement strategies in order to maintain their survival, both individually and in corporations. The large number of companies in the industry, coupled with increasingly difficult economic conditions, creates a fierce competition among companies in the Automotive Industry.

This shows that there are differences in the capital management system in each company which is indicated by the increase and decrease in the number of annual profits in each company. Overall, automotive companies have a fairly large working capital turnover, this happens because of their operational cost activities which always produce goods every day.

In general, the net profit obtained by each automotive and component company during the 2014-2018 period experienced fluctuations that tended to fluctuate up and down, this indicates that the situation is not good for the company. The instability of profit experienced by companies engaged in the automotive and component sector is influenced by several factors, including operating costs that continue to increase, and unstable working capital turnover so that it has an impact on the achievement of net income.

On the basis of the current phenomena, the authors are interested in analyzing the financial statements, but the authors only limit them to working capital and operating costs to see their effect on profits so that it can be seen how far the company's performance is in fulfilling its short-term obligations, and the company's ability to earn profits. clean. So when the company increases working capital, it will automatically require more operational costs and will experience a significant increase. So that the increase in working capital and operational costs has implications for the number of products produced so that products ready to be sold also increase. Resulting in the profit generated will experience a significant increase.

Companies need to pay attention to the use of working capital and operational costs incurred during operating activities so that the company can generate the desired profit for its business continuity.

II. Literature Review

2.1. Financial statements

According to Hery (2016: 2), financial statements are the result of an accounting process that can be used as a tool to communicate financial data or company activities to interested parties. Types of Financial Reports According to Kasmir (2014:28) the types of financial statements are: 1) Balance Sheet is a systematic report on the position of assets,

liabilities and company capital as of a certain date. 2) The Income Statement is a systematic report on the company's income and expenses for a certain period of time. 3) Statement of Owner's Equity is a report that presents an overview of changes in owner's capital a change for a certain period of time (report of changes in capital) and net income. 4) Statement of Cash (Statement Of Cash Flows) is a report that describes the cash inflows and cash outflows in detail from each activity, ranging from operating activities, investing activities, to financing activities (payments) for a certain period of time.

2.2. Working capital

According to Hendra S (2011:156) working capital is a company's investment in the short term or also known as current assets, including cash/banks, inventories, receivables, short-term investments and prepaid expenses. According to Kasmir (2014: 250) states that working capital is defined as all current assets or after deducting current liabilities. Working capital can be calculated by the following formula:

Working Capital = Current Assets - Current liabilities

2.3. Operating costs

According to Hery (2016: 53), the operational expenses can be distinguished into two, namely selling expenses and general and administrative expenses selling expenses are expenses that are directly related to all store activities or activities that support the operations of selling merchandise. Meanwhile, general and administrative expenses are incurred in order to support office activities/businesses and general operations. According to Hery (2016: 53) operational costs have two indicators, namely: 1) Marketing/sales costs are costs incurred to carry out product marketing/sales activities, 2) General administrative costs are costs for coordinating product activities and product marketing. The formula to find out the operational costs is as follows:

BO = Selling Cost + General Administration Fee

2.4. Net profit

According to Hery (2016: 44) what is meant by net income is net income derived from transactions of income, expenses, gains and losses. Profit is generated from the difference between incoming resources (revenues and profits) and outgoing resources (expenses and losses) during a certain period. According to Kasmir in Sarah (2014:303) formulating the net profit indicator is net profit minus gross profit, operating expenses and tax expenses. Net profit can be calculated by the following formula:

Net Profit = Gross Profit - Operating Expenses - Tax Expense

2.5. Hypothesis

According to Sugiyono (2013: 137), a hypothesis is a temporary answer to the formulation of a research problem, where the formulation of a research problem has been expressed in the form of a question sentence. It is said temporarily because the new answers given are based on relevant theories, not yet based on empirical facts obtained through data collection.

Effect of working capital on net income

Working capital is one of the ratios to measure or assess the effectiveness of the company's working capital over a certain period. The low level of profit when associated with working capital can indicate the possibility of low sales volume compared to the costs used. Working capital is the ability of working capital to rotate within a period of the company's cash cycle. Working capital is always in an operating state or rotating within the company as long as the company concerned is in a state of business, which shows that the working capital turnover shows positive and significant results on net income. Kasmir (2014: 250)

Effect of operating costs on net income

Expenses are cash flows or other uses of assets or incurring liabilities from the delivery or production of goods. The provision of services or the performance of other activities that constitute the entity's ongoing business. In calculating the profit and loss, the amount of this cost will reduce the profit or increase the company's loss. The high operating costs will make the increase in profit decrease, as well as if the value of operating costs is low, the increase in profit will increase. Widya Yunita (2017)

Based on this explanation, the hypothesis proposed by the author in this study is:

H1 : Working Capital partially affects net income in automotive and component companies listed on the Indonesia Stock Exchange for the period 2014-2018

H2 : Operating Costs partially affect the net profit of automotive and component companies listed on the Indonesia Stock Exchange for the 2014-2018 period

H3 : Working capital and operating costs simultaneously affect the net income of automotive and component companies listed on the Indonesia Stock Exchange for the period 2014-2018

III. Methodology

3.1. Research Design

The research design used in this paper is quantitative analysis, because this research is presented with numbers. This is in accordance with Arikunto (2010:12) opinion which suggests that quantitative research is a research approach that is demanded to strengthen numbers, starting from data collection, interpretation of the data, and the appearance of the results.

3.2. Population and Sample

The population is a generalization area consisting of objects that have certain qualities and characteristics determined by researchers to be studied and then drawn conclusions (Sugiono, 2013:33). The population that will be the object of this research is the automotive and component sub-sector manufacturing companies listed on the Indonesian stock exchange along with complete financial statements for the 2014-2018 period.

According to Sugiyono (2013:106) the sample is part of the number of characteristics possessed by the population. The sample in this study was non-probability sampling, namely purposive sampling which according to Anwar Sanusi (2014:9) is a sampling technique based on the criteria set by the author

3.3. Types and Sources of Data

The type of data used in this research is using secondary data or indirect data that is quantitative. According to Anwar Sanusi (2014:104) secondary data is data that is already available and collected by other parties. The source of the data that the author got was data obtained from the official website of the Indonesia Stock Exchange (IDX), the data needed includes information about the company's financial statements that have been audited and researched in the 2014-2018 period.

3.4. Data Collection Technique

According to Anwar Sanusi (2014: 105) data collection can be done by means of surveys, documentation and observations. The collected data is used as material for analysis and testing the formulated hypotheses. Therefore, data collection must be carried out systematically, directed and in accordance with research. Data collection uses secondary data, namely data collected indirectly from respondents related to the variables used, for the specific purpose of the study the data used is the company's annual financial report data.

The data collection techniques used in this study are:

a. Library (Library Research)
   The library study technique is conducting a study and reviewing various literatures in the form of books, articles, and other sources relevant to the research.
b. Documentation

This technique is carried out by collecting the financial statements of automotive and component companies listed on the Indonesia Stock Exchange and having carried out an audit process by opening the website of the object under study so that financial statements, company descriptions, and company developments can be obtained.

3.5. Research Variables

The variables studied in this study consist of variables that will be tested in the study, are:

1. Independent variable (X) or independent variable is a variable that affects or causes changes in the dependent variable, the variable in this study is working capital (X1), operating costs (X2)
2. Dependent variable (Y) or dependent variable is a variable that is affected or as a result of changes from the independent variable, the dependent variable in this study is net profit (Y)

3.6. Classical Assumption Test

Before testing the regression of the research variables to test whether it meets the classical assumption of the regression equation that is to meet the assumption of normality, the absence of heterokedasticity and autocorrelation. If this is not found then the classical assumption of regression has been met.

Test of Normality

According to Ghozali (2012: 151), the normality test aims to test whether in a regression model, between independent variables are normally distributed or not. A good regression model is to have a normal or close to normal data distribution in principle normality can be detected by looking at the distribution of data (points) on the diagonal axis of the graph or by looking at the histogram of the residual.

Multicolinierity Test

According to Sugiyono (2013: 82), multicolinierity test aims to test whether in the regression model finds no similarity between independent variables with other independent variables in one model. A good regression model should not have a correlation between the independent variables if the independent variables are correlated with each other, then the variables are not orthogonal, that is, independent variables whose correlation value between fellow variables is equal to 0. Tolerance and VIF (Variance Inflation Factor) value. The recommended values to indicate the absence of multicholinierity problems are Tolerance values should be> 0.10 and VIF values <10.

Heteroskedasticity Test

According to Sugiyono (2013: 93), this test aims to test whether the regression model occurs variance inequality from the residuals of one observation to another. A good regression model is in the absence of heteroskedasticity. To detect the existence of a

heteroskedasticity is to look at the presence or absence of a certain pattern on the graph, provided that:

1. If there is a certain pattern, such as the existing points forming a certain regular pattern (wavy, widening and then narrowing), then heteroskedasticity has occurred.
2. If there is no clear pattern, and the points are scattered above and below the number 0 on the Y axis, then there is no heteroskedasticity.

Autocorrelation Test

According to Ghozali (2012: 110), autocorrelation testing is used to determine whether there is a correlation between the disturbance error in period t with the error in period t-1 (previously). Autocorrelation often occurs in samples with time series data with sample items such as companies, people, regions and so on. A good regression model is a regression that is independent of autocorrelation, that is, in the region of no autocorrelation (du <dw <4-du). To detect the presence of autocorrelation can be done by testing the value of the Durbin-Watson test (dw test).

3.7. Multiple Linear Regression Analysis

In an effort to answer the problems in this study, multiple regression analysis was used. According to Ghozali (2012: 136), regression analysis is basically a study of the dependence of the dependent variable (bound) with one or more independent variables (free), with the aim of estimating and predicting the population average or the values of the dependent variable.

The regression equation in this research is to find out how much influence the independent or independent variables, namely working capital (X1), and operating costs (X2), on the dependent variable, namely net income (Y).

The models of the analysis are:

$$Y = a + b1X1 + b2X2 + b3X3 + e$$

Information:

Y	= net profit
a	= Constant
b1,b2,b3	= regression coefficient
X1	= working capital
X2	= operational cost
e	= Epsilon or variables not studied

Linear regression basically shows whether all the independent variables referred to in the model have a joint effect on the dependent variable.

3.8. Coefficient of Determination Test (R2)

According to Widarjono (2015: 17) the coefficient of determination of R2 is used to measure how well the regression line corresponds to the actual data. This coefficient of determination measures the percentage of the total variance of the dependent variable Y described by the independent variable in the regression line. The value of the coefficient of determination is zero or one. A small value of R2 means the ability of the independent variables to provide almost all the information needed to predict the variance of the dependent variable.

3.9. Hypothesis Testing

T -test (Partial Test)

According to Widarjono (2015: 22) the test is used to prove whether the independent variable individually affects the dependent variable. The purpose of this test is to find out whether each independent variable has an influence on the dependent variable. there was no significant effect between each of the independent variables on the dependent variables. At this stage, a test is performed on the influence of each independent variable to determine whether all the independent variables that exist individually have a significant effect or not on the dependent variable.

Test f (Simultaneous Test)

According to Agus Widarjono (2015: 19) that ujif is used to evaluate the influence of all independent variables on the dependent variable or is a test of the significance of the regression model. if the significance value is> 0.05 then there is no significant effect of both the independent variables on the dependent variables.

At this stage, testing will be done on all independent variables, namely working capital and operating costs simultaneously against net profit.

IV. Results and Discussion

4.1. Classical Assumption Test

Normality Test

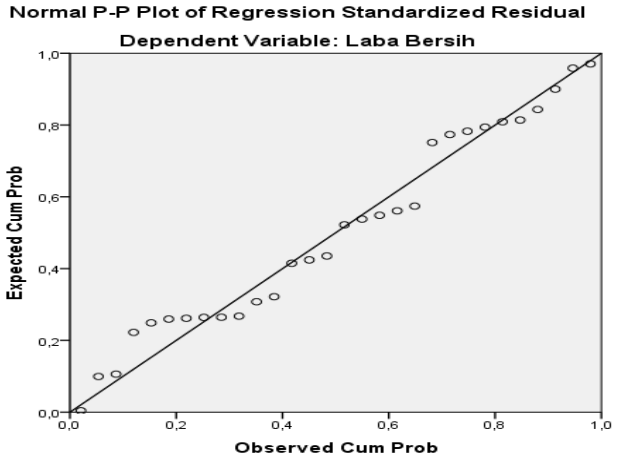

Figure 1.NormalP-PPlotOfRegression Standardized Residual (Normality Test)
Source: SPSS Output 22. 2019

Based on the graph above, it can be seen that the points spread around the diagonal line. Thus the data as a whole meet the normality assumption test even though there are a few uneven plots of the diagonal line above.

Multicollinearity Test

Table 1. Coefficients

				Collinearity Statistics	
	Model	T	Sig.	Tolerance	VIF
1	(Constant)	2,873	,008		
	Working Capital	2,954	,006	,570	1,755
	Operating Costs	4,304	,000	,570	1,755

a. Dependent Variable: Net Profit
Source: SPSS Output 22. 2019

Based on the test results above, the tolerance value is 0.570 > 0.1 and the VIF value is 1.755 < 10.0, so in this test there is no multicollinearity problem because the tolerance of all variables is > 0.1 and VIF < 10.

Heteroscedasticity Test

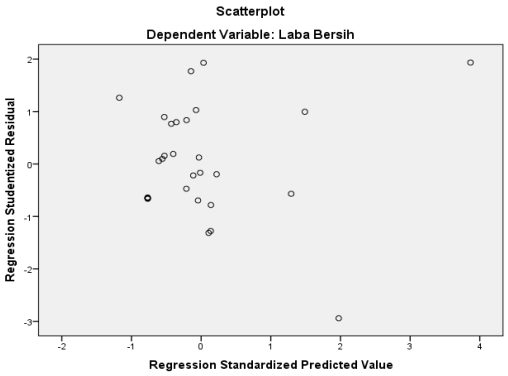

Figure 2 Scatterplot (Heteroscedasticity Test)
Source: SPSS Output 22. 2019

Based on the appearance of the scatterplot, it can be seen that it spreads randomly and is below zero. The results of the heteroscedasticity test show that the spread of dots does not form a certain pattern, which means that the regression model in this study is free from heteroscedasticity problems, meaning that there is no significant disturbance in this regression model.

Autocorrelation Test

Tabel 2. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,638[a]	,407	,363	490916,103	1,779

In the summary model output there is a Durbin-Watson value of 1.779. The value of the Durbin-Watson table with N = 30 and two independent variables shows the value of dL = 1.2387 and dU = 1.5666. Based on this, we can see that the calculated d value or the Durbin-Watson model value is greater than dU and less than (4-dU) (4-1.5666) = 2.433. So it can be said that there is no autocorrelation problem.

Multiple Linear Regression Test

Table 3. Multiple Liner Test Results

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	328394,070	114322,223		2,873	,008
	Working Capital	,071	,024	,580	2,954	,006
	Operating Costs	,102	,024	,845	4,304	,000

a. Dependent Variable: Net Profit

Source: SPSS Output 22. 2019

The multiple linear regression equation is as follows:

$$Y = a + b1X1+B2X2+e$$
$$Y = 328394+0.071X1+0.102X2+e$$

The results of the multiple linear regression test of the independent variables are explained as follows:

1. Constant coefficient of 328394 means that if X1, and X2 the value is 0, then Y value is 328394
2. The Working Capital Coefficient for X1 = 0.071 states that each addition or increase of one unit of X1 will increase net income by 0.071.
3. Coefficient of Operational Costs for X2 = 0.102 states that each addition or increase of one unit of X2 will increase net income by 0.102.

Coefficient of Determination (R2)

Table 4. Model Summary (Test of Determination)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,638[a]	,407	,363	490916,103	1,779

a. Predictors: (Constant), Operating Costs, Working Capital
b. Dependent Variable: Net Profit
Source: SPSS Output 22. 2019

Based on the table above, it can be seen that Rsquare explains how much of the Y relationship is caused by X, from the calculation results, the R2 value is 0.407 or 40.7%, meaning that it is quite capable of being explained by the independent variable. From the results of the calculation of the Adjusted RSquare obtained a value of 0.363, meaning that 36.3% of the dependents are influenced by the two independent variables. while the rest is explained by other variables outside the variables studied. So it can be concluded that the effect of the independent variable affects the changes in the dependent variable.

4.2. Hypothesis Test

Partial Statistical Test (t Test)

Table 5. Coefficients (Uji t)

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	328394,070	114322,223		2,873	,008
	Working Capital	,071	,024	,580	2,954	,006
	Operating Costs	,102	,024	,845	4,304	,000

a. Dependent Variable: Net Profit
Source: SPSS Output 22. 2019

Based on the results of the partial test (t test) above, it can be seen as follows:

1. It is known that the calculated t value of working capital is 2.954 while the table value is 2.051 and the significance value (sig t) is 0.006 < 0.05, so it can be concluded that working capital has a partial and significant effect on net income.
2. It is known that the t value for operating costs is 4.303 while the t table value is 2.051, and the significance value (sig t) is 0.000 < 0.05 so it can be concluded that operational costs have a partial and significant effect on net income.

Simultaneous statistical test (f test)

Table 6. Anova Model (f test)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4470676916024,998	2	2235338458012,499	9,275	,001[b]
	Residual	6506962745966,469	27	240998620220,980		
	Total	10977639661991,467	29			

a. Predictors: (Constant), Operating Costs, Working Capital

b. Dependent Variable: Net Profit

Based on the table above, it can be seen that the results of the f test show the calculated f value of 9.275 and the table of 3.34. The calculated f value is greater than f table. with a significant value of 0.001. The significant value is smaller than 0.05, this indicates that the independent variables of working capital and operating costs have a simultaneous effect on the dependent variable of net income. That is, any changes that occur in the independent variable simultaneously or together will have an effect on the dependent variable.

4.3. Discussion

Effect of working capital on net income

The results of the hypothesis test carried out using the t-test that working capital partially and significantly affects net income in automotive and component companies listed on the Indonesia Stock Exchange for the 2014-2018 period, this can be proven by the t-count working capital value of 2.954 which is greater than the value of t table is 2.051. and the significance value (sig t) of 0.006 is smaller than 0.05. This shows that the higher the working capital of an company, the possibility of the company getting an increased net profit. This is supported by research Iskan (2014) the results of partial hypothesis testing show that partially working capital has a significant effect on net income. The relationship between working capital and net income shows a moderate relationship and is positive, meaning that if working capital is high, it will affect the net profit generated by the company. In accordance with the theory put forward by Gitosudarmo (2008) that more than sufficient working capital will reduce risk and increase profit/net. This opinion is based on the view that with sufficient availability of working capital, activities can be directed at disbursing higher yields through business expansion or expansion.

Effect of operating costs on net income

The results of the hypothesis test conducted using the t-test that operational costs have a significant and significant effect on net income in automotive and component companies listed on the Indonesia Stock Exchange for the 2014-2018 period. This can be proven by the t arithmetic value of 4.304 which is greater than the t-table value of 2.051 and is significantly 0.000 less than 0.05. This shows that the lower the operating costs of a company, the possibility of the company's net profit will increase. The results of this study are consistent with the results of research by Pebriyanti (2013) which states that partially operational costs have a significant effect on profits, so it can be concluded that

the variable operating costs can be used as a tool to measure net income in plantation companies. Based on the results of this study, it can be seen that the operational costs of companies that provide large capital from investors to cover operational costs or expenses, so that the fluctuations in operating expenses greatly affect the net profit generated by the company. Therefore, the statistical results state that operating costs have a positive effect on net income, assuming the reduction in the company's operating costs is not offset by an increase in the company's operating profit, so this affects the net profit generated by the company. Harry (2016).

The effect of working capital, operating costs on net income in automotive and component companies listed on the Indonesia Stock Exchange for the 2014-2018 period

Simultaneous regression test results are known that working capital, operational costs simultaneously or together influential and significant to the net income of automotive and component companies listed on the Indonesia Stock Exchange for the period 2014-2018. based on the value of the f test shows the calculated f value is 9.275 which is greater than f table 3.34. With a significance of 0.001. The significance is smaller than 0.05, this indicates that the independent variables of working capital and operating costs have a simultaneous effect on the dependent variable of net income. The results of this study indicate that if working capital is high, net income will increase, and if operating costs decrease, net income will increase.

V. Conclusion and Recommendation

5.1. Conclusion

Based on the results of calculations and discussions that have been described previously, it can be concluded that the effect of working capital on automotive and component companies is as follows:

1. The results of the t-test of the working capital variable X1 obtained the t-value = 2.954 with a significance level of 0.006. By using a significance limit of <0.05, the t-table is 2.051. This means that t count > t table and the significant value is < 0.05. it can be concluded that working capital has a significant effect on net income.
2. The results of the t-test of the X2 Operating Cost variable obtained the t-count value = 4.304 with a significance level of 0.000. By using a significance limit of <0.05, the t-table is 2.051. This means that t count < t table and significance value > 0.05. So it can be concluded that operating costs have a significant effect on net income.
3. The results of the study using statistical tests simultaneously found that working capital and operating costs have a significant and significant effect on the company's net income. This is indicated by the calculated f value of 9.275 and f table of 3.34. f Nilai value count > f table with a significant value of 0.000 < 0.05.

5.2. Recommendation

Based on the results of research that has been carried out with several suggestions that can be considered, among others:

1. The amount of working capital can affect net income, therefore companies should pay attention to working capital that must always be available, one of which is by not increasing short-term debt so that the company's activities run smoothly. Fluent
2. Operational costs can increase the company's net profit by carrying out company production activities and companies can pay attention to expenses in operating costs, one of which is by reducing sales costs more efficiently to increase net income

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