The Influence of Leverage, Liquidity and Working Capital Efficiency on the Profitability of Manufacturing Companies Listed on the Indonesian Stock Exchange (BEI) for the 2018-2021 Period

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Abstract

Manufacturing companies play a crucial role in job creation, driving the economy through the production and distribution of value-added products, promoting innovation and fostering technological development. Thus, the financial policies taken by manufacturing companies are an important part of maintaining financial health, improving operational performance, and achieving long-term growth goals of a nation. The aim of this study is to determine the partial and simultaneous influence of significant leverage, liquidity and working capital efficiency on the profitability of food and beverage subsector manufacturing companies listed on the IDX for the 2018-2021 period. The population in this study was 26 companies. The sampling method used in this study was purposive sampling with data obtained from 23 companies. Data were analyzed using multiple linear regression analysis. The research results show that Leverage has a negative and significant effect on profitability. Liquidity has a positive and significant effect on profitability. Working capital efficiency has a positive and insignificant effect on profitability. Leverage, liquidity and working capital efficiency simultaneously have a significant effect on profitability.

Keywords: *Leverage, Liquidity, Working Capital Efficiency, Profitability.*

INTRODUCTION

The global economic recovery after the world crisis has had a positive impact on every company in Indonesia, resulting in the emergence of fierce competition in the business world that cannot be avoided. This competitive business competition requires companies to improve their performance to ensure the continuity of business activities and produce optimal achievements. Companies are involved in various business activities with the main aim of obtaining profitability. Profitability plays an important role in maintaining company sustainability, especially for those that require long-term funds to support smooth operations. Hery (2018) explains the statement that profitability is an indicator that illustrates how high a company can provide profit output from the utilization of its internal resources. Brigham and Houston (2019) stated that profitability ratios are used to measure how high a company can make a profit. Based on this

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information, a summary can be drawn, namely that profitability reflects the company's capability to achieve profits, reflected through profits from sales and income from investments. A high level of profitability is beneficial for the company because it is able to strengthen investor confidence and attract new investors to participate in investment.

Profitability can be measured using several types of ratios, including Return on Assets (ROA), Return on Investment (ROI), Return on Equity (ROE), and several other ratio measurements. In this study, the author will only use the Return on Assets (ROA) ratio considering that this ratio shows the company's success and ability to maximize the rate of return on total assets. Sawir (2015) explained that ROA is a financial indicator that functions as a measuring tool for the effectiveness of business entity management in order to achieve overall profits. The higher the ROA in a company, the more superior and efficient the company is in utilizing assets.

Manufacturing companies play a central role as an important subsector that makes a significant contribution to the national economy (Kartikasari & Merianti, 2016). In the industrial sphere, manufacturing companies have a vital role in meeting people's daily needs for clothing and food. One representative of the manufacturing sector is the food and beverage industry subsector. The need for food and drink intake will continue to increase in line with population growth. This is why manufacturing companies in the food and beverage subsector have broad market potential. However, with such great potential, competition in this sector will also become increasingly intensive. According to Harahap (2015) in a broader context, manufacturing companies have varied duties and contributions, including as collecting entities, distribution facilitator, service provider of goods and services, as well as an integral part in the process of goods flow in society. This role aims to support national economic and development efforts, which in turn have the aim of providing economic growth and stability of national prosperity.

ROA functions as an indicator of the value of the company or issuer, so maximizing company value also means maximizing profits (Malik, 2011). When a business institution achieves good performance, the ROA effect of that business institution generally attracts great interest from investors. The company's financial condition and performance still have a real role in contributing to the formation of profitability. A company's financial performance can be assessed through evaluating accounting data in the form of financial reports. The main objective of financial reporting is to provide access to relevant information for making investment decisions, which is an important tool for investors (Natalia et al, 2021). The company's financial statement is the basis for calculating and calculating financial ratios to assess the company's condition in the past, present, and the time to come. This ratio calculation aims to evaluate the general health of the company. Ratio analysis is a number calculation used to facilitate the

analysis of financial reports so that it is easier to identify the strengths and weaknesses of a business entity (Maulita and Mujino, 2019).

Leverage is one of the crucial factors that is thought to have an influence on profitability, because companies can use leverage to increase their capital and at the same time increase profits (Frank & Goyal, 2009). According to Munawir (2014), Leverage is an analytical tool used to measure whether or not a company is able to fulfill its financial responsibilities by using the amount of assets it owns. The concept of leverage is used to assess how much a company relies on loans for its funding. Apart from that, this concept also helps identify the comparison between funds obtained from all types of debt (long-term and short-term) and other funding sources besides company capital, with the volume of investment in various types of assets owned by the company. If a business entity uses more debt than original capital, then the level of leverage will decrease because the interest burden that must be paid will also increase. The impact is a decrease in company profitability.

The ratio used to calculate leverage is Debt to Equity Ratio (DER). According to Kasmir (2012), DER is a leverage ratio that indicates the extent to which the company's capital is able to cover its obligations. This means that this ratio measures the proportion of own capital from total liabilities compared to total debt. Because DER also reflects the company's financial structure which originates from debt, the DER level also describes how much debt is managed by the company. This debt is intended to support the expansion of the company's operations by providing additional funds. A high DER level indicates a large use of debt, which in turn can affect the profitability that the company can achieve. In this context, wise management in managing the company's capital structure and balancing it with the ability to generate income and profits is very important. Thus, companies need to carry out a thorough evaluation of their capital structure to ensure that the use of debt is in accordance with the company's capabilities and does not endanger long-term profitability.

LITERATURE REVIEW

There are several previous research results related to the effect of leverage on profitability. Research carried out by Parwati and Sudiartha (2016) explains that large leverage contributes to a decrease in profitability. The results of this study are in line with those carried out by Silalahi & Ardini (2017) and Khairuddin & Wandita (2017) who presented their findings, namely that large leverage significantly contributed to a decrease in profitability in mining companies in Indonesia. Several findings show that the higher the leverage value, the more company will experience an increase in costs in order to fulfill its obligations, which will ultimately be detrimental to the company's profitability. Furthermore, different results were shown in research carried out by Nuraini (2017), the findings of which were that large leverage contributed significantly to increasing profitability.

Apart from the leverage factor, liquidity is also an important aspect which is thought to influence profitability (Eheidu, 2014). In accordance with the view of Weston & Brigham (2010), liquidity refers to a ratio that considers the correlation between cash and other current assets and current liabilities. The effect of liquidity on profitability is that when the company's liquidity value is too high, this can have a negative impact on the company's ability to generate profits due to unused funds or excess working capital that is not needed (Rashid, 2018). This condition can reduce the opportunity to obtain an optimal level of profitability. Another opinion expressed by Mardiyanto (2016) explains the statement that a very high level of liquidity can be an indicator that the company's risk is low, which illustrates that the company has the ability to fulfill its current obligations well. Anwar (2017), also emphasized that the better the level of liquidity of current assets or the higher the liquidity of current assets calculated in reporting, the more optimal the profitability value that can be achieved by a business entity.

Companies face two complex problems. First, companies need to maintain the flow of funds from funding sources such as checking accounts, savings and other types of savings. On the other hand, companies also have to manage requests for funds such as credit that has been given. Therefore, cash management must be carried out carefully. Too much unused cash can result in idle cash, while too little cash can lead to poor liquidity. A high level of liquidity in a company can result in a decrease in profitability. Conversely, low liquidity can have an impact on increasing profitability. Effective management in managing company cash is an important key to maintaining a balance between optimal cash utilization and timely fulfillment of financial obligations. In this study, the Current Ratio (CR) is used. Current Ratio is a ratio as a measuring tool to see how capable the most liquid current assets are of meeting the obligation to pay current debts.

Research carried out by Suhardiman (2020) found that liquidity had a significant contribution to the decline in profitability. Subsequent research conducted by Padmautami (2016) resulted in the finding that large liquidity contributed to increase in profitability. Research by Supardi et al (2016) actually found that liquidity does not have a real contribution to profitability. According to Meidiyustiani (2016) and Novita & Sofie (2015), large liquidity (current ratio) contributes to increasing profitability, meanwhile, Supardi & Suratno (2016) liquidity does not have a real contribution to profitability.

Companies must manage themselves efficiently and precisely, especially in the financial management aspect. As usual in business, companies need capital to run their operations. The use of capital must be directed carefully and structured in accordance with the Company's Revenue and Expenditure Budget Plan (RAPBP) in its operations in order to achieve profitability as planned. In managing working capital, companies are required to consider the amount effectively and efficiently, so that the resulting profitability reaches its peak and

company goals can be achieved optimally. According to Handoko (1999), working capital efficiency refers to the ability to operate something appropriately (effort and work) without wasting time, energy, costs and functions related to the use of working capital.

In order to evaluate optimal working capital efficiency, the first step involves measuring the elements that make up working capital. A faster turnover rate for each working capital element indicates efficiency in the working capital management. However, if turnover slows down, then the use of working capital in the company will become less effective. Further views presented by Raharjaputa (2011) indicate that working capital efficiency refers to a continuous cycle, where each turnover cycle contributes to beneficial income for the company. The Working Capital Turnover (WCT) ratio is used to test working capital efficiency. The Working Capital Turnover Ratio is a tool for measuring and assessing the effectiveness of a company's working capital in a certain period.

According to Raharjaputa (2011), working capital efficiency indicates the existence of a sustainable cycle where each turnover of working capital produces useful income for the company. A company's sustainability can be affected by working capital efficiency, as good management can help reduce costs and increase potential profitability, ultimately supporting the long-term growth and sustainability of the company. A high turnover rate is an indicator of good performance. This means that the company has effectively allocated its working capital in order to generate sales which contribute to the high profits achieved. In connection, high turnover also has an impact on increasing profitability. The company's use of working capital will be more efficient with a high turnover rate. Conversely, a low working capital turnover rate reflects inefficient use of working capital. As a result, the company's operational activities are hampered, which ultimately reduces the company's capability to achieve optimal profitability.

The study carried out by Wau (2017), provided findings that WCT had a real contribution to the decline in profitability, whereas according to Meidiyustiani (2016), WCT did not have a real contribution to significant changes in profitability. Furthermore, Rusli & Yolanda's research (2017) provides findings that Working Capital Turnover (WCT) makes a positive contribution to the level of profitability. As a result, if sales volume increases, working capital turnover will also increase accordingly. This research was carried out in an effort to provide an understanding that can provide clarity regarding the relationship between ratios, so that it can be used as a reference for taking more appropriate steps in the financial management of business institutions to improve performance and profitability. Apart from that, this study is also intended to make a significant contribution to academic literature and enrich insight into the factors that contribute to the financial performance of manufacturing companies.

The hypothesis in this research is as follows:

H_1: Leverage has a negative and partially significant effect on profitability

H_2: Liquidity has a positive and partially significant effect on profitability

H_3: Working Capital Efficiency has a positive and partially significant effect on profitability

H_4: Leverage, liquidity and working capital efficiency simultaneously have a significant effect on profitability

METHOD

This study applies a quantitative approach in its design. Researchers collected data directly from the source via the internet, by accessing the official website of the Indonesia Stock Exchange at www.idx.co.id, especially on manufacturing companies in the food and beverage industry subsector listed on the Indonesia Stock Exchange. This approach allows researchers to obtain accurate and up-to-date information regarding financial statements and other performance indicators that are relevant to this study. The research object according to the focus of this study is *financial statements* from the company. The relevant population consists of 26 manufacturing companies in the food and beverage industry subsector listed on the IDX during that period. Sampling was carried out using a purposive sampling method, where samples are selected based on certain considerations so that the data obtained represents the population better.

Table 1 Determining the Research Sample

No.	Criteria	Amount
1	Company manufacturing industrial subsector foods and drinks listed in stock Exchange Indonesia in 2018-2021	26
2	Companies that do not provide financial statement data and complete annual information related to research variables.	(1)
3	Companies with outlier data.	(2)
	Number of Research Samples	23
	Number of Research Data (23 x 4)	92

Source: Processed data (2023)

One company did not meet the criteria because the annual financial report was incomplete and did not provide complete data that was related to the variables used by the researcher. It can also be seen that 2 companies have outlier data, namely PT FKS Food Sejahtera Tbk (AISA) and PT Campina Ice Cream Industry Tbk (AMP). Outlier data refers to data that is significantly different from other data, and has values that are extreme outside the general range (Santoso, 2012). According to Ghozali (2016: 41), identifying univariate outliers can be done by setting a boundary value that will be grouped as outlier data. This approach involves converting scores into standard scores or z-

scores. In small samples, data with a standard score ≥ 2.5 are considered outliers. From the calculation results, it was found that data on PT FKS Food Sejahtera Tbk (AISA) and PT Campina Ice Cream Industry Tbk (AMP) had z-score values greater than 2.5. In accordance with the sampling guidelines that have been outlined, in the context of this research, 23 companies were selected as samples, which were observed over a four-year period. Therefore, the total data collected for this study reached 92 data.

This research use documentation study method to obtain data. Next, the data was analyzed using a statistical software SPSS. Regression analysis was conducted with classic assumption tests carried out beforehand, namely normality, heteroscedasticity and multicollinearity tests. The next data analysis uses multiple linear regression analysis, determination analysis, tests F and test t.

RESULTS AND DISCUSSION
Descriptive statistics

Descriptive statistics are used to illustrate or explain the characteristics of the data used in research, without the intention of drawing certain conclusions. Descriptive statistical analysis of this study includes the average (mean), lowest value (minimum), highest value (maximum), and standard deviation. The data is illustrated and explained using several metrics commonly used in descriptive statistics. This information helps provide a more comprehensive understanding of the characteristics of the data analyzed in this study.

Table 2 Descriptive statistics

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
ROA	92	-11.45	22.29	5.2424	6.82967
DER	92	16.35	306.68	99.8358	73.31006
CR	92	56.06	719.83	217.5387	141.63158
WCT	92	-1479.32	2391.86	387.4473	768.34337
Valid N (listwise)	92				

Source: Processed data, 2023

The highest DER value throughout 2018-2021 was recorded by the company Palma Serasih Tbk. (PSGO) in 2021 at 306.68%. CR has the lowest value of 56.06% found by the company Sentra Food Tbk. (FOOD) in 2021 and the highest CR value, namely 719.83%, was found in the company reporting of Delta Djakarta Tbk (DLTA) in 2021.The highest WCT is achieved by the company Indofood Sukses Makmur Tbk (INDF) in 2019, namely 2391.86%. *Working Capital Turnover* (WTC) has the lowest value of -1,497.32% found in the company's report ofTri Banyan Tirta Tbk (ALTO) in 2018. The highest ROA value was achieved in the reporting of Delta Djakarta Tbk (DLTA) in 2020, namely 22.29%. Meanwhile, the lowest ROA was achieved by the company Prasidha Aneka Niaga Tbk (PSDN), namely -11.45%.

Classical Assumption Tests

Classical assumptions tests are requirements that must be met before carrying out data analysis such as multiple linear regression analysis so that the research model used can be ensured to be in line with the model and concepts used in this research. The following are results of the assumption test:

1. Normality test

The test is based on the significance value of the Kolmogorov Smirnov normality method. This test is used to ensure that the data used in this research is normally distributed.

Table 3 Kolmogorov Smirnov Normality Test

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N_q		92
Normal Parameters, b	Meanz	.0000000
	Std. Deviation	6.44320970
Most Extreme Differences	Absolute	.084
	Positive	.068
	Negative	.075
Statistical Tests		.089
Asymp. Sig. (2-tailed$_q$)		**.200c**

Source: Processed data, 2023

Asymp. Coefficient Sig. = 0.056 > 0.05, meaning the data meets the normality assumption. In this way, the data that has been collected can be analyzed further. Therefore, the further analysis process will be carried out with the confidence that the existing data meets the relevant statistical requirements.

2. Multicollinearity Test

Table 4 Multicollinearity Test

Independent Variable	Tolerance	VIF value
DER	,554	1,805
CR	,576	1,735
WCT	,938	1,066

Source: Processed data, 2023

The tolerance value for the DER variable is 0.554, the CR variable tolerance value is 0.576 and the WCT tolerance value is 0.938. The VIF value of the DER variable is 1.805, the VIF value of the CR variable is 1.735 and the VIF value of the WCT variable is 1.066.

Thus, a conclusion can be drawn, namely that it is free from multicollinearity problems. This means that the variables in the model do not have a significant level of correlation with each other, so that the analysis results are reliable and a more precise interpretation can be given regarding the influence of each variable on the observed results, so that the analysis results are reliable and the interpretation is correct.

3. Heteroscedasticity Test

Table 5 Test of Heteroscedasticity

Model		Unstandardized Coefficient		Standardized Coefficient	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4,509	1,253		3,599	,001
	DER	-.007	,006	-.168	-1,220	**,226**
	CR	,002	,003	,089	,656	**,514**
	WCT	-.001	,000	-.177	-1,670	**,099**

a. Dependent Variables: ABS_RES

Source: Processed data, 2023

The significance level for the DER variable is 0.226, for the CR variable is 0.514, and for the WCT variable is 0.099. These results indicate that all independent variables in this study show significance value for the absolute residual variable (Abs_RES) that exceeds 0.05. Thus, it can be interpreted that there is no heteroscedasticity in the regression model used. The absence of heteroscedasticity provides a basis for relying on the accuracy and reliability of parameter estimates resulting from the research model used.

4. Autocorrelation Test

Table 6 Autocorrelation Test Results

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.666a	,443	,424	5.18139	**,950**

a. Predictors: (Constant), WCT, CR, DER
b. Dependent Variable: ROA

Source: Processed data, 2023

If the Durbin-Watson (DW) value is in the range -2 to +2, this indicates that there is no autocorrelation (Santoso, 2012: 242). From the calculation results, it was found that the DW value was 0.950. Based on decision making criteria, the DW value in the autocorrelation test of this study is in the range -2 to +2, which indicates the absence of autocorrelation. Therefore, a conclusion can be drawn, namely that there is no autocorrelation in this regression model.

Data analysis

1. Multiple Linear Regression Analysis

Table 7 Multiple Linear Regression Analysis

Coefficients[a]						
Model		Unstandardized Coefficient		Standardized Coefficient	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	**4,330**	2,055		2,106	,038
	DER	**-.033**	,010	-.350	-3,277	,002
	CR	**.017**	,005	,363	3,461	,001
	WCT	**,001**	,001	.106	1,297	,198

a. Dependent Variable: ROA

Source: Processed data, 2023

Referring to the output of the data processing application, namely SPSS, a regression equation formula is prepared, namely: Y =4,330 - 0.033X1 + 0.017X2 + 0.001X3. The resulting constant value, which is 4.330, displays information, namely if DER, CR and WCT then the top

value of ROA is 4,330. The regression coefficient X1 has a negative sign which provides information on the opposite influence between DER on ROA. The coefficient value will decrease by 0.033% unit, in this situation the other factors are assumed to be zero. The regression coefficient for the variable X2 has a positive sign, meaning there is a unidirectional relationship between CR and ROA. The coefficient value of will increase by 0.017%, in this situation the other factors are assumed to be zero. The regression coefficient for variable X3 is positive, meaning the relationship is in the same directionWCTon ROA. The value of the coefficient X3 is 0.001, which means thatWCTincreases by 1%, then ROA increases by 0.001, in this situation the assumption of other factors is zero.

2. Determination Analysis

Table 8 Determination Analysis

		Model Summary[b]		
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.666a	,443	**,424**	5.18139

Source: Processed data, 2023

The Adjusted R Square value is 0.424. This means that the contribution of the DER, CR and WCT variables to ROA is 42.4%. Meanwhile, the remaining 57.6% was contributed by other variables which were not discussed in this study. Chin (1998) classifies the R-Square value as strong if it exceeds 0.67, moderate if it is more than 0.33 but less than 0.67, and weak if it is more than 0.19 but less than 0.33. The findings of the R square value in this study were 0.443, which was considered to produce a contribution in the moderate category. This finding provides information that there are other factors that are not included in the model.

3. Partial Significance Test (t-Test)

Table 9 SPSS output t-test

		Coefficients a				
		Unstandardized Coefficient		Standardized Coefficient		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	4,330	2,055		2,106	,038
	DER	-.033	,010	-.350	**-3,277**	,002
	CR	.017	,005	,363	**3,461**	,001
	WCT	,001	,001	.106	**1,297**	,198

Source: Processed data, 2023

The calculated t1 value (-3.277) < t table (-1.66235) can be concluded that leverage has a significant contribution to the decline in profitability. The calculated t2 value (3.461) > t table (1.66235) can be concluded that liquidity has a real and positive role in generating increased profitability. The calculated t3 value (1.297) < t table (1.66235) can be concluded that there is no partially significant influence between working capital efficiency and profitability.

4. Simultaneous Significance Test (F-Test)

Table 10 F count results (ANOVA)

ANOVAa					
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1882.116	3	627,372	23,369	,000b
	Residual	2362.523	88	26,847		
	Total	4244.638	91			

Source: Processed data, 2023

Mark F count (23.369) > F table (2.71) a conclusion can be drawn, namely that leverage, liquidity and working capital efficiency simultaneously have a significant contribution to changes in profitability.

The Effect of Leverage on Profitability

The results of testing hypothesis 1 which has been carried out, show that the calculated t1 value (-3.277) is less when compared with the t table value (-1.66235). A conclusion can be drawn, namely that leverage has a significant contribution to the decline in profitability (hypothesis is accepted). These results prove that the higher a company's debt, the lower the level of profits obtained by the company.

Leverage is a ratio that compares the amount of debt to equity. Leverage is expressed in a ratio. In the concept introduced by Kasmir (2014), leverage can be interpreted as a ratio used to assess the ratio between debt and equity of a company. Leverage is a crucial policy for companies, especially for financial managers in making policies, with the aim of increasing the potential profits that can be generated by the company. Good debt is debt that the company can optimize and turn over so that it can generate profits. However, on the other hand, debt will also reduce the level of profits considering that there are interest charges and principal installments that the company must pay. Large leverage results in an indication that the company is dependent on funding from debt which will also give rise to high interest costs, thereby reducing the company's level of profitability. The presence of significant debt in a company can be caused by the company's tendency to finance investments in assets using debt. However, this also carries the risk of default, which has the potential to increase the company's costs in trying to deal with it. The impact of this risk is a decrease in company profitability due to the large costs that must be borne.

The Effect of Liquidity on Profitability

The results of testing hypothesis 2 which has been carried out, show that the calculated t2 value (3.461) is greater when compared with the t table value (1.66235). A conclusion can be drawn, namely that liquidity has a real and positive role in producing an increase in profitability (hypothesis is accepted). These results show that the higher the liquidity, the higher the profitability.

The liquidity ratio is a financial ratio that analyzes whether or not a business entity is able to pay off its short-term debt in order to maintain investor confidence (Roziqon et al., 2016). CR also reflects the

company's skill in responding to its short-term debt. The liquidity value has an impact on increasing profitability. When a company's liquidity is higher, company management tends to be more efficient, which results in their ability to fulfill short-term debt obligations and manage financial aspects better. Well-managed finances have an impact on maximizing profits and leading to optimal profitability. High liquidity (CR) also produces a guarantee regarding the presence or absence of working capital to provide support for the company's operational activities. The availability of the company's working capital will provide opportunities for the company to optimize the company's operational activities so that the company is better able to optimize the company's performance in gaining profits which will increase the company's profitability. This finding is in line with the findings of research that has been carried out by Adria & Susanto (2018) and Mufalichah & Nurhayati (2022) who found that liquidity has a real and positive role in generating increased profitability.

The Effect of Working Capital Efficiency on Profitability

The results of testing hypothesis 3 which has been carried out, show that the calculated t3 value (1.297) is smaller than the t table value (1.66235). A conclusion can be drawn, namely that there is no real individual contribution between working capital efficiency in optimizing profitability (hypothesis is rejected). The results provide information that increasing working capital efficiency does not make a significant contribution to profitability.

Raharjaputa (2011) explains the statement that working capital efficiency can be defined as a condition where invested capital continuously experiences turnover, and each turnover produces income that makes a positive contribution to the welfare of the company. The working capital efficiency ratio can be found by calculating the *working capital turnover ratio* (WCT), it is a formula that calculates how efficiently a company uses working capital to generate sales. According to the theory put forward by Kasmir (2014), the statement stated that the working capital efficiency ratio is one of the metrics used to measure and evaluate the extent to which a company's working capital is used effectively during a certain period. Efficiency in working capital management can be assessed from stock turnover, working capital turnover, and accounts receivable turnover. The shorter the working capital turnover time, the faster the company moves its assets, which in turn increases the level of profitability. However, the findings from this study conclude that the efficiency of working capital management does not have a real contribution to the level of profitability. Even though an increase in sales occurs, it does not always result in a significant jump in profits. This occurred due to an increase in cost of goods sold that exceeded sales growth, which reduced profit margins for several companies in the research sample, so that their contribution to profitability was minimal. This increase in cost of goods sold can involve several factors, such as increased raw material prices, higher labor

costs, or even increased distribution and logistics costs. When these costs increase faster than revenue from sales, a company can experience pressure on profit margins. This finding is in line with the findings by Anggraini and Cahyono (2021) that drew conclusions that there is no real individual contribution between working capital efficiency in optimizing profitability.

The Effect of Leverage Profitability, Liquidity and Working Capital Efficiency on Profitability

The results of testing hypothesis 4 provide findings, namely value F count (12.451) when compare with the F table value (2.70), a conclusion can be drawn, namely that leverage, liquidity and working capital efficiency simultaneously have a significant contribution to changes in profitability (Hypothesis Accepted). These results provide information that leverage, liquidity and working capital efficiency experience changes in value, either increasing or decreasing, so together this will cause the company's profitability to increase or decrease significantly. The results of the determination analysis show that the contribution of leverage, liquidity and working capital efficiency to profitability is 42.4%. Meanwhile, the remaining 57.6% was contributed by other variables which were not discussed in this study.

Profitability is the value given and calculated from the expected future income of a business entity. A higher level of profitability indicates a positive achievement by the company which is in line with the company's overall performance. Companies that achieve good performance are able to improve the performance of business institutions, and this is indicated in the company's financial statements. Because of these achievements, investors will feel interested in investing in the company. The financial report can also be in the form of a calculation of financial ratios (Husnan and Pudijiastuti,2014). Thus, it can be said that profitability is indicated to be influenced by the calculation of leverage ratios, liquidity and working capital efficiency.

Leverage is a ratio that provides an overview of the company's debt level which will cause a decrease in profitability due to the interest expense and principal installments that the company must pay. Liquidity will ensure smooth payment of short-term debt and optimize the use of working capital which will increase profitability. Likewise, increasing working capital efficiency provides an indication that working capital turnover is faster, which in turn can have a positive impact on increasing company profitability. So that together, liquidity leverage and working capital efficiency will significantly influence profitability.

The results of the determination analysis show that Liquidity will ensure smooth payment of short-term debt and optimize the use of working capital which will increase profitability. Likewise, increasing working capital efficiency provides an indication that working capital turnover is faster, which in turn can have a positive impact on

increasing company profitability. So that together, liquidity, leverage and working capital efficiency will significantly influence profitability.

The results of the determination analysis also show that the contribution of leverage, liquidity and working capital efficiency to profitability is 28.0%. Meanwhile, the remaining 72.0% was contributed by others. This is because there are many other factors that contribute to company profitability that require further research. This finding is in line with the results of research carried out by Shalini, et al. (2022) which concluded that leverage, liquidity and working capital efficiency simultaneously have a significant contribution to changes in profitability.

CONCLUSION

Leverage has a real contribution to the decline in profitability. These results show that the higher a company's debt, the lower the level of profits obtained by the company. Liquidity has a real and positive role in generating increased profitability. These results show that the higher the liquidity, the higher the profitability.

We found no significant relation between working capital efficiency and profitability. These findings provide information that high working capital efficiency does not contribute significantly to increase profitability. *Leverage*, liquidity and working capital efficiency simultaneously contribute significantly to changes in profitability. These results provide information that leverage, liquidity and working capital efficiency experience changes in value, either increasing or decreasing, hence together they cause the company's profitability to increase or decrease significantly.

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