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The Effect of Working Capital and Sales Volume on Profitability in Medium, Small and Micro Businesses (MSMEs) in Pangkep Regency, South Sulawesi Province, Indonesia.

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Abstrak: *This study aims to analyze the effect of working capital and sales volume on profitability in Micro, Small and Medium Enterprises (MSMEs) in Pangkep Regency, South Sulawesi Province, Indonesia. The object of this research is Micro, Small and Medium Enterprises (MSMEs) located in Pangkep Regency as many as 80 (eighty) MSMEs. The method used in this research is descriptive quantitative, namely a research approach that uses a lot of numbers, starting from collecting data, interpreting the data obtained, and presenting the results using primary data, namely research questionnaires. The results of the research show that working capital has a negative but not significant effect on the profitability of Micro, Small and Medium Enterprises (MSMEs) in Pangkep Regency, while sales volume has a positive and significant effect on the profitability of Micro, Small, and Medium Enterprises (MSMEs) in Pangkep Regency. . The results also show that working capital and sales volume have a significant effect on the profitability of Micro, Small and Medium Enterprises (MSMEs) in Pangkep Regency with a determination value of 92.4%.*

Keywords: Working Capital, Sales Volume, Profitability, MSMEs.

I. INTRODUCTION

Small and Medium Enterprises (SMEs) is a small business unit that is able to play a role and function as a safety valve both in providing alternative productive business activities, alternative lending, as well as in terms of employment. Small and Medium Enterprises (SMEs) in developing countries, such as in Indonesia, are often associated with domestic economic and social problems such as high levels of poverty, large unemployment, inequality in income distribution, uneven development processes between urban and rural areas, and urbanization problem (Ansar, 2004). Micro, Small, and Medium Enterprises (MSMEs) have different definitions in each literature according to several agencies or institutions and even laws. In accordance with Law number 20 of 2008 concerning Micro, Small, and Medium Enterprises (MSMEs), MSMEs are defined as micro businesses are productive businesses owned by individuals and/or individual business entities that meet the criteria for Micro Enterprises as stipulated in this Law. . Small Business is a productive economic business that stands alone, which is carried out by individuals or business entities that are not subsidiaries or not branches of companies that are owned, controlled, or become part either directly or indirectly of Medium Enterprises or Large Businesses that meet the Business criteria. Small as referred to in this Law. And Medium Enterprises are productive economic businesses that stand alone, which are carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or become part either directly or indirectly with Small Businesses or Large Businesses with total net assets. or annual sales proceeds as regulated in this Law. The existence of small businesses in the community is expected to open up new jobs that can have an impact on income distribution in the community. MSMEs definitely need working capital for their daily operational activities. Working capital according to Kasmir (2016) is "Capital used to carry out company operations.

Working capital is very important for a company because with sufficient working capital it is possible for the company to operate as economically as possible and the company will not experience difficulties or face dangers that may arise due to a crisis or financial turmoil. However, the presence of excessive working capital, especially working capital in the form of cash and securities, can harm the company because it causes large funds to accumulate without being used productively. This causes the company to lose the opportunity to make a profit. In addition, excess working capital will also lead to inefficiency or waste in the company's operations. The importance of working capital according to Djarwanto (2011) Working capital should be available in sufficient quantities to allow the company to operate economically and not experience financial difficulties, for example being able to cover losses and overcome crises or emergencies without endangering the company's financial situation. Meanwhile, the importance of working capital according to Munawir (2014) Protects companies against working capital crises due to the decline in the value of current assets, Allows to be able to pay all obligations on time, Ensures that the company's credit standing is getting bigger and makes it possible for companies to be able to face dangers or risks. financial difficulties that may occur, and It is possible to have sufficient inventory to serve its customers. Subagio's research (2017) states that the management of working capital greatly influences the level of profit or profit of MSMEs, the higher the capital used, the higher the profit generated.

MSMEs are required to always improve their work efficiency so that they can achieve the goals expected by MSMEs, namely achieving optimal profits. This is supported by research by Sugiyono (2015) which shows that operating profit always increases, this is influenced by the results of its production. The higher the production, the higher the business capital so that it can increase its operating profit. According to Kotler (2000) sales volume is goods sold in the form of money for a certain period of time and in it has a good service strategy. Sales volume is the final result that will be achieved by the company from the sale of its products produced by the company. According to Efendi Pakpahan (2009) a very important factor in influencing sales volume is the distribution channel which aims to see whether market opportunities can provide maximum profit.

II. LITERATURE REVIEW

A. Working Capital

Bambang Riyanto (2013:) argues that working capital is the total of current assets in relation to current liabilities. Another opinion expressed by Munawir (2014) argues that working capital is the excess value of the assets owned by the company over all of its debts. Meanwhile, Irham Fahmi (2018) states that working capital is a company's investment in short-term assets (cash, securities, inventories and receivables).

Based on the exposure of the opinions of experts, it can be said that working capital is a number of funds or a number of current assets owned by the company to finance the company's daily operational activities and is an investment in short-term assets or current assets.

The researcher suggests the function of working capital from the opinion expressed by Munawir (2014) which states that the function of working capital consists of:

1. Protect the company against a working capital crisis due to the decline in the value of current assets.
2. Make it possible to pay obligations on time.
3. Ensuring that the company's credit standing is getting bigger and making it possible for the company to face dangers or financial difficulties that occur.
4. It is possible to have sufficient inventory to serve consumers.
5. It is possible for the company to operate more efficiently because there is no difficulty in obtaining the goods or services needed.
6. It is possible for companies to provide more favorable credit terms for customers.

According to Munawir (2010) influenced by several factors as follows:

1. The nature or type of company Working capital in a service company will be relatively smaller than working capital in an industrial company, because service companies do not require large investments in cash, receivables and inventories.
2. Terms of purchase of raw materials or merchandise Terms of purchase of merchandise or basic materials used to produce goods greatly affect the amount of working capital required by the company concerned.
3. Terms of sale The softer the credit provided by the company to buyers, the greater the amount of working capital that must be invested in the receivables component.
4. Inventory turnover rate The inventory turnover rate shows the number of times the inventory is replaced, in the sense of being bought and resold. The higher the turnover rate, the lower the amount of working capital needed.

B. Sales Volume

According to Philip Kotler (Jurnal Abdul Rosyid, 2010: 8), "Sales volume is goods sold in the form of money for a certain period of time in which it has a good service strategy". While the definition of Sales Volume according to Daryono (2011: 187) is "a measure that shows the number or magnitude of the number of goods or services sold". According to Freddy (2009), the greater the number of sales generated by the company, the greater the possibility of profit that will be generated by the company. Therefore, profitable sales volume should be the main goal of the company and not for the sake of volume itself.

According to (Anwar, I. A. (2016) the factors that affect sales volume include:

1. Quality of goods

   The decline in the quality of goods can affect sales volume, if the quality of the goods traded decreases, it can cause buyers who are already customers to feel disappointed so they can turn to other goods of better quality.
2. Consumer tastes

   Consumer tastes are not fixed and he can change at any time, when consumer tastes for the goods we sell change, the sales volume will decrease.
3. Service to customers

   Service to customers is an important factor in efforts to facilitate sales of businesses where the level of competition is getting sharper.
4. Competition lowers the selling price

   Discounts can be given with the aim that sales and company profits can be increased from before. The discount can be given to certain parties under certain conditions.

According to BasuSwasta (2001) in reality a sales activity is strongly influenced by several factors both from within and from outside, some of these factors include:

1. Market Conditions and Capabilities

   Here the seller must be able to convince the buyer to succeed in achieving the expected sales goals for a particular purpose, the seller must understand the important issues that are closely related, namely:
   a. Types and characteristics of goods offered
   b. Cost of goods sold
   c. Terms of sale such as payment, intermediary warranty and so on.
2. Market Conditions

   Things to consider in market conditions include:
   a. The type of market, whether consumer market, industrial market, government market or international market.
   b. Buyer groups and market segments.
   c. Purchasing power.
   d. Purchase frequency.
   e. Wants And Needs.
3. Capital

   Is the company's working capital able to achieve the budgeted sales targets such as for:
   a. Ability to finance market research carried out.
   b. Ability to finance efforts to achieve sales targets.
   c. Ability to purchase raw materials to meet sales targets.
4. Company Organizational Conditions

   In large companies, sales problems are usually handled by the sales department. It is different with small companies, where sales problems are handled by people who also perform other functions.

C. Profitability

Profitability is the ability to generate profits (Prihadi, 2012:258). Meanwhile, according to Danang (2013:113) Profitability is the company's ability to profit from its business results. Profitability assessment is a process to determine how well business activities are carried out to achieve strategic objectives, eliminate wastes and provide timely information to carry out continuous improvement. Thus, long-term investors will be very interested in this profitability analysis (Simamora, 2000:528).

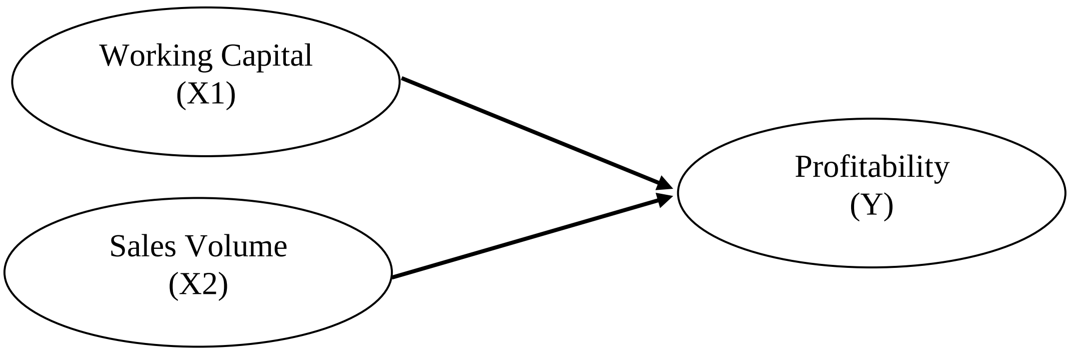
Profitability shows the success of a business entity in generating returns to its owners (SofyanSyafriHarahap, 2010). To assess the company's ability to earn a profit can use the profitability ratio. Profitability ratio is a ratio to assess the company's ability to seek profit (Kasmir, 2012:196). According to Hery (2016: 192) the profitability ratio is a ratio to measure the company's ability to generate profits from its normal business activities.

According to Kasmir (2012:197-198) the purpose of using profitability ratios for companies are:

1. To measure or calculate the profit earned by the company in a certain period;
2. To assess the company's profit position in the previous year with the current year;
3. To assess profit development over time;
4. To assess the amount of net profit after tax with own capital;
5. To measure the productivity of all company funds used, both loan capital and own capital; and
6. To measure the productivity of all company funds that are used either by own capital.

D. Conceptual Framework

Based on the previous description and literature review, the related variables in this study can be formulated into a conceptual framework as follows:



Gambar 1. Conceptual framework

According to the picture above, it can be described that working capital and sales volume can affect profitability.

III. RESEARCH METHOD

A. Research Design

The research design is explanatory research with quantitative methods, namely a research approach that uses a lot of numbers, starting from collecting data, interpreting the data obtained, and presenting the results (Arikunto, 2006).

B. Object of research

The object of the research is Micro, Small and Medium Enterprises (MSMEs) located in Pangkep Regency, South Sulawesi Province as many as 80 (eighty) MSMEs. This study uses secondary data in the form of MSME financial statements 2018-2020 (4 years).

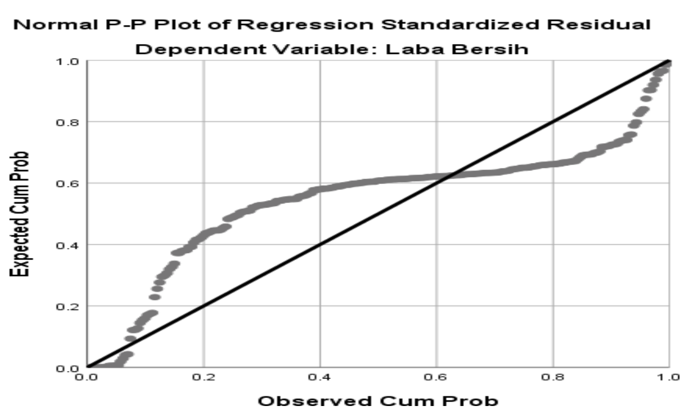
C. Data analysis technique

To solve the main problems faced in this research, an analytical method is used, namely descriptive analysis, namely an analysis that describes the results of secondary data. This study uses an analytical tool, namely SPPS version 25 software.

IV. RESULT

A. Classic assumption test

Heteroscedasticity is a classic requirement in linear regression analysis which must not occur which means that the residual variance must be the same. By using the SPSS version 25 program package, heteroscedasticity symptoms can be detected through the dependent variable scatterplot graph as follows:



Graph 1. Dependent Variable Scatterplot

The graph in the graph above shows the points spread randomly and do not form a certain pattern, besides that they are spread above and below the number 0 on the Y axis. Thus, it does not show symptoms of heteroscedasticity in the regression model.

B. Multiple Regression Test

Based on the results of multiple regression analysis using SPSS version 25, it shows that there is a relationship and variation in the direction of the relationship between the independent variable and the independent variable. The influence and direction of the relationship can be shown in the following table:

Table 1. Effect of the Independent Variable (X) on the dependent variable (Y).

Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients
		B	Std. Error	Beta
1	(Constant)	- 33875174.010	11917085.831	
	Working Capital	-.913	.637	-.027
	Sales Volume	.907	.018	.970

Based on the results of the regression analysis in the table above, it shows that the working capital variable has a negative effect on net income and sales volume shows a positive effect on net income. From the results of the analysis, the regression equation is compiled as follows:

Y = -33.875.174,01 – 0,918 X1 + 0,907 X2

From the results of the multiple regression equation, it can be interpreted as follows:

1. Constant (a)

   This means that if the Working Capital and Sales Volume have a value of 0 (zero) then the Net Profit is -33,875,174.01.
2. The Effect of Regional Working Capital on Net Profit

   The value of the leverage coefficient for regional working capital is -0.918 and a negative sign means that regional working capital has a non-unidirectional relationship with net income. For every one unit increase in Regional Working Capital, Net Profit will decrease by 0.918 and vice versa.
3. Effect of Sales Volume on Net Profit

   The value of the leverage coefficient for Sales Volume is 0.907 and a positive sign means that Sales Volume has a direct relationship with Net Profit. For every one unit increase in Sales Volume, Net Profit will increase by 0.907.

C. Simultaneous Testing (F Test)

The f test is used to determine the effect of the variables simultaneously, namely communication and motivation and work discipline simultaneously affecting employee performance. The test is done by comparing the value of Fcount and Ftable. If the value of Fcount is greater than Ftable, it has a significant effect on the dependent variable. The results of the f test calculations can be seen in the following table:

Table 2 Calculation Results of f . Test

ANOVAa

Model		F	Sig.
1	Regression	1433.625	.000b
	Residual		
	Total		

Based on table 2, it can be seen that the results of statistical calculations show the value of Fcount = 1,433.62 > Ftable = 2.64 using a significance limit of 0.05, so from the table above, a significance value of less than 0.05 is obtained, it can be concluded that Working Capital and Sales Volume have a joint effect on Net Profit.

D. T Test (Partial Test)

The t-test is used to determine whether the independent variable partially has a significant effect on the dependent variable. The degree of significance used is 0.05. If the significant value is less than the degree of confidence, then we accept the alternative hypothesis, which states that an independent variable partially affects dependent variable. T-test analysis is also seen from the table as follows:

Table 3. The Effect of Partial Independent Variables on the Dependent Variable.
Coefficientsa

Model		t	Sig.
1	(Constant)	-2.843	.005
	Working Capital	-1.435	.153
	Sales Volume	50.816	.000

1. The Partial Effec[illegible]n Net Profit
   From table [illegible] regional working capital has a tcount of -1.435 with ttable = 1.65. So tcount < t table or -1.435 < 1.65 with a significance value of 0.153 meaning greater than 0.05 it can be concluded that Working Capital has no significant effect on Net Profit.
2. Partial Effect of Sales Volume on Net Profit
   From table 3 it can be concluded that the Sales Volume has a tcount of 50.81 with ttable = 1.65. So tcount > ttable or 50.81 > 1.65 with a significance value of 0.000 meaning less than 0.05, it can be concluded that Sales Volume has a significant effect on Net Profit.

E. Coefficient of determination test (R^2)

The coefficient of determination is used to find out how big the relationship of several variables is in a clearer sense. The coefficient of determination will explain how much change or variation in a variable can be explained by changes or variations in other variables (Santosa & Ashari, 2005). The value of this coefficient is between 0 and 1, if the result is closer to 0 it means the ability of the independent variables to explain the variation of the variable is very limited. But if the result is close to 1, it means that the independent variables provide almost all the information needed to predict the variation of the dependent variable. For analysis using SPSS output can be seen in the table "Model Summary" as follows:

Table 4. The effect of the independent variable on the dependent variable
Model Summaryb

Model	R	R Square	Adjusted R Square
1	.961a	.924	.924

Based on Table 4. it can be concluded that Working Capital and Sales Volume have an effect of 92.4% on Net Profit, while 7.6% is influenced by other variables not examined. Because the value of R Square is above 5%, it can be concluded that the ability of the independent variable in explaining the dependent variation is very good.

V. DISCUSSION

Working capital has a negative but not significant effect on net income, this means that any increase in working capital will reduce net income significantly. This could also mean that the condition of MSMEs in Kab. Pangkep is not too dependent on working capital because both the increase and decrease in net profit are still not significantly affected by working capital. This study is in line with research conducted by Ahmad Muhajir (2020) with the results of partial testing that working capital has an insignificant negative effect on net income in the Consumer Goods Industrial Sector companies listed on the Indonesia Stock Exchange (IDX) for the 2015-2017 period. It is also in line with the research conducted by Eksandy and Dewi (2018) with partial results showing that working capital turnover has a negative effect on profitability, accounts receivable turnover has no effect on profitability.

Sales volume has a positive and significant effect on net income, this means that every increase in sales volume will increase net income. This is in line with research conducted by Hidayanti et al (2019) with the results showing that the sales volume variable has an influence on net income, and in line with research conducted by Risyana and Suzan (2019) with the results of research that partially sales volume has an effect on net income. to net income.

VI. CONCLUSION

Based on the results of research and discussion in this study, it can be concluded that:

1. Working capital has a negative but not significant effect on net income for Micro, Small and Medium Enterprises (MSMEs) in Pangkep Regency.
2. Sales volume has a positive and significant effect on net income for Micro, Small and Medium Enterprises (MSMEs) in Pangkep Regency.

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