



Analysis of Working Capital Turnover on Profitability: A Case from PT Telekomunikasi Indonesia, Tbk

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ARTICLE INFO	ABSTRACT
Keywords: Profitability, Telecommunication sector, Working capital turnover Received: 05 May 2023 Accepted: 15 Jun 2023 Published: 30 Jun 2023	This study aims to analysis about the turnover of working capital on profitability at PT. Telekomunikasi Indonesia Tbk. In addition, this study purpose to know about the impact of The Covid-19 for the telecommunications sector. The pandemic has changed the needs and lifestyles of people who rely heavily on internet access and the government's hard work to uniformly distribute digital infrastructure across Indonesia. The sample set is the balance sheet and income statement at PT Telekomunikasi Indonesia Tbk for the 2015-2021. The data used in this research is secondary data from the published financial reports of PT. Telekomunikasi Indonesia Tbk through the Indonesia Stock Exchange (IDX) website. The results showed that high working capital turnover was not followed by a high level of profitability, and working capital turnover was low it resulted in a high level of profitability.

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1. INTRODUCTION

The Covid-19 pandemic is an opportunity for the telecommunications sector to increase the network capacity and provide quality telecommunications services. The telecommunications sector experienced extraordinary growth in 2020 due to increased internet usage and changes in traffic configuration through telecommunications networks (Kementerian Komunikasi dan Informatika Republik Indonesia, 2021). The new situation in Indonesia and the world that is currently developing is a new change in lifestyle, both in the state, in work, in social change and in cultural change in the broadest sense. Therefore, telecommunications companies and related stakeholders need adaptive measures to deal with this situation. With the evolution of the telecommunications industry and the emergence of new operators offering digital services, telecommunications service companies must be able to see opportunities to adapt by increasing network capacity and providing quality telecommunications services. The pandemic has caused changes in the needs and lifestyles of people who are very dependent on internet access and the government's hard work to implement equal distribution of digital infrastructure throughout Indonesia. This is a sign of optimism that the telecommunications sector can become a driving force for the country's economic recovery. This can also be seen from several Indonesian telecommunication companies which have also experienced growth during the pandemic.

One example is that PT Telkom Indonesia Tbk (TLKM) was able to record good performance by posting positive growth in terms of revenue, EBITDA (Earning before Interest, Taxes, Depreciation and Amortization) and net profit for 2020. Net profit Telkom rose 11.5% to Rp 20.80 trillion last year, compared to the same period in 2019, Rp 18.66 trillion, while revenue also rise 0.7% to Rp 136.46 trillion from the previous Rp 135.57 trillion (Annual Report of PT Telekomunikasi Indonesia Tbk, 2021). This performance showed that telecommunication sector can help the national economy to growth. However, the company must also remember that as an effort to expedite the company's operations, the



company must be able to use its working capital effectively and efficiently (Louw & Pradhan, 2022; El-Ansary & Al-Gazzar, 2021; Natnadiandi & Yuliandhari, 2018).

Working capital that is always large in excess of needs indicates the occurrence of unproductive fund management and will hinder the opportunity to acquire land (Aldubhani et al., 2022; Morshed, A., 2020). In addition, one of the challenges for companies is working capital management. Working capital management (WCM) provides an adequate and adequate level of liquidity to enable companies to meet short-term financial obligations arising from the financing of their operations, thereby ensuring business continuity. Strengthen your company's business and maximize profitability.

Maintaining increased working capital will result in the company earning unprofitable returns on all short-term investments. In contrast, relatively little working capital leaves a company vulnerable to difficulties and problems, can lead to rapid failure of the company's management, and reduces the company's ability to meet its short-term financial obligations, the liquidity risk of the company will increase. Therefore, setting an appropriate working capital policy can help companies increase profitability and create value for investors (Nguyen et al., 2020).

On the other hand, if working capital is insufficient it will disrupt the activities and smooth operation of the company in the short term which also indirectly reduces business profitability and in the long run it will endanger the continuity of the company due to weak policies and decisions in the field of working mindset which is also the main failure of the company (Anindita & Elmanizar, 2019). Therefore, the authors are interested in researching the analysis of working capital turnover on profitability at PT Telekomunikasi Indonesia, Tbk.

2. METHOD

2.1 Variable Operational Definitions

The operational definition of the variable is intended to avoid different interpretations regarding the variables that will be involved in this study. The operationally defined variables are as follows:

1. Working capital turnover (Working Capital Turnover) is used to measure the ability of net working capital (excess current assets over current liabilities) of PT Telekomunikasi Indonesia Tbk to rotate in a period. Working capital turnover is analyzed using the working capital turnover ratio, measured by the number of times turnover.
2. Profitability is used to measure the ability of PT Telekomunikasi Indonesia Tbk. to generate profits in a certain period. Profitability is analyzed using Net Profit Margin (NPM), with percentage (%) as a unit of measurement.

2.2 Sample, Data Types, and Data Sources

The sample from this study is the balance sheet and income statement at PT Telekomunikasi Indonesia Tbk for the 2015-2021. The data used in this research is secondary data. According to Sugiyono (2014) secondary data is research data that obtained by researchers indirectly through intermediary media (obtained and recorded by other parties). This secondary data comes from the published financial reports of PT. Telekomunikasi Indonesia Tbk through the Indonesia Stock Exchange (IDX) website www.idx.co.id. The data collection technique used is documentation. Documentation carried out in this study was the collection of company documents related to research problems in the form of balance sheets and annual reports at PT Telekomunikasi Indonesia Tbk.

2.3 Data Analysis Technique

Based on the formulation of the problem and the hypothesis that has been put forward, to prove the hypothesis in this study using data analysis as follows:

1. Analysis of Working Capital Turnover

To find out the amount of working capital turnover in a company, the following formula can be used:

$$\text{Working Capital Turnover (WTC)} = \frac{\text{Net Sales}}{\text{Net Working Capital}}$$

2. Analysis of Profitability

To determine the level of profitability, the following formula is used:

$$\text{Net Profit Margin (NPM)} = \frac{\text{Net profit after tax}}{\text{Net Sales}} \times 100\%$$

3. RESULTS AND DISCUSSION

Based on the table above which contains data from PT Telekomunikasi Indonesia Tbk for the last 7 years, it shows that the company's working capital turnover has increased from 2015 to 2019 where the highest working capital turnover occurred in 2019, namely 3.25 times. Meanwhile, profitability has increased from 2015 to 2017 where the highest profitability occurred in 2017, namely 25.50%. So it can be seen that the increase in profitability that occurred was not so significant. It can be seen that in 2019, when the working capital turnover was quite high, namely 3.25 times, the profitability rate was only 20.35%, much different from what happened in 2017, where the working capital turnover was quite low, namely 2.70 times, but the company was able to produce a fairly high profitability when compared to previous years, namely 25.50%. In 2020, the working capital turnover reduced to 2,93 and net profit margin increased to 21,66%. In addition, 2021 the working capital turnover reduce to 2,34 and net profit margin decrease to 23,7%.

Table 1. Working Capital Turnover

Year	Working Capital Turnover	Net Profit Margin
2015	2,14	22,78
2016	2,44	25,07
2017	2,70	25,50
2018	3,02	20,63
2019	3,25	20,35
2020	2,93	21,66
2021	2,34	23,70

Source: Data processed, 2023

The data shows that high working capital turnover is not followed by a high level of profitability, and when working capital turnover is low it results in a high level of profitability. If the turnover of working capital owned by the company is high, it can be interpreted that the company uses its working capital efficiently which will generate greater profits for the company. WCM is one of the management concepts focused on finding the optimal levels of cash, inventory, and debt and also reducing those levels at the lowest possible cost to meet the daily needs of the business are focused on funding their current liabilities (Brigham and Houston, 2009). Businesses need to know how to manage their current assets and liabilities. There are differences in the management of each key factor, as properly managing each factor affects the profitability of the firm (Ehrhardt and Brigham, 2011).



4. CONCLUSIONS AND RECOMMENDATIONS

Main conclusion from study can served in short conclusion section, which can be stand alone. This section is not repeating Results, but rather give significant findings and contributions from research. Based on the analysis carried out, it can be concluded that high working capital turnover is not followed by a high level of profitability, and when working capital turnover is low it results in a high level of profitability. Based on the results of the research and discussion that has been explained, the suggestions for this research are as follows: 1) For future researchers it is hoped to add independent variables outside of the study, such as fixed asset turnover, company age or by changing proxies used in this study, for example such as replacing the proxy ROE, ROI on the variable profitability. Researchers also need to expand the object of research and a longer observation period so that it is hoped that the results of the study will describe the actual situation more accurately. 2) For companies, In maximizing company profitability, it is necessary to pay attention to working capital turnover and company size and it is also advisable to maintain and improve performance in order to maintain the company's survival. 3) For Investors, it is expected that investors who will invest their capital in a company to pay attention to the company's performance before making an investment.

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