Vol. 20 No. 1 (2024) pp. 1-7
INOVASI: Jurnal Ekonomi, Keuangan dan Manajemen
P-ISSN 0216-7786
E-ISSN 2528-1097

Determinants of Profitability in Companies Listed on IDX80

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Abstract
The aim of this research is to conduct an analysis of the factors that determine profitability in companies listed on the Indonesia Stock Exchange, especially those included in the IDX80 index in the 2021 period. The research is a type of quantitative research with a causal method that tests the relationship between research variables. The number of companies in the research sample was 38 companies. The data analysis technique uses multiple linear regression analysis. The research results show that cash holding has a significant effect on the profitability of public companies included in the IDX80, while cash conversion cycle and firm size have no significant effect on profitability. A company that has optimal cash holdings shows that the company is able to maintain company liquidity, can finance operational activities and invest. So cash holdings can be used to increase company profitability.

Abstrak
Tujuan dari penelitian ini adalah untuk melakukan analisis terhadap faktor-faktor yang menentukan profitabilitas pada perusahaan yang tercatat di Bursa Efek Indonesia, khususnya yang termasuk dalam indeks IDX80 pada periode 2021. Penelitian merupakan jenis penelitian kuantitatif dengan metode kausal yang menguji hubungan antar variabel penelitian. Jumlah perusahaan dalam sampel penelitian sebanyak 38 perusahaan. Teknik analisis data menggunakan analisis regresi linier berganda. Hasil penelitian menunjukkan bahwa kepemilikan kas berpengaruh signifikan terhadap profitabilitas perusahaan publik yang termasuk dalam IDX80, sedangkan siklus konversi kas dan ukuran perusahaan tidak berpengaruh signifikan terhadap profitabilitas. Perusahaan yang memiliki kepemilikan kas yang optimal menunjukkan bahwa perusahaan tersebut mampu menjaga likuiditas perusahaan, dapat membiayai kegiatan operasional dan berinvestasi. Sehingga kepemilikan kas dapat digunakan untuk meningkatkan profitabilitas perusahaan.

Article history
Received 2024-01-02
Accepted 2024-02-10
Published 2024-02-26

Keywords
Cash Holding;
Cash Conversion Cycle;
Firm Size;
Profitability.

Kata kunci
Kepemilikan Tunai;
siklus konversi uang tunai;
Ukuran Perusahaan;
Profitabilitas.

1. Introduction

A stock index is a statistic that describes the price movement of a group of shares based on methodology and criteria and is evaluated periodically. The IDX30, LQ45 and IDX80 indices are a group of indices that have large market capitalization and have high transaction liquidity and have good fundamental factors (IDX, 2022). In 2020, the performance movement of the IDX80, LQ45 and IDX30 indices decreased compared to 2019. The decline in the performance of the IDX80 index reached a minus position of -5.70% (IDX, 2022). The decline in index performance was due to the Covid-19 pandemic. Market speculation and news regarding Covid-19 can influence capital market fluctuations (BI, 2022). In 2021, the IDX80 index will increase by 3.12%. Meanwhile, the IDX80 index capitalization grew by 4.14% or 208 trillion rupiah (IDX, 2022).

Index movements show that share prices reflect company performance and value. Investors assess the company's future prospects by assessing the company's profitability growth (Tandelilin, (2010) ; Hamdani et al., (2023). The profitability measure is used as a benchmark for the effectiveness of manager performance seen from profits. In financial report analysis, the return on assets ratio can show the size of the company in obtaining profits from managing its assets (Saraswati & Bernawati, (2020); Ahmad & Juniar (2023). Management of the company's cash holdings must be at optimal cash levels so that the company can increase the company's profitability (Ashhari & Faizal, 2018). Research conducted by Sari (2015) and Ramadhani & Mulyati (2022) shows that there is an influence of cash holding on profitability. Meanwhile, research conducted by Sutanti (2018) and Silvana et al., (2022) shows that there is no influence of cash holding on profitability.

The cash conversion cycle is the time period required for a company to acquire and sell inventory, collect receivables and pay debts (Mandalaputri et al., 2021). Financial managers can minimize the cash conversion cycle time by implementing policies regarding receivables collection in order to increase profitability (Saraswati & Bernawati, 2020). Research results by Sienatra & Nainggolan (2018) and Telly & Ansori (2019) shows that the cash conversion cycle has an effect on profitability. Meanwhile, the results of research by Jakpar et al., (2017) and Setiyanto & Aji (2018) shows that the cash conversion cycle has no effect on profitability. Firm size is a measurement that describes the size of the company (Saraswati & Bernawati, 2020). Firm size can influence company performance because a large company size will be more efficient and effective in managing and developing its resources so that the company has a greater opportunity to generate profitability (Sudiyatno et al., 2020). Research by Khajar et al., (2020) and (Ramadhani & Mulyati, 2022) shows that firm size has an influence on profitability. Meanwhile research Telly & Ansori (2019) and Veronica & Saputra (2021) shows that firm size has no influence on profitability.

Determining working capital management policies is faced with the trade off theory between liquidity and profitability (Yilmaz & Acar, 2019). Trade off theory expects companies to have cash holdings at an optimal level, namely a cash balance that can maintain company liquidity and productivity (Hanafi, 2016). Cash holding is cash and cash equivalents owned by a company that can be used to finance investment projects that generate profits (Ashhari & Faizal, 2018). According to Keynes, there are three reasons why companies hold company cash, namely speculation, transaction and precautionary motives (Ekadjaja et al., 2022). The cash conversion cycle is the time period required by a company from cash out to pay for inventory to receipt of cash back from sales of production (Brigham & Houston, 2019). When determining the cash conversion cycle, companies look at variables such as inventory periods, receivables and payables (Nwude et al., 2018). Firm size is a measure that describes the size of a company in terms of total sales value, total equity, total assets and market value (Sudiyatno et al., 2020). The size of the company in terms of total assets describes the amount of wealth the company has, so that large total assets can increase the company's profitability (Giriyani & Diyani, 2019). Profitability is a company's ability to generate profits and the company's operational efficiency in managing assets (Hirdinis, 2019). The greater the ability of a company to generate profits, the greater the company has a greater opportunity to receive returns for shareholders (Sofyaun et al., 2019). Profitability measurement uses the return on assets (ROA) ratio. Return on assets is a ratio to measure a company's ability to generate profits from the assets owned by the company (Saraswati & Bernawati, 2020). Several research results related to

factors that influence profitability which show differences in results indicate that there are research gaps and are interesting to research again with the object of the 80 most liquid companies listed on the Indonesia Stock Exchange.

Cash holdings are cash or cash equivalents owned by the company (Silvana et al., 2022). The availability of cash in the company can have advantages and disadvantages for the company, so the company can manage cash to maintain liquidity and utilize cash planning and idle funds (Ekadjaja et al., 2022). An optimal cash holding level will be able to increase the company's profitability (Ramadhani & Mulyati, 2022). Based on the results of this research, hypothesis 1 was formulated, namely that cash holding has a significant effect on profitability in companies listed on the IDX80 Index of the Indonesian Stock Exchange.

The cash conversion cycle is the amount of time required by a company to convert invested cash into cash receipts from the company's operational results (Irawan & Darmansyah, 2021). The faster the cash cycle, the faster the company's cash turnover, which can have an impact on increasing the company's profitability (Saraswati & Bernawati, 2020). A fast cash cycle shows that the company is able to sell products and receive payment for product sales quickly, so that the company quickly produces its products again and increases its sales (Ramadani & Khalifaturofi'ah, 2020). Based on the results of this research, hypothesis 2 was formulated, namely that the cash conversion cycle has a significant effect on profitability in companies listed on the IDX80 Index of the Indonesia Stock Exchange.

Firm size is a quantity that describes the size of a company (Harisa et al., 2019). Companies with large total assets can use their resources to increase company profits to the maximum. The greater the assets a company owns, the company can use its resources to increase the company's profitability (Hirdinis, 2019). Company size with large asset ownership can reflect the company entering the maturity stage, namely the company has a good cash flow position and illustrates the company's stability in generating high profits. (Sofyaun et al., 2019). Based on the results of this research, hypothesis 3 was formulated, namely that firm size has a significant effect on profitability in companies listed on the IDX80 Index of the Indonesian Stock Exchange.

2. Method

This type of research uses quantitative research methods that are cause and effect (causal). The population of this research are companies listed on the IDX80 Index of the Indonesia Stock Exchange in 2021. The research sample was 38 companies, the sample was determined using a purposive sampling technique. The analysis technique used is multiple linear regression. Multiple linear regression is a test to measure how much influence the independent variable has on the dependent variable (Ghozali, 2021). The stages in testing multiple linear regression analysis are carrying out classic assumption tests consisting of normality tests, multicollinearity tests, autocorrelation tests and heteroscedasticity tests. If all the criteria in classical assumption testing meet the requirements then proceed with hypothesis testing with the t test.

The first independent variable in this research is cash holding, namely the cash available in the company which is measured by dividing cash and cash equivalents by total assets (Brigham & Houston, 2019). The next independent variable is the cash conversion cycle, namely the sum of the inventory conversion period and the debt conversion period minus the debt deferral period (Ekadjaja et al., 2022). The third independent variable is firm size, namely the size of a company which is measured using ln total assets (Hirdinis, 2019). The dependent variable in this research is profitability which is measured by return on assets, which measures the company's ability to generate profits from the use of the assets it owns (Saraswati & Bernawati, 2020).

3. Result and Discussion

The research sample consisted of 38 companies divided into eight sectors, namely the primary consumer goods sector, the raw goods sector, the infrastructure sector, the energy sector, the non-primary consumer goods sector, the industrial sector, the health sector and the property and real estate sector. The industrial sector has the largest average value of cash and cash equivalents, receivables, inventories, debt, total assets and net profit among other sectors.

Table 1. Descriptive Statistical Analysis Test Results

Variable	Minimum	Maximum	Average	Standard Deviation
Cash Holding	0.004	0.415	0.133	0.092
Cash Conversion Cycle	-179	756	85.67	139.417
Firm Size	27.467	33.537	31.067	1.154
Profitability	0.003	0.358	0.083	0.068

The results of the descriptive analysis show that the standard deviation value of the cash conversion cycle variable is greater than the average value, meaning that the data distribution for this variable is uneven and the value is far from the average value. For other variables, the standard deviation value is smaller than the average value so that the distribution of the data is not too far from the average value.

The results of the regression analysis were preceded by the first classical assumption test, namely the normality test with the Kolmogorov-Smirnov test on the residual values of the research model and the Asymp value was obtained. A Sig of 0.062 means it is greater than 0.05 so the research model can be continued. The next test in the classical assumption test is the multicollinearity test using the basis for decision making if the VIF value < 10 then the research model can be continued. The results of data analysis show that the VIF value of the cash holding variable is 1.012, the VIF value of the cash conversion cycle variable is 1.121 and the VIF value of the firm size variable is 1.121, meaning that the research model can be continued because all variables have a VIF value of less than 10. The next result of testing the classical assumption is the autocorrelation test by looking at Watson's durbin value. The research model criteria can be continued if du < dw < 4-du. The analysis results show that the Watson Durbin value of 1.876 is located at 1.749 < 1.876 < 2.251 so that the regression model can be continued. The final classical assumption test is the heteroscedasticity test using the Glejser test where the decision making criteria is that the model can be continued if the sig value of the t test results shows greater than 0.05. The Glejser test results show that the sig value of the cash holding variable is 0.995, the sig value of the cash conversion cycle variable is 0.118 and the sig value of the firm size variable is 0.145, all values are greater than 0.05, meaning the research model can be continued. The results of multiple linear regression analysis and hypothesis testing results can be seen in Table 2 below.

Table 2. Regression Analysis Results and Hypothesis Test Results

Variable	Regression Coefficients	Sig value
Constant	0.305	
Cash Holding (CH)	0.265	0.017
Cash Conversion Cycle (CCC)	0.000	0.149
Firm Size (FS)	-0.010	0.340

Based on the results of multiple linear regression analysis, the following regression equation is obtained:

ROA = 0,305 + 0,265 CH + 0,000 CCC – 0,010 FS

The coefficient of determination value shows an adjusted R2 value of 0.454, indicating that simultaneously the cash conversion cycle, cash holding and firm size explain the profitability variable by 45%. The influence of the cash holding variable (X1) on profitability (Y) shows a sig value. amounting to 0.017 (sig. value 0.017 < 0.05) so it can be concluded that cash holding has a significant effect on profitability. Therefore, the first hypothesis "cash holding has a significant effect on profitability" is accepted. The availability of cash available in the company can be used by financial managers to anticipate unpredictable expenses in the future, for investment purposes and can be used as dividend distribution to shareholders (Ekadjaja et al., 2022). The existence of cash ownership in the company requires financial managers to maintain optimal cash balances. A company that has optimal cash holdings shows that the company is able to maintain company liquidity, can finance operational activities and invest. So cash holdings can be used to increase

company profitability. The results of this research are in line with research by Sari (2015) and Ramadhani & Mulyati (2022) stated that cash holding has a significant effect on profitability.

The influence of the cash conversion cycle variable (X2) on profitability (Y) shows a sig value. amounting to 0.149 (sig. value 0.149 < 0.05) so it can be concluded that the cash conversion cycle has no significant effect on profitability. Therefore, the second hypothesis "cash conversion cycle influences profitability" is rejected. The cash cycle has no effect because there are many companies that have high and negative cash cycle values. A large cash cycle value means the company needs a long time to collect payments from customers and to convert inventory into finished goods ready for sale. A large cash cycle indicates that the company is inefficient in using short-term assets and liabilities to create and manage cash returns. A negative cash cycle value means that the company takes a long time to pay for inventory to suppliers compared to the time it takes to convert the inventory and sell it and receive cash from its customers (Mandalaputri et al., 2021). A negative cash cycle shows that the company in its operational activities does not fully use the cash it has but instead uses cash that comes from customers and vendors. The research results are in line with research Jakpar et al., (2017) and Setiyanto & Aji (2018) states that the cash conversion cycle has no significant effect on profitability.

The influence of the firm size variable (X3) on profitability (Y) shows a sig value. amounting to 0.340 (sig. value 0.340 > 0.05) so it can be concluded that firm size has no significant effect on profitability. Therefore, the third hypothesis "firm size has a significant effect on profitability" is rejected. The size of a company does not affect the company's profitability because not all of the assets owned are used to carry out operational activities. A company's ability to earn profits is not seen from the total assets the company owns. There are other things that companies can consider, namely the company's performance and ability in managing assets (Wulandari & Damayanti, 2022). Managing assets effectively and efficiently can increase the company's profitability. The research results are in line with research Telly & Ansori (2019) and Veronica & Saputra (2021) states that firm size has no significant effect on profitability.

4. Conclusion

The research results show that cash holding has a significant effect and has a positive coefficient value on profitability. This shows that the more cash holdings can increase the company's profitability. Cash directly determines payments, operations, investment, financing and company value, so some companies hold cash (Chen et al., 2020). The availability of cash in the company maintains the company's liquidity and pays for the company's operational activities. With the trade off, the company is expected to hold an optimal cash balance, namely a cash balance that maintains company liquidity and maintains company productivity (Hanafi, 2016). Cash conversion cycle and firm size have no significant effect on profitability. Financial managers must have proper cash management so that they can maintain the optimal amount of cash available in the company. Determining optimal cash ownership is very necessary because cash is an element of cash capital needed to fulfill the company's operational activities. The availability of cash at this optimal level provides a good perception of the company's profitability and survival. So that it provides an idea of the company's prospects.

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