



The Liquidity And Activity Effect On Profitability Of Pulp And Paper Sub-Sector Manufacturing Companies In Indonesia

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Abstract: The purpose of this research is: To find out if liquidity affects profitability in Pulp and Paper Sub-Sector Manufacturing Companies on the Indonesia Stock Exchange. To find out if activity affects profitability in Pulp and Paper Sub-Sector Manufacturing Companies on the Indonesia Stock Exchange. To find out if liquidity and activity together affect profitability in Pulp and Paper Sub-Sector Manufacturing Companies on the Indonesia Stock Exchange. In this study the use is a quantitative approach. The population in this study is a Pulp and Paper Sub Sector Manufacturing Company on the Indonesia Stock Exchange. There are 9 Pulp and Paper Sub Sector Manufacturing Companies registered with IDX. The conclusion of this discussion is as follows: There is an influence of liquidity on profitability. There is an effect of activity on profitability. There is a shared influence of liquidity and activity on profitability.

Keywords: Liquidity, Activity, Profitability

INTRODUCTION

Manufacturing companies as a population because the manufacturing industry has capital-intensive characteristics, and is the sector of the economy that absorbs the most funds from the community, plays an important role in economic growth and is considered a leading sector for other sectors (Wahyudi, 2018). In addition, the manufacturing industry is a category of companies in IDX that have the opportunity to grow and grow rapidly because the market potential from year to year is growing in line with the level of needs of the Indonesian population.

The Pulp and Paper industry is currently in Indonesia showing developments. Along with rising world pulp prices. The pulp and paper industry is one of the leading sectors that is constantly monitored for development because it has a strong availability of raw materials and markets compared to other countries that do dumping (Margie, 2018). Many investors are interested in investing capital in the pulp and paper industry because they think that paper is widely used by all people not only in the world of education but in fact the demand for pulp and paper in the market does not increase. From the description above the author

takes the Pulp and Paper Company due to help increase the demand for pulp so that its investors are interested in investing in the company (Rismanty, 2019; Hamdi, 2018).

The high level of paper use in Indonesia will certainly have an impact on the increasing raw materials production. However, the paper industry in Indonesia is currently experiencing a decline in production, due to the low level of raw materials obtained. The paper industry has long relied on wood from industrial forests, as raw materials for manufacturing (Sanulika, 2018). If, the raw material is thinning or does not even exist, then the continuity of the paper industry will be threatened. The supply of pulp raw materials will be reduced. Thus, paper making will not last the maximum and will be hampered. In this case, the company or paper industry, its production will decrease so it will be difficult to make a profit. If the company does not make a large profit, it will be difficult to roll back its production activities.

In making investments, investors certainly need to see if the company that will be used as a place of investment activity has a good performance or not, because only a well performing company can provide (the rate of return) of the expected return of shares. The main purpose of investors in investing is to obtain a high return on stocks. Analysis of financial statements can be done using financial ratios such as liquidity, activity, and profitability ratios. Financial ratio analysis is used to look at the condition of financial health and the poor performance of the company concerned. The company considers that profitability issues are more important than profit. Because a large profit cannot reflect that the company has operated efficiently. Efficiency can be known by comparing the profit with other indicators to then know the level of profitability (Sjahputra, 2019; Habibah, 2018).

Financial performance is one of the main aspects of the company's operations and is the purpose of the establishment of some companies (Fahmi, 2012:78). The need for investors to know the company's success in generating returns can certainly be measured by several financial ratio formulas of profitability and one of which is Net Profit Margin. Net Profit Margin (NPM) is a comparison between net income and the company's operating income. This Net Profit Margin serves to measure the return on net profit to its net sales.

Net Profit Margin (net profit) measures the company's ability to provide returns to shareholders (Prihadi in FitriaDwi, 2017). The higher the return or income earned the better the position of the owner of the company the better and impact on the increase in the company's profit.

One of the efforts to achieve its goal is to maximize its profit, in the principle of financial management it is said that the ability of the company to profit is inversely proportional to liquidity, (James, Horne, and Machowicz in the journal Raymond, 2017). This is a problem in the company faced with the issue of liquidity and profitability of the company. If the company assigns a large asset, the likelihood that the liquidity level will be safe, but the expectation of a large profit will fall which will then impact on the profitability of the company or vice versa. The higher the liquidity, the better the company's position in the eyes of creditors because there is a greater likelihood that the company will be able to pay its obligations in time (Mansur, 2015)

Liquidity is an indicator that measures the company's ability to pay all short-term financial liabilities at maturity using available current assets (Syamsuddin in the journal Rahmah, 2016). The activity ratio used is current ratio (CR)

The amount of corporate profit can be influenced by several factors, one of which used in this study is Total Asset Turnover (TATO) and Debt to Equity Ratio (DER). According to Cashmere (2012:172) the ratio of activity is the ratio that measures the effectiveness of the company in using its assets. All of these activity ratios involve a comparison between sales and investment levels on different types of assets. Activity ratios assume that there should be a decent balance between sales and various asset elements such as inventory, fixed assets and other assets. Low assets at a certain level of sale will result in greater excess funds embedded in those assets. The ratio of activities used is Total asset turnover (TAT). Total asset turnover (TAT) represents the level of effectiveness in maximizing all of the company's assets in generating sales. The faster the turnover of the company's assets, the more income earned will increase as well as the profit.

The formulation of the problem is: Does liquidity affect profitability in Pulp and Paper Sub-Sector Manufacturing Companies on the Indonesia Stock Exchange. Whether the activity affects profitability in Pulp and Paper Sub-Sector Manufacturing Companies on the Indonesia Stock Exchange. Whether liquidity and activity together affect profitability at Pulp and Paper Sub-Sector Manufacturing Companies on the Indonesia Stock Exchange.

The purpose of this research is: To find out if liquidity affects profitability in Pulp and Paper Sub-Sector Manufacturing Companies on the Indonesia Stock Exchange. To find out if activity affects profitability in Pulp and Paper Sub-Sector Manufacturing Companies on the Indonesia Stock Exchange. To find out if liquidity and activity together affect profitability in Pulp and Paper Sub-Sector Manufacturing Companies on the Indonesia Stock Exchange.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Liquidity Ratio

According to Prastowo (2011:83) says that liquidity ratio is a ratio that describes the company's ability to meet its short-term obligations to short-term creditors. Liquidity ratio or so-called working capital ratio aims to measure the company's ability to meet its short-term obligations.

According to Subramanyam (2012:43) it suggests that: "Liquidity ratio is to evaluate the ability to meet short-term liabilities". According to Fred Weston quoted by Kasmir (2012:129), it is a liquidity ratio that describes the company's ability to meet short-term debt obligations. This means that if the company is billed, the company will be able to meet the debt, especially the debt that has fallen.

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Activity Ratio

According to Agus Sartono (2012:118) the ratio of activity is: "The ratio of activities shows how the resources have been utilized optimally, then by comparing the ratio of activities, it can be known the level of efficiency of companies in the industry.

According to Van Horne Wachowicz in Dewi Fitriyani and Deny Arnos Kway (2012:212): "Activity ratio is a ratio that measures how effectively the company uses its various assets". According to Horne and John (2012:172), the activity ratio is a ratio that measures how effective the company is in utilizing the resources it has. This ratio is also called turnover or turnover ratio.

From the above definition it can be concluded that the activity ratio is the ratio used to measure the effectiveness of the company in using its assets. Or it can also be said that this ratio is used to measure the efficiency (effectiveness) of utilization of the company's resources.

Profitability Ratio

According to Munawir (2012:70) profitability as follows: "The profit ratio or profitability ratio is a ratio that demonstrates the company's ability to make a profit. For shareholders, this ratio indicates their level of income in investing". Profitability ratios are also called operating performance ratios. According to Van Horne and Wachowicz (2012:222) in Heru Sutojo as follows: "Profitability ratio is the ratio that connects profit from sales and investment.

According to J Fred Watson and Eugene F Brigham (2012:304) it is: "A group of ratios that demonstrate the combined influence of liquidity, asset management and debt management on operating results". According to Cashmere (2013:196) the profitability ratio

is: "the ratio to assess the company's ability to make a profit". According to Danang (2013:113) Profitability is the company's ability to profit from its business results.

Profitability is important in maintaining the company's long-term viability, as profitability indicates whether it has good prospects in the future. Each company will always try to improve its profitability, because the higher the profitability of a company, the more guaranteed the survival of the company. Increased profitability indicates that management's performance in managing operational financing funds to generate net profit is increasing and more efficient so that it can be said that in addition to paying attention to management efficiency in managing investments owned by the company, investors also pay attention to the performance of management who are able to manage the source of funds.

METHODS

Quantitative research method is one type of research whose specifications are systematic, planned, and clearly structured from the beginning until the creation of the research design. Another definition mentions quantitative research is research that demands the use of numbers, ranging from data collection, interpretation of the data, and the appearance of the results.

In this study the authors used quantitative research, because the data obtained later in the form of numbers. From the numbers obtained will be further analyzed in the data analysis. This research consists of three variables, namely Liquidity and Activity as independent variables and Profitability as dependent variables in this study.

According to Sugiyono (2009:80), the sense of population is a generalized region consisting of: objects or subjects that have certain qualities and characteristics set by researchers to study and then draw conclusions. Whereas according to Supardi (2011:25) says the population is a different subject in a region and meets certain conditions relating to the problem or object of research. The population in this study is a Pulp and Paper Sub Sector Manufacturing Company on the Indonesia Stock Exchange.

Sampling this study using purposive sampling or judgement sampling. According to Sugiyono (2014:120) argues "Samples are the number and characteristics that the population has". While according to SuharsiniArikunto (2010:131), it is argued that "The sample is part or representative of the population studied". According to SutrisnoHadi (2007:75) suggested "Sampling is a way to take samples". There are 9 Pulp and Paper Sub Sector Manufacturing Companies registered with IDX.

The analytical techniques used in this study are quantitative analysis techniques using statistics. Furthermore to obtain and speed up data input, statistical software is used to support this research. The software used to support this research is the SPSS (Statistical Product and Service Solutions) program version 20.

RESULT AND DISCUSSION

Normality Test

The test results show that the asymp value. Sig. (2-tailed) amounting to 0.225 which is greater than 0.05 so it can be concluded that the research model has a normal data distribution, meaning normal distributed residual data. To test normality in this study, the authors also used normal P-Plot charts.

Hypothesis Test results

1. Effect of Liquidity (X1) on Profitability (Y)

Based on the table of coefficients, the thitung value for liquidity variables (X1) is 4,299 while the ttabel value for N = 27 is 2,051. So $4,299 > 2,051$ and probability value of $0.000 < 0.05$ then H_0 is rejected and H_a is accepted, it can be stated that Liquidity (X1) has a positive and significant influence on Profitability(Y).

2. Effect of Activity (X2) on Profitability(Y)

Based on the table of coefficients, the thitung value for the Activity variable (X2) is 3,893 while the ttabel value for N = 27 is 2,051. So $3,893 > 2,051$ and probability value of $0.001 < 0.05$ then H_0 is rejected and H_a is accepted, it can be stated that Activity (X2) has a positive and significant influence on Profitability(Y).

3. Simultan Effect

From the results of the analysis in the table above, the ANOVA test obtained a value of Fhitung of 14,384. While Ftabel to N = 40 by 2.96. So Fhitung > of Ftabel or $14,384 > 2.96$ with a significant level of 0.000 due to $0.000 < 0.05$, it can be said that Liquidity (X1) and Activity (X2), have a joint influence on Profitability (Y) in Manufacturing Companies Sub Pulp and Paper Sectors.

Model Summary

Based on the table above, the Summary Model, which produced a value of R Square of 0.545, means that Liquidity (X1) and Activity (X2), had a 54.5% influence on Profitability (Y) while the remaining 45.5% had an effect on other factors not examined by the authors in this study

CONCLUSIONS

After being described about "The Effect of Liquidity and Activity on Profitability in Pulp and Paper Sub-Sector Manufacturing Companies on the Indonesia Stock Exchange 2017-2019", then from the results of the analysis and discussion in the previous section, the author will draw a conclusion from the results of the discussion as follows:

1. There is a positive and significant liquidity effect on profitability, proven thitung value for variable Liquidity (X1) of 4,299 while the value of ttabel for N = 27 is 2,051. So $4,299 > 2,051$ and probability value of $0.000 < 0.05$ then H_0 is rejected and H_a is accepted, it can be stated that Liquidity (X1) has a positive and significant influence on Profitability (Y).
2. There is a positive and significant impact activity on profitability, proven thitung value for variable Activity (X2) of 3,893 while the ttabel value for N = 27 is 2,051. So $3,893 > 2,051$ and probability value of $0.001 < 0.05$ then H_0 is rejected and H_a is accepted, it can be stated that Activity (X2) has a positive and significant influence on Profitability(Y).
3. There is liquidity and activity together positive and significant impact on profitability, proven ftung value of 14,384. While Ftabel ($\alpha 0.05$) to N = 40 by 2.96. So Fhitung > of Ftabel ($\alpha 0.05$) or $14,384 > 2.96$ with a significant rate of 0.000 due to $0.000 < 0.05$, it can be said that Liquidity (X1) and Activity (X2), have a joint influence on Profitability (Y) in The Manufacturing Company Of Sub Sector Pulp and Paper. While the value of R Square is 0.545, it means that Liquidity (X1) and Activity (X2), have a 54.5% influence on Profitability (Y) while the remaining 45.5% influence with other factors not studied by the authors in this study

In the closing chapter, the author tries to provide suggestions that may be useful. The suggestions are as follows::

1. For the company is expected to be able to manage its working capital efficiently, namely by making a balanced investment in working capital, increasing the turnover of receivables and inventory turnover, and paying attention to the increase in the company's operating expenses, so that the increase in working capital can be comparable to the increase in operating profit that is dipeorlenya.
2. For prospective investors in choosing a company that has a high level of profitability, so that investors can obtain a high rate of return in the form of dividends. In this case the investor must invest his or her shares in the right company. Investors are expected before choosing which shares to buy, first to analyze the company's financial condition.

3. For further researchers with similar topics it is recommended to conduct further studies using other indicators or variables to obtain another picture of the influence of liquidity and activity on profitability.

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