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The Effect of Working Capital Turnover, Sales Growth, and Import Exemption Facilities of Export Destinations (KITE) on The ROA of Manufacturing Companies

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Abstract

This study aims to analyze the impact of working capital turnover, sales growth, and KITE exemption facility on the profitability (ROA) of manufacturing companies that receive import facilities for export purposes in 2020. A total of 42 companies were taken as samples. The data refers to the annual financial reports of manufacturing companies in 2020 which are reported to the Directorate General of Customs and Excise, Indonesia. By using regression analysis, it is found that working capital turnover, sales growth, and Kite exemption facility do not significantly affect profitability (ROA).

Keywords: working capital turnover, sales growth, Return on Asset (ROA), KITE exemption facility, cross-section, KITE.

INTRODUCTION

The year 2020 is a very tough year for businesses and companies in Indonesia. The Covid-19 (*Corona Virus Disease*) pandemic has caused turmoil in economic activity. Indonesian Composite Stock Price Index (CSPI/IHSG) experienced a significant decline in early 2020 and reached its lowest point in March 2020. This shows the market's response to the economic downturn due to the Covid-19 pandemic that requires serious attention because it involves the lives of the wider community. The company's imports and exports began to decline in March 2020 which peaked in April 2020 when the Indonesian government imposed Large-Scale Social Restrictions (PSBB). PSBB is the government's effort to prevent Covid-19 which limits people's activities on a large scale.

Figure 1. Import, Export, and Indonesian Composite Stock Price Index (IHSG) Trends for 2018-2020
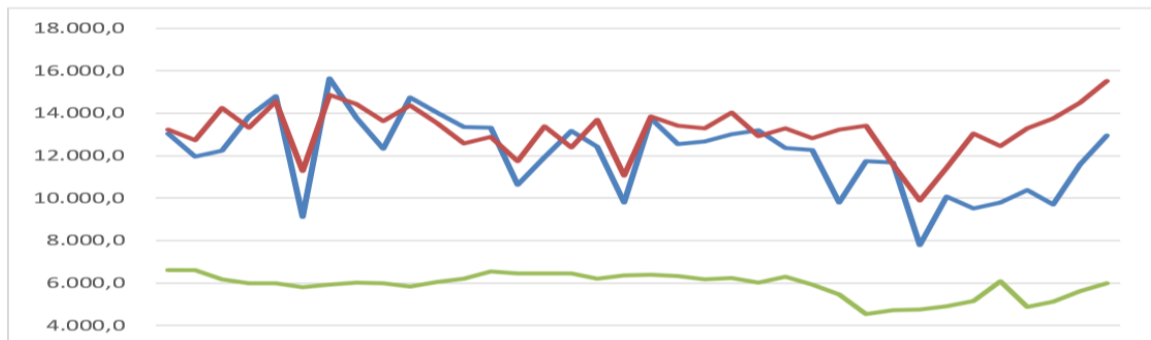
Source: Central Bureau of Statistics/BPS (2021)

Such an economic situation requires company managers to adapt so that the company can continue to survive. It is undeniable that activity restrictions such as social distancing, swab tests for organizing events and trips, as well as the use of masks add to the company's operational burden. In addition, logistics costs for shipping goods have soared due to many cities being locked down and the scarcity of containers. On the other hand, the company's revenue decreased due to a large number of canceled orders as a result of lower demand for goods and services by the public. Companies need to make efficiencies which include managing working capital and sales and taking advantage of incentives from the Indonesian government.

One of the incentives that can be utilized by the company is the exemption of Import for Export Destination (KITE) facilities. The Exemption KITE facility is not specifically given in the context of overcoming the impact of the Covid-19 pandemic but it is a policy of the Indonesian government since the 1980s by changing foreign trade policies to further promote exports (Tambunan, 2000). KITE exemption facilities are given to companies that carry out manufacturing businesses in the form of processing, assembling, and/or installing raw materials into products that have added value. The KITE exemption facility is provided in the form of import duty exemption and is not collected Value Added Tax (VAT) and Sales Tax on Luxury Goods on the import of raw materials used (Minister of Finance Regulation number 160/PMK.04/2018).

The main purpose of providing KITE exemption facilities is to increase exports through the provision of tax incentives, although the government must be willing to reduce state revenues from import duties, PPN, and PPnBM on imports of raw materials (Nabila & Sriyanto, 2018). Companies that receive KITE exemption facilities will benefit from reducing the company's cash flow and increasing company competitiveness, national exports, and investment (Rafinska, 2020). (Nabila & Sriyanto, 2018) reveals that statistically, KITE exemption facilities have a positive and significant impact on the exports of companies that receive KITE exemption facilities, which means that the company's export sales increase. (Suharti, 2017) in his research compares the cost of production with KITE exemption facilities at PT Megah Buana Pancarona (MBP). Based on the results of the study using the variable costing and full costing method in the 2014 financial statements, it was found that the cost of raw materials by utilizing KITE exemption facilities can be saved between 11% to 16%.

Import exception facilities of export destination (KITE) facility provides the beneficiary with a comparative advantage so that their performance can be maintained and better than other companies. Company performance can be measured through financial statement analysis. One of them is through measuring the company's profitability by comparing the profits generated and the overall assets owned or often referred to as

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Return on Assets (ROA). The higher the ROA, the better the company's performance because it is more effective in generating profits.

There are various factors that affect ROA, including working capital turnover and company sales growth. Nelly and Toni (2020) which states that working capital turnover has an effect on ROA. These results are supported by research from Jasmani (2019) which concludes that working capital turnover has a positive and significant effect on profitability. Meanwhile, Widiyanti and Bakar (2014) obtained research results that working capital turnover did not have a significant effect on ROA.

Angarsari and Aji (2018) found that the working capital turnover and sales growth variables did not have a significant effect on the company's ROA. Likewise, with the results of research by Meidiyustiani (2016) which states that working capital turnover and sales growth have no significant effect on ROA.

Furthermore, sales growth also influences the company's profitability (ROA). Turnover of money in the company will be greater with the high level of sales. The higher the sales growth, the higher the company's ROA. This is supported by the research results of Fransiska (2019), Nasution and Ramdani (2021), Hosaain (2020), Kusuma and Panji (2018), and Tresnawati (2021).

RESEARCH METHOD

The Source of data used in this study is secondary data. According to (Sugiyono, 2017) secondary data is the source of research data obtained by researchers indirectly through intermediary media (obtained and recorded by other parties). The secondary data used in this study is the 2020 financial statements of companies that obtained the KITE exemption facility. In addition, this study uses secondary data in the form of data on companies that receive the KITE exemption facility and import data from the Directorate General of Customs and Excise (DJBC).

Figure 2. Research Framework
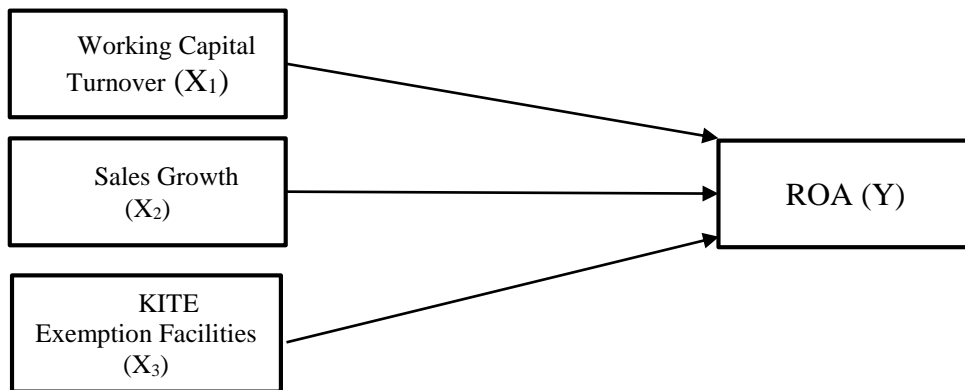
This study analyzes the effect of working capital turnover (X_1), sales growth (X_2), KITE exemption facilities (X_3), and ROA (Y) in manufacturing companies that receive KITE exemption facilities. The independent variables in this study are working capital turnover, sales growth, and KITE exemption facilities. The dependent variable is ROA.

RESULTS AND DISCUSSION

Table 1. Descriptive Statistic Results

	N	Minimum	Maximum	Mean	Std. Deviation
ROA	42	-49.85	32.31	2.0002	13.35817
WCT	42	-4722.28	113.19	-122.3469	738.73738
SG	42	-89.49	40.38	-17.7210	28.10833
FKP	42	0	10.01	1.2748	2.20697

Source: Primary Data Processed, 2022

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Based on Table 1 above, it can be concluded as follows:

1. The ROA variable (Y) has a total of 42 observational data from 42 companies. From the 42 observed data, ROA has a minimum value of -49.85% which is the ROA of PT. SIB. PT SIB experienced an extraordinary amount of loss caused by the increase in general and administrative expenses as well as the recognition of employee benefits obligations to employees since 2019. While the highest ROA value was 32.31%, which is the ROA value of PT EI. PT EI is one of the leading battery manufacturers in Indonesia, which during the Covid-19 pandemic experienced a significant increase in sales. The average value of ROA is 2,0002% with a standard deviation of 13,35817. This shows that even though during the Covid-19 pandemic the majority of businesses experienced sluggishness, there were still some companies that made a profit and even got an increase in sales like PT EI.

2. The WCT/*Working Capital Turnover* variable (X_1) has a total of 42 observational data from 42 companies. From the 42 observed data, WCT has a minimum value of -4722.28 times that of PT. TMMIN. The negative value indicates that the net working capital value of the company is less than 0 due to the higher current liabilities of the company compared to its current assets. PT TMMIN implements a just in time system in managing its inventory so it is natural that the company's inventory is very minimal to the needs of ongoing order fulfillment. While the maximum value is 113.1886 times which is the WCT value of PT. YH. The average value of WCT is -122.3469 with a standard deviation (standard deviation) of 738.73738. Although the average value is negative, the majority of companies have positive net working capital. Only 5 companies have negative working capital but it greatly affects the average statistical value.

3. The SG/*Sales Growth* variable (X_2) has a total of 42 observational data from 42 companies. From the 42 observed data, SG has a minimum value of -89.49% owned by PT. WML. A negative value on sales growth indicates that the company is experiencing a decline in sales. PT WMI is a glove producer in Indonesia that has been affected by the Covid-19 pandemic which has caused export demand to drop drastically. The highest value of sales growth of 40.38% which is the value of sales growth of PT. AEI. PT AEI is a company engaged in the metal industry, which has managed to maintain demand for its products. The average value of sales growth is -17.7210 with a standard deviation (standard deviation) of 28.10833. The negative average value indicates that the majority of companies experienced a decline in sales. A total of 29 companies had negative sales growth.

4. The FKP/*KITE Exemption Facility* variable (X_3) has a total of 42 observational data from 42 companies. From the 42 observed data, FKP has a minimum value of 0% owned by PT. ALMI, which means that in 2020 it will not take advantage of the KITE exemption facility. This is possible if the company focuses more on fulfilling domestic sales and does not carry out export sales so there is no need to use the KITE exemption facility. While the maximum value is 10.1% which is the value of FKP PT. ASI, which means the value of the KITE exemption facility obtained is 10.1% of the asset value. The average value of FKP is 1.2748 with a standard deviation (standard deviation) of 2.20697. The value of the standard deviation is relatively small, indicating that the percentage of the KITE exemption facilities received from the company's total assets is relatively not much different between companies.

Table 2. Multiple Linear Regression Test Results

Coefficients

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.	Collinearity Statistics Tolerance	VIF
1	(Constant)	-2.270	4.170		-.544	.589		
	WCT	.001	.003	.048	.288	.775	.894	1.119
	SG	.040	.039	.203	1.026	.311	.648	1.543
	FKP	-.034	1.163	-.006	-.029	.977	.686	1.459

a. Dependent Variable: ROA

Source: Processed Data, 2022

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Based on Table 2 above, it can be seen that the results of multiple linear regression tests on these variables can be arranged as a regression equation, namely:

$$Y = -2.270 + 0.001 X_1 + 0.040 X_2 - 0.034 X_3 + e$$

Based on the results of the data analysis and the regression equation, several things can be explained as follows:
1. The constant value is -2.270 which states that the pure value of the dependent variable (ROA) is not influenced by independent variables (*working capital turnover and sales growth*).
2. *The working capital turnover variable* (X_1) has a regression coefficient value of 0.001 on Return on Assets (ROA). This means that if the other independent variables remain and the independent variable X_1 increases, then the ROA (Y) will not increase. The coefficient of 0 means that it can be stated that there is no relationship between working capital turnover and ROA.
3. *The sales growth variable* (X_2) has a regression coefficient value of 0.040 on Return on Assets (ROA). This means that if the other independent variables remain and the independent variable X_2 increases, then ROA (Y) will increase by 0.040. The positive coefficient means that it can be stated that there is a positive relationship between sales growth and ROA.
4. *KITE exemption facility variable* (X_3) has a regression coefficient value of -0.034 to Return on Assets (ROA). This means that if the other independent variables remain and the independent variable X_2 increases, then ROA (Y) will decrease -0.034. A negative coefficient means that it can be stated that there is a negative relationship between the Exemption KITE facility and ROA.

In Table 4 above, it can also be analyzed that the results of the T-test show as follows:
1. *The working capital turnover variable* (X_1) obtained a t-count value of 0.288 < t-table 2.02439 with a significance level of 0.775 > 0.05. Partially, working capital turnover (X_1) does not affect ROA (Y) because the value of the t-count is smaller than the t-table. Based on the results of these calculations, it can be concluded that working capital turnover has no significant effect on ROA.
2. *The sales growth variable* (X_2) obtained a t-count value of 1.026 < t-table 2.02439 with a significance level of 0.311 > 0.05. Partially, sales growth (X_2) does not affect ROA (Y) because the value of the t-count is smaller than the t-table. Based on the results of these calculations, it can be concluded that sales growth also has no significant effect on ROA.
3. *KITE exemption facility variable* (X_3) obtained a t-count value of -0.029 < t-table 2.02439 with a significance level of 0.977 > 0.05. Partially, sales growth (X_2) does not affect ROA (Y) because the value of the t-count is smaller than the t-table. Based on the results of these calculations, it can be concluded that sales growth also has no significant effect on ROA.

Table 3. F Test Result

ANOVAª

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	274.874	3	91.625	.494	.688ᵇ
	Residual	7041.197	38	185.295		
	Total	7316.070	41			

a. Dependent Variable: ROA

b. Predictors: (Constant), FKP, WCT, SG

Source: Processed Data, 2022

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Based on Table 3 above, it can be seen that the F test results show a significant level of 0.688 > 0.05 and the calculated F value is 0.494 with an F table value of 2.85. In other words, F count 0.494 < F table 2.85. So, it can be concluded that the independent variables, namely working capital turnover, sales growth, and KITE exemption facilities together (*simultaneously*) have no significant effect on ROA decisions.

Table 4. Coefficient of Determination Test Results (R^2)

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.194^a	.038	-.038	13.61230	1.711

a. Predictors: (Constant), FKP, WCT, SG
b. Dependent Variable: ROA

Source: Processed Data, 2022

Based on Table 4 above, it can be seen that the results of the *coefficient of determination test* (R^2) in the table above, obtained an R Square of 0.038. With this, it can be concluded that the independent variables of working capital turnover, sales growth, and KITE exemption facilities simultaneously or simultaneously can only explain the dependent variable (ROA) of 3.8%. Other variables that are not included in this study can better describe the ROA of 96.2%.

CONCLUSION

The following conclusions are presented in this study as follows:
1. The effect of *Working Capital Turnover* on ROA. The results showed that the working capital turnover variable obtained a t-count value of 0.288 < t-table 2.02439 with a significance level of 0.775 > 0.05. It can be concluded that working capital turnover (X_1) has no significant effect on ROA (Y). Thus, the H_1 hypothesis is rejected, which states that working capital turnover has a positive and significant effect on ROA
2. The effect of *Sales Growth* on ROA. The results showed that the sales growth variable had a t-count value of 1.026 < t-table 2.02439 with a significance level of 0.311 > 0.05. It can be concluded that the sales growth variable (X_2) has no significant effect on ROA (Y). Thus, hypothesis H2 is rejected, which states that sales growth has a positive and significant effect on ROA.
3. The effect of *KITE Exemption Facilities* on ROA. The results showed that the variable for the KITE exemption facility had a t-count value of -0.029 < t-table 2.02439 with a significance level of 0.977> 0.05. Thus, the H_3 hypothesis is rejected, which states that the KITE exemption facility has a positive and significant effect on ROA
4. The effect of *Working Capital Turnover, Sales Growth*, and simultaneous *KITE Exemption Facilities* on ROA. The results of the F test showed a significant level of 0.688 > 0.05 and the calculated F value was 0.494 with an F table value of 2.85. In other words, F count 0.494 < F table 2.85. So, it can be concluded that the independent variables, namely *working capital turnover, sales growth*, and *KITE Exemption Facilities* together (*simultaneously*) have no significant effect on ROA decisions.

RECOMMENDATION

The following are recommendations for further research as follows:
1. The policy of granting the KITE exemption facility does not affect ROA so in measuring the effectiveness of the KITE exemption facility it is not appropriate to use the ROA as a benchmark.
2. Further research should be more conditioned so that the company under study has other factors that are more uniform so that it can be seen the significance of the effect of working capital turnover, sales growth, and KITE exemption facilities on ROA. In addition, the number of samples should be increased.

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