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Working Capital Planning at PT Kelola Lingkungan Kita as an Effort to Increase Probability

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PT Kelola Lingkungan Kita (PT KLK) is an integrated hazardous waste management company, covering services in the sectors of transportation, collection, processing and utilization of B3 waste with working areas such as Sumatra, Java, Kalimantan, Nusa Tenggara and Bali. As a new company, PT KLK needs to see the effectiveness of its capital in order to obtain profits as planned. This study aimed to know the efficiency in working capital planning at PT KLK as an effort to increase probability. In this study we used descriptive quantitative which means the data observation is describing by collected data without intending to make general conclusions. The results of this study are PT. KLK must optimize capital turnover in the following years. The result is that efficiency in the use of capital is still not good.

Keywords: Efficiency, Work, Capital, Probability

1. INTRODUCTION

The efficiency of working capital management is very important, especially for manufacturing companies where the most of assets are consisting of current assets especially inventories and accounts receivable [1]. Here, a working capital mainly as the company's current assets which are part of the financial resources of the business that have changed from one type to another during the day-to-day business conduct. Current assets mainly consist of cash, prepaid expenses, short-term investments, accounts receivable and inventories. Net working capital can be measured by subtracting the company's current liabilities from current assets. If the value of current assets is less than the current liabilities, the net working capital will have a negative value indicating a working capital deficit. In addition, a business entity makes decisions about current assets and current liabilities that entity can be referred to as working capital management. A working capital management can be defined as an accounting approach that emphasizes maintaining proper levels of current assets and current liabilities. Here, working capital management provides sufficient cash to meet the company's short-term obligations [2]. Working capital management has an effect on liquidity and also on company profitability [3]. Working capital management directly affects the profitability and liquidity position of the company also confirms the important role of working-

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capital management [4]. According to the traditional view, the linearity of the relationship between a firm's working capital management and its profitability requires that an aggressive strategy of working capital management will result in lower liquidity, but higher risk, profitability and market value of the firm. Therefore, an aggressive strategy is considered a profit maximization strategy of working capital management that represents what is usually meant when talking about efficient working capital management, based on the principle of rapid conversion of inventory and receivables into money and delays in making payments to suppliers, which shorten the money gap and increase its availability [5]. However, the existence of both positive and negative impacts of investment into working capital on firm profitability suggests that the process of deciding working capital investment involves making a compromise between rising costs and falling costs according to the level of working capital investment [6]. Profitability can also be referred to as the rate of return for a particular investment. Current asset and liability imbalances can negatively affect the rate of return [7]. This is the basic objective of managing working capital so as to control the company's current financial resources thus a balance is made between the company's profitability and the risk of bankruptcy [8]. Thus, PT Kelola Lingkungan Kita (PT KLK) is an integrated hazardous waste management company, covering services for transportation, collection,

processing and utilization of hazardous waste with work areas covering Sumatra, Java, Kalimantan, Nusa Tenggara and Bali. As a new company, PT KLK needs to see the effectiveness of its capital to get profits as planned.

2. METHODOLOGY

In this research, we use quantitative research with a descriptive approach. Descriptive research is conducted to know the value of the independent variable either one with more (independent) variables without making comparisons or connecting with other variables [9]. Data collection techniques was done using documentation and interviews. The data analysis technique used is financial ratios, namely the liquidity ratio using the current ratio, the activity ratio using working capital turnover, and the profitability ratio using the Return On Assets (ROA). The current ratio is calculated from divider from current asset and current debt, the current ratio is expressed as follows

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Debt}} \times 100\%$$

The stages of analysis carried out by Standard for Measuring Efficiency of Using Working Capital (see Table I).

Table I. Standard for Measuring Efficiency of Using Working Capital (Liquidity Ratio)

Ratio type	Efficiency standards	Criteria
Current ratio	>300%	Very good
	150%-300%	Good
	100%-149%	Fair
Total	<100%	Poor

Turnover of working capital is calculated from divider from net sales and working capital. The Turnover of working capital is expressed as follows

$$\text{Turnover of working capital} = \frac{\text{net sales}}{\text{working capital}}$$

In addition, Industry Ratio Standard have several conditions. It means the industry ratio standard have efficiency during turnover of working capital (see Table II)

Table II. Industry Ratio Standard (Activity Ratio)

Ratio type	Standards efficiency	Criteria
Turnover of working capital	>6 times	Very good
	6 times	Good
	<6times	Poor

3. Profitability measurement or ROA is obtained from net profit and total asset. ROA is expressed as follows

$$ROA = \frac{\text{netprofit}}{\text{Totalassets}} \times 100\%$$

Furthermore, the Standards of Efficiency Measurement on the Use of Working Capital have several conditions (see Table III).

Table III. Standards of Efficiency Measurement on the Use of Working Capital

Ratio type	Standards efficiency	Criteria
Return on Assets (ROA)	>11%	Very good
	8-11%	Good
	<8%	Very good

3. RESULT AND DISCUSSION

A. Current Ratio

Current Ratio is the ratio used to measure the company's ability to meet its short-term obligations that are due soon by using the total current assets available. PT Kelola Lingkungan Kita Current Ratio for the first five years can be seen in Table IV, where in Table V shows Standards for Measuring the Efficiency of Using Working Capital (Liquidity Ratio) at PT Kelola Lingkungan Kita.

Table 4. Current ratio

Year	Current asset	Current Debt	Current Ratio (%)
2020	11.679.782	12.995.000	89
2021	27.421.023	11.070.000	248
2022	12.512.160	9.158.000	137
2023	13.469.517	7.050.000	191
2024	16.013.638	5.055.000	317

Table 5. Standards for Measuring the Efficiency of Using Working Capital (Liquidity Ratio)

Year	Current Ratio	Efficiency
2020	89	Poor
2021	248	Good
2022	137	Fair
2023	191	Good
2024	317	Very Good

At the beginning the company was founded, namely in 2020 the efficiency of working capital was still not good, but in the following year the company tried to make efficiency well until 2024, after the company had been running for 4 years, it was planned that working

B. Working capital turnover

It can be seen in Table VI that working capital planning in 2021 will increase drastically by 19% from the initial capital in 2020. However, in 2022 it has decreased by 20%. In 2023 it is reduced by 0.3%. In 2024 there is a plan to increase working capital by 3%.

Table VI. Working Capital Planning of PT. KLIK capital efficiency was very good.

Year	Working Capital	Changes (%)
2020	26.879.782	-
2021	39.691.086	19
2022	23.561.180	(20)
2023	23.440.036	(0,3)
2024	24.929.889	3

PT. KLIK is a company that is still in planning. Therefore, there are sales optimists and pessimists is showed on Table VII.

Table VII. Analysis of Working Capital Turnover (Activity Ratio) for Optimistic Projection

Year	Net sales	Working capital	Working Capital Turnover
2020	15.083.712	26.879.782	0,56
2021	15.385.386	39.691.086	0,39
2022	15.846.948	23.561.180	0,67
2023	17.350.565	23.440.036	0,74
2024	19.519.386	24.929.889	0,78

Based on Table VIII then obtained information that in optimistic sales planning, it is found that the overall working capital turnover is not very good because it is <6.

Table VIII. Industry Ratio (Activity Ratio)

Year	Working Capital Turnover	Efficiency
2020	0,56	Poor
2021	0,39	Poor
2022	0,67	Poor
2023	0,74	Poor
2024	0,78	Poor

In Table IX shows Analysis of Working Capital Turnover (Activity Ratio) for Pessimistic Projection from PT. KLIK. Here, the projection growth in 2022 to 2024 is significant due to activity ratio (see Table IX).

Table IX. Analysis of Working Capital Turnover (Activity Ratio) for Pessimistic Projection

Year	Net Sales	Working Capital	Working Capital Turnover
2020	10.998.540	26.879.782	0,41
2021	11.218.511	39.691.086	0,28
2022	11.555.066	23.561.180	0,49
2023	12.414.978	23.440.036	0,53
2024	13.712.908	24.929.889	0,55

Table X showed the overall turnover of working capital for pessimistic sales has poor efficiency from PT. KLIK.

Table X. Industry Ratio (Activity Ratio)

Year	Working Capital Turnover	Efficiency
2020	0,41	Poor
2021	0,28	Poor
2022	0,49	Poor
2023	0,53	Poor
2024	0,55	Poor

Furthermore, the measurement of the efficiency of the use of working capital for the pessimistic projection is showed in Table XI.

Table XI. Calculation of ROA of PT. KLIK For Optimistic Projection

Year	Net Profit	Total Assets	ROA
2020	5.914.659	26.879.782	0,22
2021	6.465.984	39.691.086	0,16
2022	7.101.187	23.561.180	0,30
2023	8.488.904	23.440.036	0,36
2024	10.453.786	24.929.889	0,42

Based on the results of the calculations in Table XII, it is found that the efficiency of working capital use seen from the planning of net income and total assets is very good even though in 2021 it decreased compared to 2020 to 16% but still has very good effectiveness (see Table XII).

Table 12. Measurement Standards for the Efficiency of Working Capital (Profitability Ratios)

Year	ROA	Efficiency
2020	22%	Very Good
2021	16%	Very Good
2022	30%	Very Good
2023	36%	Very Good
2024	42%	Very Good

Furthermore, to measure the efficiency of using working capital in the pessimistic projection from PT. KLK is depended from ROA (see Table XIII).

Table XIII. Calculation of ROA of PT. KLK for Pessimistic Projection

Year	Net Profit	Total Assets	ROA
2020	2.850.780	26.879.782	0,11
2021	3.340.828	39.691.086	0,08
2022	3.882.276	23.561.180	0,17
2023	4.787.214	23.440.036	0,20
2024	6.098.927	24.929.889	0,25

Based on the results in Table XIV with the measurement of efficiency in the use of working capital using the profitability ratio in the pessimistic projection.

Table XIV. Standards for Measuring the Efficiency of Using Working Capital (Profitability Ratios)

Year	ROA	Efficiency
2020	11%	Very Good
2021	8%	Very Good
2022	17%	Very Good
2023	20%	Very Good
2024	25%	Very Good

Efficiency of working capital at PT. KLK based on net profit planning and total assets is in a very good position even though there is a decrease in 2021 to 8% due to a decrease in total assets, from 39691,086 to 23,561,180. Even though it decreases in 2023 by 23,440,036, the planned net profit will increase from 3,882,276 in 2022 to 4,787,214 in 2023. Here, a working capital management is one of the most important financial decisions for companies. An adequate level of working capital must exist for the smooth running of an enterprise regardless of the nature of the business. In addition, the company can also reduce the level of liquidity to get the company's overall performance; this is shown by the negative relationship between profitability and liquidity. PT. KLK is able to gain a sustainable competitive advantage through the effective and efficient utilization of organizational resources through increased cash conversion cycles. A company profitability is expected to increase working capital management means managing current assets and current liabilities, and financing these current assets. If these companies manage their cash, accounts receivable, and inventory properly, this will ultimately increase their profitability. At PT. KLK capital turnover planning must be optimized more. This is because the measurement of the effectiveness of capital turnover based on net sales, both optimistic and pessimistic projections, shows poor efficiency. Thus, working capital management has a significant positive effect on company profitability. Net working capital below the optimal level increases

profitability, and conversely, net working capital above the optimal level causes a decrease in the company's profitability. Therefore, at a level of net working capital below the optimal level, a conservative strategy will dominate, therefore an increase in net working capital will lead to an increase in the company's profitability. On the other hand, a level of net working capital above optimal, aggressive strategies will dominate, and thus an increase in net working capital will lead to lower profitability. Manager of PT. KLK as a new profit maximizing company should aim at keeping as close as possible to the optimal net working capital level and trying to avoid drift.

4. CONCLUSION

PT. KLK must optimize capital turnover in the following years. Because based on sales planning on optimistic and pessimistic projections. The result is that efficiency in the use of capital is still not good. In planning current assets and current debt, then compared to what is called the Current ratio is the ability of the company to pay off its short-term debt. At PT. KLK efficiency in the use of working capital based on the current ratio is initially not good, but over time it can change for the better. The company's ability to get a profit from earnings related to sales, assets, and equity based on certain measurement bases based on net profit planning and total assets is very good.

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