

# The Effect Of Working Capital Turnover On The Financial Performance Of Manufacturing Companies In The Consumer Goods Sector Listed On The Indonesian Stock Exchange (Idx) For The 2021–2024 Period

Kalora Hahare <sup>1\*</sup>, Dr. Ulil Hartono <sup>2</sup>

<sup>1</sup>Department of Management, Faculty of Economics, Universitas Negeri Surabaya

## Abstract

This study is motivated by the importance of working capital management in improving a company's operational efficiency and financial performance. An optimal working capital turnover is expected to support increased profitability; however, previous research has yielded mixed results. This study aims to analyze the effect of Working Capital Turnover (WCT) on Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM) in manufacturing companies in the consumer goods sector listed on the Indonesia Stock Exchange for the period 2021–2024. The study employs a quantitative approach with a causal design. Secondary data in the form of annual financial statements were analyzed using descriptive statistics, classical assumption tests, simple linear regression, t-tests, and the coefficient of determination with the aid of SPSS. The research sample was determined through purposive sampling and consisted of 11 companies with a total of 44 observations. The results indicate that Working Capital Turnover does not have a significant effect on ROA (sig. 0.800), ROE (sig. 0.126), or NPM (sig. 0.132). The coefficient of determination also indicates that WCT's ability to explain variations in profitability remains low. This study concludes that working capital turnover is not yet a major factor influencing the financial performance of manufacturing companies in the consumer goods sector. Consequently, companies need to improve operational efficiency, cost management, capital structure, and sales strategies to optimize their financial performance. Translated with DeepL.com (free version)

## Keywords:

Working Capital Turnover; Financial Performance; Return on Assets; Return on Equity; Net Profit Margin.

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\*Corresponding author

Email: Kalora.19148@mhs.unesa.ac.id

## INTRODUCTION

Working capital refers to the funds a company uses to carry out its day-to-day operations, such as cash, accounts receivable, inventory, and other current assets. Effective working capital management is crucial because it affects the smooth operation of the company and its ability to generate profits. Profitability itself describes a company's ability to generate profits, which can be measured through indicators such as Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM). Several previous studies have shown that working capital turnover (WCT) has an impact on a company's profitability. Research by Utami & Manda (2021) and Cahyani and Sitohang (2020) found that WCT has a significant negative effect on ROA. Meanwhile, Anggiyani et al. (2020) demonstrated that working capital turnover has a significant effect on NPM. However, most studies have focused on only one profitability indicator; therefore, the relationship between WCT and ROA, ROE, and NPM simultaneously requires further investigation.

The 2021–2024 period is particularly relevant for research because companies are facing various economic challenges, such as post-pandemic recovery, inflation, technological changes, and shifts in consumer behavior. These conditions require companies to manage working capital more efficiently to maintain liquidity and improve financial performance. However, high working capital turnover is not always accompanied by high profitability, so the relationship between the two remains a relevant topic for study. Therefore, this study aims to analyze the effect of Working Capital Turnover (WCT) on profitability—measured by ROA, ROE, and NPM—among companies listed on the Indonesia Stock Exchange (IDX) for the 2021–2024 period. This study is expected to provide empirical evidence regarding the role of working capital management in improving companies' financial performance. The following are the research questions for this study:

1. Does working capital turnover affect Return on Assets (ROA) in manufacturing companies in the consumer goods industry listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period?
2. Does working capital turnover affect Return on Equity (ROE) in manufacturing companies in the consumer goods industry listed on the Indonesia Stock Exchange (IDX)?
3. Does working capital turnover affect the Net Profit Margin (NPM) of manufacturing companies in the consumer goods industry listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period?

## LITERATURE REVIEW

Working capital management can serve as a positive signal to investors regarding a company's ability to generate profits. A high working

capital turnover indicates that the company is able to utilize working capital effectively to support its operational activities, thereby potentially increasing profitability as measured by Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM). Research by Wijayanti et al. (2023), Shah (2023), Nurfitri et al. (2023), Anggiyani et al. (2020), and Felany et al. (2018) found that working capital turnover has a positive effect on profitability. However, several studies, such as those by Cahyani and Sitohang (2020), Rajab et al. (2022), Khodiazah and Sidik (2023), and Alfariisy and Hartono (2025), show inconsistent results.

These differing results indicate that the effect of working capital turnover on profitability requires further investigation, particularly among manufacturing companies in the consumer goods sector listed on the Indonesia Stock Exchange during the 2021–2024 period. Based on the above discussion, the research hypotheses are formulated as follows:

1. Working capital turnover affects Return on Assets (ROA) in manufacturing companies in the consumer goods industry listed on the Indonesia Stock Exchange during the 2020–2024 period.
2. Working capital turnover affects Return on Equity (ROE) in consumer goods manufacturing companies listed on the Indonesia Stock Exchange during the 2020–2024 period.
3. Working capital turnover affects the Net Profit Margin (NPM) of manufacturing companies in the consumer goods industry listed on the Indonesia Stock Exchange for the period 2020–2024.

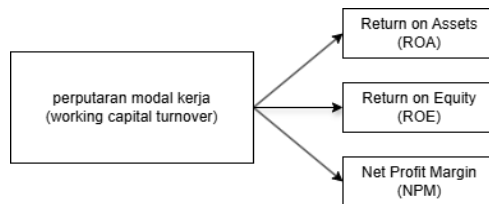
## RESEARCH METHOD

This study employs a quantitative approach with a causal design to examine the effect of working capital turnover (WCT) on financial performance, as measured by return on assets (ROA), return on equity (ROE), and net profit margin (NPM). The data used consists of secondary data in the form of financial statements from manufacturing companies in the consumer goods industry listed on the Indonesia Stock Exchange (IDX) for the period 2021–2024. The study population comprises all manufacturing companies in the consumer goods industry listed on the IDX, with the sample selected using purposive sampling based on criteria of data completeness and company sustainability during the study period.

Data collection was conducted through documentation from the official IDX website and company websites. Data analysis was performed using SPSS through descriptive statistical analysis, classical assumption tests, simple linear regression analysis, t-tests, and the coefficient of determination ( $R^2$ ) to test the effect of working capital turnover on ROA, ROE, and NPM.

**Figure 1.**

*Research Framework*



Source: Author(s) work

## FINDINGS AND DISCUSSION

This study analyzes the effect of Working Capital Turnover (WCT) on corporate profitability—measured using Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM)—across 11 companies listed on the Indonesia Stock Exchange during the 2021–2024 period. Before hypothesis testing was conducted, the data met most of the classical assumptions, allowing a regression model to be used to test the relationships among the variables.

**Table 1.**

*Descriptive Statistics of the Research Variables*

|                                       | N  | Minimum | Maximum | Mean    | Std. Deviation |
|---------------------------------------|----|---------|---------|---------|----------------|
| <i>Working Capital Turnover (WCT)</i> | 11 | 11.95   | 16.10   | 13.8973 | 1.26913        |
| <i>Return of Assets (ROA)</i>         | 11 | 8.30    | 32.80   | 18.5373 | 6.53152        |
| <i>Return of Equity (ROE)</i>         | 11 | 5.70    | 47.80   | 25.4827 | 11.18887       |
| <i>Net Profit Margin (NPM)</i>        | 11 | 4.30    | 19.95   | 13.9355 | 4.79303        |
| <i>Valid N (listwise)</i>             | 11 |         |         |         |                |

Source: Author(s) work

Based on Table 1, the company's average working capital turnover is 13.897 times. Meanwhile, the average ROA is 18.53%, ROE is 25.48%, and NPM is 13.94%. The relatively high variation in profitability indicates differences in the companies' ability to generate profits across various industrial sectors.

**Table 2.**

*Hypothesis Test Results*

| <i>Variabel<br/>Dependent</i>      | <i>Regression<br/>Coefficient<br/>(B)</i> | <i>T Calculate</i> | <i>Sig</i> | <i>Std. Deviation</i> |
|------------------------------------|-------------------------------------------|--------------------|------------|-----------------------|
| <i>Return of<br/>Assets (ROA)</i>  | 0,446                                     | 0,261              | 0,800      | Tidak signifikan      |
| <i>Return of<br/>Equity (ROE)</i>  | -4,315                                    | -1,684             | 0,126      | Tidak signifikan      |
| <i>Net Profit<br/>Margin (NPM)</i> | -1,824                                    | -1,654             | 0,132      | Tidak signifikan      |

Source: Author(s) work

The test results show that all significance values are greater than 0.05. Thus, working capital turnover does not have a significant effect on ROA, ROE, or NPM.

**Table 3.**

*Coefficient of Determination ( $R^2$ )*

| <i>Model</i>        | <i>R Square</i> | <i>Percentage of<br/>Influence</i> |
|---------------------|-----------------|------------------------------------|
| <i>WCT &gt; ROA</i> | 0,007           | 0,7%                               |
| <i>WCT &gt; ROE</i> | 0,240           | 24,0%                              |
| <i>WCT &gt; NPM</i> | 0,233           | 23,3%                              |

Source: Author(s) work

The coefficient of determination indicates that WCT's ability to explain variations in profitability is relatively low. In the ROA model, WCT explains only 0.7% of the variation in profitability, whereas for ROE and NPM, the figures are 24.0% and 23.3%, respectively. The remainder is influenced by other factors outside the research model. Discussion The results of the study indicate that Working Capital Turnover (WCT) does not have a significant effect on Return on Assets (ROA). A significance value of 0.800 indicates that the efficiency of working capital turnover has not yet been able to enhance the company's ability to generate profits from its assets.

This condition indicates that the company's profitability is more influenced by the effective use of fixed assets, operational strategies, and cost control than by the speed of working capital turnover. In the second test, WCT also had no significant effect on Return on Equity (ROE), with a significance value of 0.126. Although the regression coefficient was negative (-4.315), the relationship was not statistically significant.

These findings suggest that the rate of return to shareholders is more heavily influenced by capital structure, financing policies, debt levels, and the company's ability to manage equity than by working capital efficiency.

Furthermore, WCT did not have a significant effect on Net Profit Margin (NPM), with a significance value of 0.132. This result indicates that an increase in working capital turnover does not necessarily lead to an increase in net profit. A company's profit margin is more influenced by its ability to control production costs, operating expenses, and pricing strategies in the face of market competition.

Overall, the research results demonstrate that working capital turnover is not a primary factor determining a company's profitability during the 2021–2024 period. The low value of the coefficient of determination indicates that a company's profitability is more heavily influenced by other factors, such as asset efficiency, capital structure, investment policies, economic conditions, and corporate management strategies. Therefore, improving profitability requires not only effective working capital management but also the comprehensive optimization of operational and financial aspects.

## CONCLUSIONS

Based on the research findings, working capital turnover (WCT) does not have a significant effect on financial performance—as measured by return on assets (ROA), return on equity (ROE), and net profit margin (NPM)—among manufacturing companies in the consumer goods sector listed on the Indonesia Stock Exchange (IDX) for the 2021–2024 period, with significance values of 0.800, 0.126, and 0.132 ( $> 0.05$ ), respectively; thus, all hypotheses were rejected. This indicates that the level of WCT cannot explain changes in a company's profitability, as financial performance is more influenced by other factors such as operational efficiency, asset management, sales strategies, production costs, and market competition.

## LIMITATION & FURTHER RESEARCH

To ensure the research is more focused, the scope of the study is defined as follows:

1. Research sector: Manufacturing companies in the consumer goods industry listed on the Indonesia Stock Exchange (BEI); this excludes other sectors such as mining and services.
2. Research period: 2020–2024, covering the COVID-19 pandemic and its aftermath, which affected company conditions.
3. Research variables: The independent variable is working capital turnover (accounts receivable and inventory turnover), while the dependent variable is financial performance (profitability ratios); other variables are not examined.

## AUTHOR CONTRIBUTION

**Author:** Conceptualisation and Research Design, Data Collection, Methodology, Supervision, Writing Entire Paper, Conceptualisation, Data Collection and Analysis, Editing and Layouting.

## Declaration of interest

The authors declare that there are no conflicts of interest regarding the publication of this paper. Furthermore, the authors have no known competing financial interests or personal relationships that could have influenced the work reported in this paper.

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