JAMEK
JURNAL AKUNTANSI, MANAJEMEN, EKONOMI, DAN KESEHATAN
Online ISSN 0000-0000 | Print ISSN 0000-0000
Published by CV. Cendekia Putra Jaya

Analysis of Working Capital Management in Increasing Profitability Pt Equity World Futures Surabaya

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***Article history**:*
Received : Feb 28, 2025
Revised : March 29, 2025
Accepted : Apr 08, 2025

***Keywords**:*
Working Capital,
Profitability

ABSTRACT

This research aims to analyze the working capital management of PT Equity World Futures Surabaya to increase its profitability. Working capital is an important element for a company, without sufficient working capital a company cannot carry out its operational activities. The amount of working capital required by a company is greatly influenced by the company's operations. Therefore, profitability is very important for companies because it is a reference. The research method used is qualitative and based on an evidence-based literature review approach. The findings suggest that companies can increase their profitability by improving the way they operate.

Notes: All manuscripts should not exceed 20 pages and should have a minimum of 5 pages

1. Introduction

In an increasingly digital era, competition among businesses is getting tougher. This business competition forces companies to manage their working capital wisely. Capital management work carried out by a business is intended to generate and increase business profits and to support business decision making. Profit is an important means to ensure the survival of the company. The greater the profit achieved, the company will be able to survive, grow, develop and be more resistant to competition. Working capital management is the main responsibility of every manager or executive in every company. Management should pay more attention to monitoring working capital to ensure effective use of working capital resources in the future. Managers also need to know the working capital turnover so that they can plan activities for the next period. In addition to knowing the capital turnover ratio, managers also need to avoid too much or too little working capital. Excess capital results in idle funds and missed profit opportunities. Lack of capital also means that the scope of activities to be carried out is narrower than planned.

Good working capital is working capital that can increase the level of value of the company itself by selecting sources and using working capital appropriately, so that profitability increases (Martono & Harjito, 2010). One way to achieve optimal profit is by allocating working capital appropriately and efficiently in the company's activities. Working capital financing has no significant effect on profitability (Yuliati, 2013). Working capital is one of the important elements in running a company. Working capital is funds invested in current assets to finance the daily operations of a company (Sukiyarso and Winarni, 2005). Working capital used is expected to be returned to sales in a short time. This is because working capital continues to circulate from period to period and can be reallocated to fund the company's operations (Horne & Wachowicz, 2013). Through good management, the capital invested in the form of working capital must be used as efficiently and effectively as possible.

The profitability of a company is always one of the concerns and priorities of company owners, management, investors, or potential creditors. For business leaders, profitability is a measure of the success or failure of the business they run. Profitability according to Riyanto (1993) represents the ability of a company to generate profits through all existing capabilities and resources, such as sales, cash, capital, number of employees, and number of branches. Profitability is the ability to generate profits (profit), from this definition

ISSN 0000-0000 (Online) - ISSN 0000-0000 (Print)

it is clear that the target to be sought is the company's profit. Where this profitability is the net end result of various management policies and decisions (Weston & Copeland, 1996). The profitability ratio will provide the final answer about the effectiveness of company management, this ratio provides an overview of the effectiveness of company management (Sugiyarso and Winarni, 2005).

PT Equity World Futures Surabaya is a company engaged in digital transactions. PT Equity World Futures itself cannot be separated from the need to manage working capital better according to existing needs. Good working capital management in a company can avoid surpluses and shortages (Handoko, 2002). Lack or excess of working capital indicates that the working capital management of a company is less effective or less productive, resulting in the loss of normal profitability opportunities and ultimately causing losses. In the implementation of effective daily operations and services, PT Equity World Futures Surabaya is not immune to various problems that can affect its ability to carry out its various operations to increase profitability (Esra & Apriweni, 2002).

2. Literature Review

This research discussion focuses on working capital and profitability. According to Sutrisno (2003): "Working capital is one of the most important asset elements for a company, because without it the company cannot fulfill its needs to carry out its activities." Or if the company experiences a decrease in the amount of current assets owned. However, the use of current assets does not necessarily result in changes and reductions in the amount of working capital owned by the company.

For example, the use of current assets (a) to pay short-term debt from time to time can result in a decrease in current assets afterwards or be offset by a decrease in current liabilities, so it does not cause a reduction in capital. The following are the uses of working capital to reduce working capital, Sawir (2005), (b) Reduction of capital due to losses and use of privacy by company owners. (c) There is the addition or purchase of temporary assets (Munawir, 2004), Use of Assets). Source of Working Capital Djarwanto (2001) states that the working capital of a company generally comes from different sources. (a) The company's operating results (b) Profits from the sale of securities (short-term investments) (c) Sales of fixed assets, long-term investments and long-term assets (d) Sale of shares or bonds (e) Bank Loan Funds and other short-term financing from (f) Loans and Suppliers.

Profitability also called profitability or profitability ratios, can be achieved quickly through functions and operating activities, cash, capital, number of employees, number of branches, etc (Harahap et al., 2019). Important figures that represent the ability of a company to generate profits are also called operating ratios.

3. Methodology

According to Sugiyono (2019), qualitative research is also found as a research method for studying natural phenomena based on the philosophy of post-positivism. Conditions of interest Researchers are small instrumental, the data collection method is triangulation (combination), the data analysis is inductive or qualitative, and the results of qualitative research emphasize meaning rather than generalization. Siregar (2024) states that when using qualitative data, several types of data including data that cannot be measured or calculated, but can provide additional information to researchers. In this case we are talking about company information in terms of working capital and profitability.

4. Results and Discussion

4.1. Working Capital

Every company needs working capital to carry out activities every day. The survival of the Company is highly dependent on the Company's working capital. Sufficient working capital allows the company to operate in such a way that profit targets are achieved. Working capital must also be maintained so that there are no obstacles in carrying out the company's business activities.

PT Equity World Futures working capital management is the use of working capital used to carry out operational activities (Husnan, 1998). Capital Efficiency Trading on margin (guaranteed funds) allows investors to make large transactions with a relatively small amount of capital. 100% deposit is not required because the minimum deposit amount is 10% of the total transaction amount. Trading Flexibility i.e. Two-sided trading that allows investors to take advantage of opportunities when the market is rising or falling. Highly Fluctuating Price Changes can change large daily prices ranging from 100 to 500 points giving the opportunity to win big with a contract size of $5/point and transaction fees of only 3 points and 11% VAT. High Liquidity This product is highly liquid allowing investors to buy and sell without having to buy or sell whenever the market moves.

Working capital is defined by Kasmir (2011) as short-term assets or investments invested in short-term assets such as; Cash, banks, securities, accounts receivable, inventory, and other current assets. According to Riyanto (1993), the definition of working capital is the amount of funds used during an accounting period and is intended to generate short-term income only, namely cash, inventory, and accounts receivable. (minus profit margins) and depreciation of fixed assets 4,444. Working capital can fund the company's ongoing expenses and operations. With sufficient working capital, a company will operate economically and efficiently and will not face financial problems (Syamsudin, 2004). The benefits of working capital according to Munawir (2004) are:

a. Protect the company from a working capital crisis due to a decrease in the value of current assets.
b. Ensure that all obligations are paid on time;
c. It is possible to have sufficient inventory to serve consumers.
d. Enable the company to offer more favorable credit terms to its customers.
e. Businesses can work more efficiently because they do not experience difficulties in obtaining the goods and services they need.

4.2. Profitability

Profitability is the company's ability to generate profits and operational efficiency and use assets efficiently (Chen & Zhao, 2004). Companies that can generate high profits indicate that the company is doing well. This is because profitability is often used as a measure of a company's performance. Soemarso defines profit as the difference between income and expenses related to business activities. If your expenses are greater than your income, then the difference is called a loss. Profitability or profit-making ability is a measure as a percentage used to assess the extent to which a company is able to generate profits at an acceptable level.

According to Munawir (2004), profitability is the ability of a company to generate profits within a certain period of time. On the other hand, the definition of profitability according to Brigham & Houston (2002) is the end result of a series of policies and decisions. Profitability can be determined by calculating various relevant benchmarks. One of these benchmarks is financial ratios because benchmarks are one of the analyses when analyzing the financial state, business results, and profitability of the company (Gitman, 2003).

Profitability Theory According to Experts, there are several theories about profitability, including:

a. According to Sartono (2008), profitability is the ability of a company to generate profits, namely the amount of assets and capital 4,444 related to sales. Kasmir (2011) stated that profitability ratio is a ratio used to evaluate the company's ability to earn profits.
b. According to Irawati (2006), profit margin or profitability ratio is a ratio that measures the efficiency of using the company's assets or the company's ability to generate profits within a certain period of time (usually semesterly, quarterly).
c. According to Hanafi & Halim (2016), the definition of profitability is a ratio that measures the ability of a company to generate profits at a certain level of sales, assets and share capital.
d. According to Hery (2015), the profitability ratio is an important number that represents the company's ability to generate profits.
e. According to Sudana (2011), the profitability ratio measures a company's ability to generate profits using its resources, such as assets, capital, and business sales.
f. According to Brealey (2007), profitability measures a company's focus on profit. Of course, large companies are expected to earn $4.444 more than small companies. For ease of comparison between companies, gross

profit is expressed at 4.444 per dollar.

4.3. Relationship between Working Capital and Profitability

Working Capital Relationship with Profitability Because working capital is one of the factors that is very important for the continuity of a company, the business activities of a company cannot be separated from the existence of working capital. Indicators used to assess whether or not a company's working capital is efficient can be seen from the working capital turnover ratio, cash turnover ratio, and accounts receivable turnover ratio. Working capital turnover shows how often working capital is returned to its original form, namely cash, within a certain period of time. Low profitability, when referring to working capital, may indicate that revenues tend to be low compared to costs incurred. To avoid this, it is expected that the company can manage its working capital well. A company that is considered very profitable means that the working capital used by the company is very efficient (Munawir, 2004).

5. Conclusion

Based on the results of the discussion at PT Equity World Futures Surabaya, it can be concluded that the operational activities of a company are closely related to working capital management. Working capital must be managed properly and correctly, by using indicators related to financial ratios such as cash sales and debtor sales so that the company's operational activities can be carried out effectively and efficiently. By applying working capital management, the company will be able to generate profits, increase the company's profitability, and can support the company in making decisions. In this way, the survival of the company will be guaranteed.

In accordance with these conclusions, the authors would like to submit suggestions that will be taken into consideration in issues related to the results of the authors discussed. Suggestions that can be given by the author are as follows: (a) In carrying out business activities, companies must manage their working capital effectively in order to run their daily business operations smoothly so as to increase their profitability. (b) A company is expected to manage costs as efficiently as possible by reducing costs that can be reduced, so as to increase sales and increase company profits every year.

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