The Effect of Working Capital on Profitability in Herna Hospital Medan

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Abstract
With a good working capital management, it automatically affects the level of profitability of the company. RSU Herna Medan is a company engaged in the field of health. Given the importance of working capital for the company, Herna Hospital requires the use of effective, efficient and productive working capital in order to increase the company's profit. The problem formulated in this study, namely "Does working capital affect the profitability at Herna Hospital Medan". The independent variable is working capital ratio (X) and the dependent variable is profitability (Y). To analyze the data used Simple Linear Regression Method.

The statistical analysis found that working capital of Herna General Hospital Medan from year 2009-2013, there is increasing and decreasing from period to period and also profitability from 2009-2013. Simple Linear Regression Equation obtained is $Y = 269.365 + 0.611X$. That is, working capital does not affect the Profitability of Herna Medan Hospital. This can be seen from the correlation value ($r$) of 0.005. This means that working capital has a very low relation to profitability at RSU Herna Medan and the amount of contribution from Working Capital to profitability is 0.5% and the rest of 95% is influenced by other factors, such as solvency and liquidity.

Advice given to the company and other researchers as information materials is better the company further increase working capital, so that operational activities can be more running smoothly again. To get more accurate results of analysis, other researchers should increase the sample research and variables analyzed.
CHAPTER I
PRELIMINARY

BACKGROUND
The business world plays an important role in development, whether it is run by the Government through BUMN or implemented by private parties. The success of a company can only be achieved with good management, that is the management that is able to maintain the continuity of the company by obtaining maximum profit because basically the company’s goal is to maximize the prosperity of the owner and the market price of its shares and the welfare of human resources.

For the purpose to be achieved required efficient and professional management and able to create a series of good cooperation between each part in the company. Working capital is one factor that can affect other parts within a company. Working capital can be obtained either from within (retained earnings and own capital), or from outside (loan). Capital work is the main source in running a business.

Given the working capital is very important in the process or the course of a business, it is necessary good working capital management. For the continuity of the company, there is a need for sufficient working capital so that the company can meet its short-term liabilities or current liabilities and can also meet the payments required for the smooth running of the company. In order for working capital to be used effectively and efficiently, it is necessary to adjust the working capital available to the needs of the company’s operations.

Profitability is the ability of a company to earn profit (profit) in a certain period. Profitability ratios are used to measure management capabilities based on returns generated from sales and investments. Profitability ratios used are ROI (Return On Investment). Business Unit RSU (General Hospital) Herna Medan is one of the organization or company oriented to serve the public interest, especially in the field of health. Therefore, much needed working capital in the provision of sophisticated medical equipment and skilled medical personnel. In this business unit, the term profit is usually called Time Result of Operation on the income services obtained to maintain the continuity of its operations in order to continue to provide services to the public. Taking into account the description above, the authors are interested to conduct research with the title "Influence Working Capital To Profitability At RSU. Herna Medan ".

Formulation of the problem
Based on the background of problems that have been described above, the authors formulate the problem to be discussed in this study is "Does Working Capital Affects Profitability Herna Medan Hospital?"

Hypothesis
Based on the issues that have been described above, the authors make the following hypothesis "Working Capital Affects Profitability Herna Medan Hospital."

Objectives and Benefits of Research
Research purposes
The objectives to be achieved in this research are:
1. To determine the effect of working capital on profitability at Herna General Hospital Medan
2. To deepen the author's knowledge in the field of Financial Accounting on
the effect of working capital on profitability
3. For reference materials for people who want to do research later on

Benefits of research
The benefits of this research are as follows:
1. Adding insight and knowledge of the author on the Effect of Working Capital on Profitability
2. As an input for the company about the benefits of working capital in improving Profitability and as an information material to the company to solve problems encountered in the future, especially related to the Effect of Working Capital on Profitability
3. As a comparison material for people who want to do further research relating to the Effect of Working Capital on Profitability.

Research methods
Method of collecting data
Methods of data collection conducted in this research are:
1. Library Research (Library Research)
2. Field Research (Field Research)

Data Analysis Method
Data analysis methods used in solving the problems encountered are:

Descriptive method
Method Description is a method that formulate and interpret data and information obtained from the object of research by collecting, compiling and interpreting data.

1. Simple Linear Regression Analysis
This study aims to examine the effect of the relationship between independent variables (work capital) on the dependent variable (return on asset) by using simple linear regression analysis.

Statistics to test the hypothesis in this study using a simple linear regression method with the formula:
\[ Y = a + bX + e \]
Conclusion:
Y = Profitability
X = Working capital
a = Constants
b = regression coefficient
e = Error

CHAPTER II
THEORETICAL DESCRIPTION

Understanding and Benefits of Financial Statements
The financial statements are basically the result of a reflection of the many transactions that occur within a company. Financial transactions and events are recorded, classified, and summarized in the precise way in units of money, and then interpreted for various purposes. The financial statements are prepared to provide information to various parties consisting of Balance Sheet, Income Statement, Retained Earnings or Ownership Report Report, and Report of Changes in Financial Position or Report of Fund Source and Use.

Understanding and Elements of Working Capital
Understanding Working Capital
The existence of adequate working capital is very important for a company because with sufficient working capital it is possible for a company to operate with a possible economist and the company will not experience difficulties or face the dangers that may arise because of a crisis or financial turmoil.

To finance day-to-day business operations, for example to make advance
advances on purchases of raw materials or merchandise, paying wages and salaries, and other costs, each company needs to provide working capital. The amount of funds that have been spent to finance the company's operations is expected to be able to re-enter the company in the short term through the sale of merchandise or the results of its production. Incoming money sourced from the sale of goods will be issued back to finance the company's next operation. Thus, the money or funds will rotate continuously each period throughout the life of the company.

Working Capital according to Functional Concept. According to Functional Concepts, Working capital is the amount of funds used during the accounting period intended to generate current income that is in line with the main purpose of the establishment of the company. Understanding working capital is based on the function of funds in generating revenue. There is a portion of the funds used in a certain accounting period that all directly generate income for a certain period (current income), there are some other funds that are also used during the period but not entirely used to generate short-term income, but to generate revenue the next period (future income).

Source of Working Capital
Working capital can come from various sources, namely as follows:
1. Net Income
2. Profit from the sale of securities
3. Sale of Fixed Assets, Long-Term Investment, and Other Non-current Assets
4. Sale of bonds and shares and the contribution of funds from the owner
5. Loan funds from banks and other short-term loans
6. Credit from supplier or trade creditor

Use of Working Capital
According to Bambang Riyanto, Basics of Corporate Expenditure (2004: 95) said that the use of working capital will cause changes in the form and decrease the amount of current assets, but the decline in assets is not always followed by a decrease in funds. Losses suffered by the company due to the sale of securities or other incidental losses. Beyond the company's core business should be reported separately in the company's work report. This is intended to make the report more informative to the reader. The routine or incidental losses will ultimately result in reduced corporate funds. From the description above, the sources of funds are the elements of the out of current funds (current assets and current liabilities) or often called changes in current account.

Working Capital Ratio
Ratio describes a relationship or balance (mathematical relationship) between a certain amount with another amount. The financial statements report the activities that the company has done in a certain period. Financial statement analysis can be used to find symptoms of a problem. Once the symptoms are known, financial statement analysis should be able to find the cause of the problem and find a way out to overcome it.

According to Kashmir (2008: 129), the liquidity ratio serves to indicate or measure the ability of a company to meet its obligations that have matured, both liabilities to external parties (liquidity of business entities) and within the company (corporate liquidity). Thus, it can be said that the usefulness of this ratio is to determine the company's
ability to finance and meet the obligations (debt) when billed.

**Profitability**

**Understanding profitability**

Profitability of the company is one of the basic assessment of a company's condition, for it needed an analytical tool to be able to judge. Profitability ratios measure the effectiveness of management based on returns derived from working capital, sales, and investment.

**Profitability Ratio**

The tool used to measure the level of a company's ability to generate profits is called profitability ratios. Profitability ratio is part of the tool to measure the company's financial performance.

**Types of Profitability Ratios**

In accordance with the objectives to be achieved, there are several types of profitability ratios that can be used. Each type of profitability ratio is used to assess and measure the company's financial position in a certain period or for some periods.

In practice, the types of profitability ratios that can be used are:

a. Profit margin (profit margin on sales)
   It is one of the ratios used to measure profit margins on sales.

b. Return on Investment (ROI)
   The ratio that shows the return (return) on the amount of assets used in the company. ROI is also a measure of management effectiveness in managing its investments.

c. Return on Equity (ROE)
   Is the ratio to measure net income after tax with own capital. The higher this ratio, the better. This means that the position of the company owner is stronger, and vice versa.

d. Earnings per share of common stock
   (Earning per Share of Common Stock)
   The ratio of earnings per share or also called the ratio of book value is the ratio to measure the success of management in achieving profit for shareholders.

**Influence of Working Capital to Company Profitability**

In a company it is usually a matter of profitability is more important than a profit problem. Because large profits are not yet a gauge that the company has worked efficiently. Thus it should be noted by the company that not only how the business to enlarge profit, but more important is enhance its profitability. In relation to that, then for the company, in general, efforts are made more directed to obtain the maximum profitability point of maximum profit.

The effect of working capital on profitability can be seen by analyzing changes in working capital and its effect on the company's ability to generate profit with the assets used.

**CHAPTER IV**

**ANALYSIS AND EVALUATION**

**Working Capital RSU Herna Medan (X)**

The success of RSU Herna Medan to achieve its goals, influenced by working capital. If the working capital is sufficient, then the company can finance its operations, so that the company is able to pay off its short-term liabilities when it matures. Companies that do not have working capital as needed, then the company has difficulty
to finance its activities, so the goals set difficult to achieve.

The results of research and discussion is a description of the results obtained in the study consisting of independent variables and dependent variables. In this study also includes data or information related to the financial statements and interviews that have been done by the author. Ratio Working capital is the ratio used to measure how liquid a company. How to compare the current assets with current debt. To measure working capital, the author uses the current ratio. With data analysis as follows:

1. \( CR\) (2009) = 231,01 %
2. \( CR\) (2010) = 235,64 %
3. \( CR\) (2011) = 256,49 %
4. \( CR\) (2012) = 370,75 %
5. \( CR\) (2013) = 260,31 %

**Profitability Ratio (Y)**

Profitability is one benchmark of the success rate of a company, because it shows, because it shows the performance and ability of companies in generating profits (net income). Profitability ratios used in this study is ROI (Return On Investment):

1. ROI (2009) = 3,94 %
2. ROI (2010) = 7,09 %
3. ROI (2011) = 5,63 %
4. ROI (2012) = 5,00 %
5. ROI (2013) = -9,59 %

**Statistical Data Analysis**
**Descriptive Statistics Method**

These descriptive statistics provide an overview of the minimum, maximum, mean (mean) and standard deviation of independent and dependent variables. This descriptive statistic is the process of transforming research data in tabulation form so it is easy to understand. Descriptive statistics of these variables during the period 2009 to 2013 are presented in Table below:

**TABLE STATISTIK DESKRIPTIIF**

<table>
<thead>
<tr>
<th>Descriptive Statistics</th>
<th>N</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROI</td>
<td>5</td>
<td>-9,59</td>
<td>231,01</td>
<td>7,09</td>
<td>2,4140</td>
</tr>
<tr>
<td>CR</td>
<td>5</td>
<td>370,75</td>
<td>7,09</td>
<td>270,840</td>
<td>6,80661</td>
</tr>
<tr>
<td>Valid N (listwis e)</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
</tbody>
</table>

source: SPSS v 18

**Classical Assumptions**

The classical assumption is the basic assumption that must be met in the regression model. In this research will be tested the classical assumption to know the effect of working capital to net income. The classical assumption test of regression is a prerequisite test if you use linear regression analysis. The classical assumption test of regression is as follows:

1. **Normality Test**

   Testing the normality of data in this study using non parametric statistical test Kolmogorov Smirnov to determine whether already distributed secr abnormal or not. If significant value > 0.05 then Ho accepted and Ha rejected, and vice versa, if significant value <0.05 then Ho is rejected and Ha accepted. Data normality is tested statistik by using Kolmorov Smirnov test.

   Based on the research results, we can see that the value kolmogorov-smirnov and signification data from ROI is equal to 0.869 and 0.437. We can conclude that this data is normally distributed because \( p = 0.437 > 0.05 \). For Working Capital of 0.834 and 0.490, then it is concluded that this data is...
normally distributed because \( p = 0.490 > 0.05 \).

2. Autocorrelation Test

The autocorrelation test is used for the purpose of knowing whether or not correlation between members of a series of data are observed and analyzed by space or by time, cross section or time series. This test is aimed at the presence or absence of correlation between residuals in an observation with other observations on the model. The test that can be used to detect any deviation of this classical assumption is Durbin Watson (D-W).

Based on the calculation of SPSS, it is known that Durbin Watson value in the Summary Model is 1.833. Because the D-W value is between 1.5 to 2.5 then this means there is no autocorrelation in the regression model used in the study.

**Hypothesis testing**

In testing the hypothesis used a simple linear regression analysis. A simple regression analysis is used to determine the effect of one dependent variable with one independent variable.

1. Partial Test (t)

Partial Test (t) is a test conducted to find out how far the influence of one explanatory variable (free) individually in explaining the variation of the dependent variable by comparing the probability of the level of significance of the output output with the specified level of significance. The significance level used is 0.05.

If:

1. \( H_0 \) accepted and \( H_a \) rejected if \( t_{\text{arithmetic}} < t_{\text{table}} \)
   For \( a = 5\% \) (sig value > 0.05)
2. \( H_a \) accepted and \( H_0 \) rejected if \( t_{\text{arithmetic}} > t_{\text{table}} \)
   For \( a = 5\% \) (sig value < 0.05)

The value of correlation coefficient (R) shows how big correlation or relationship between independent variable with dependent variable. The correlation coefficient is said to be strong if the value of R is above 0.5 or near 1. Based on the results of data management with statistical program, the value of correlation coefficient (R) between Working Capital with Profitability is 0.073a. This means that the value of the relationship between Working Capital...
and Profitability is 0.073. The R number indicates that the correlation or relationship between Working Capital (dependent) and the Profitability Variable (independent) is very low. R square (R2) is also called the coefficient of determination of the data analysis table above can be read that R Square is 0.005 or 0.5% means that 0.5% variation occurs affected Working Capital, while the remaining 99.5% influenced by other variables which is not described in this study.

3. Simple Regression Analysis Result

Simple regression analysis is used to perform hypothesis testing. Based on the results of data management with statistical program, then obtained the result of simple linear regression equation model that is:

\[ Y = 269.365 + 0.611X \]

From the regression equation above it can be interpreted several things, among others:

1. The value of constant (a) is 269.365. Explain that without the Working Capital then the acquisition Profitability (ROI) of Rp.269,365
2. Value b = 0.611 has negative regression keofisien value that is equal to 0.611. This illustrates that if there is an increase of working capital by 1% then the value of Profitability will decrease by 0.611%.

CHAPTER V
CONCLUSIONS AND RECOMMENDATIONS

Conclusion

Based on the results of data analysis and discussion that have been raised, the conclusions can be drawn from this study are as follows:

1. There is a significant relationship between Working Capital with Profitability at RSU Herna Medan with regression line equation, \[ Y = 269.365 + 0.611X \]
2. Based on the calculation results obtained correlation coefficient (R) between Working Capital (CR) variable with Profitability (ROI) of 0.073.
3. The amount of relation between Working Capital (CR) and Profitability (ROI) at Herna General Hospital Medan is 0.5% while the rest of 99.5% not explained in this research, for example solvency and liquidity.

4. Effect of Working Capital on Profitability at Medan Herna Hospital result showed that Thit<ttab with 5% significance level that is 0,1246 and ttab is 3,18245. So based on the test known Ha accepted and Ho rejected, it shows that there is a significant influence between working capital on profitability.

Suggestion

Based on the discussion and conclusion of the research results, the suggestions and thoughts donations that writers can provide for the development of Herna General Hospital Medan are as follows:

1. The company should increase more the amount of working capital so that Profitability can be more increased again.
2. To the head of RSU Herna Medan in order to provide good management at the Hospital and to further improve the performance of the Hospital in order to satisfy the patient.
3. To the next researcher, it is suggested to add free variable or develop research model in order to be able to give better contribution.
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