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Capital Efficiency and Liquidity on the Profitability of Companies Registered in the BEI Cosmetics and Household Supplies Sub Sector

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ABSTRACT
The aim of this research is to determine the effect of working capital and liquidity on the company's profitability. The method used is causal quantitative, which looks at cause and effect relationships or relationships that are influenced and influenced. Data obtained from the Indonesian Stock Exchange with 10 populations. Sample selection used purposive sampling with a total of 30 data analyzed using multiple linear regression analysis techniques. The t hypothesis test explains that working capital efficiency has an influence on profitability while liquidity has no influence on profitability. The results of the hypothesis f test explain that working capital and liquidity have a simultaneous influence on profitability if tested simultaneously. Another result is 66.7% profitability influenced by working capital and liquidity variables.

Keywords: working capital, liquidity and profitability.

INTRODUCTION
The increasingly modern lifestyle of Indonesian society comes with styles with different characteristics ranging from accessories, clothing and appearance (Suyanto et al., 2019). Cosmetic products are currently a primary need for women, men and even children (Diatonis, 2020), so that lifestyle has now become a business opportunity in the cosmetics and household sectors.

According to Kompas.com (2020) Local cosmetics and household goods companies must compete with imported products currently used by the majority of society (Bosiu et al., 2019). The imported products that are most popular with Indonesian women for caring for their skin are *skincare products* from South Korea (Sundah et al., 2019).

The increase in buying interest in cosmetic or skincare products from South Korea has made Indonesia a target for imported cosmetics, this is also because Indonesia has a large population in the Southeast Asia region (Tjoe & Kim, 2016). According to CNBC Indonesia, almost a dozen cosmetic brands from South Korea are present in Indonesia, including (Dorigné-Thomson, 2023): The Face Shop, Etude House, Sulwhasoo, Laneige, Innisfree, The Saem, Nature Republic, Skinfood Tony Moly, Missha, and Moonshot (Sundah et al., 2019).

Increasing public awareness regarding appearance will also influence the global cosmetics market, which reaches USD 500 billion (Azuma, 2021). This is also supported by the massive promotion of beauty and care products on e-commerce and social media which has an influence on the growth of the global cosmetics industry, below is the world cosmetics market in 2022 (Yupelmi et al., 2023).

The K-Beauty (Korean Beauty) trend has also boosted the popularity of cosmetic products outside Asia. Next there are North America and Europe with market shares of 28 and 22% respectively (Muljadji et al., 2017).

Apart from the large number of imported products, cosmetics are currently also produced by various local cosmetic brands which are increasingly developing in Indonesia, thus causing competition between local product brands to increase and the number of beauty clinics that are mushrooming now using products with their own brands so that it will This makes competition in the cosmetics industry increasingly fierce and companies in the cosmetics and household goods sub-sector are threatened with reduced income, so they need to make working capital efficient (Lanto, 2021).

Apart from the main product cosmetics which has been a sales phenomenon for the company so far, the sub-sector of cosmetics and household goods companies is part of one of the consumer goods industry sectors listed on the Indonesian Stock Exchange which is engaged in the production of cosmetics, fragrances, hair care and food products. and drinks, home care products, and body care products which also face competition from imported products which are widely sold on e-commerce with affordable prices and a wide variety of choices, the cheapness and higher quality of imported products means that people are more likely to have imported products nowadays. This is due to unstable economic conditions so people are looking for alternative products that are cheaper but have well or the same benefits as more expensive products.

RESEARCH METHODS

Types of research

This literature review study aims to analyze the causal relationship between social media usage and adolescent psychological well-being (Keles et al., 2020). Social media usage is considered the independent variable, while adolescent psychological well-being serves as the dependent variable (Schønning et al., 2020). By synthesizing findings from various empirical studies, this research seeks to explore the extent to which social media usage influences adolescent psychological well-being. Through a systematic review of existing literature, this study will critically examine and consolidate relevant research to provide a comprehensive understanding of the causal link between social media use and adolescent psychological well-being. The findings are expected to contribute to the development of effective interventions aimed at managing adolescent social media use to enhance their psychological well-being. Meanwhile, the use of data must be measurable and produce a conclusion that can be accounted for (P. D. Sugiyono, 2016). The population of this research is the Cosmetics and Household Utilities Sub Sector companies registered on the IDX in the 2017 - 2022 period, totaling 10 (ten) companies and the sampling technique in this research uses a *purposive sampling technique.* There are several criteria used in this research, namely as follows:

Table 1. Sample Criteria

No.	Information	Amount
1.	Cosmetics and Household Utilities Company listed on the Indonesia Stock Exchange	10
2.	Companies listed on the Stock Exchange from 2017 – 2022	(1)
3.	Financial reports are not available for the 2017 – 2022 period	(4)
Total Number of Samples		5
Observation Period		6 years

Total number of samples	30

Data Types and Sources

This research is quantitative research and the data collection method is documentation (Wallwey & Kajfez, 2023). The documentation method is a way of collecting data or notes on financial reports obtained on the IDX website. This data is also referred to as secondary data which consists of the company's annual report.

Data analysis technique

The data analysis method in this research uses classic assumption test. The condition for being able to use multiple regression equations is the fulfillment of classical assumptions to obtain an unbiased and efficient examiner value (Best *Linear Unbias Estimator* /BLUE) from a multiple regression equation using the least squares method (Least *Squares)*. Classical assumption requirements that must be met include: Data Normality Test, Multicollinearity Test. This research also uses inferential analysis to test the influence of Working Capital Efficiency and Liquidity on the Company Profitability variable and test the hypotheses that have been formulated. The analysis model used is multiple linear regression using *the SPSS (Statistical Product and Service Solutions)* computer *software* with the following formula:

$Y = \beta 0 + \beta 1X1 + \beta 2X2 + \varepsilon$

Information:

Y	= Company Profitability
β0	= Constant (intercept)
β1, β2	= Regression coefficients
X1	= Working Capital Efficiency
X2	= Liquidity
ε	= Bullying error.

Hypothesis test

1. Simultaneous Test (Hypothesis Test I)

The F test is a test of the regression coefficients simultaneously. This test was carried out to determine the effect of all independent variables contained in the model together (simultaneously) on the dependent variable. The F test in this research is used to test the significance of the influence of Working Capital Efficiency and Liquidity on Company Profitability simultaneously and partially.

According to Sugiyono (2018) it is formulated as follows:

$$F = \frac{R^2/K}{(1-R^2) / (n-k-1)}$$

Information:

R 2	= Coefficient of determination
k	= Number of independent variables
n	= Number of data members or cases

The F results of this calculation are compared with those obtained using a risk level or significance level of 5% or with degree of freedom = k (nk-1) with the following criteria:

1. $H0_{is}$ rejected if $F_{count} > F_{table}$ or sig value < a

2. H_0 is accepted if $F_{count} < F_{table}$ or sig value > a

2. Partial Test (Hypothesis Test II and III)

The t test (t-test) tests the regression coefficient partially. This test is carried out to determine the partial significance of the role between the independent variable and the dependent variable by assuming that the other independent variables are considered constant.

According to Sugiyono (2016), using the formula:

$$t = \frac{r\sqrt{n-2}}{\sqrt{1-r^2}}$$

Information:

t = Distribution of t

r = Partial correlation coefficient

r^2 = Coefficient of determination

n = number of data

(t-test) The results of this calculation are then compared with the t table using an error rate of 0.05. The criteria used are as follows:

1. $H0_{is}$ rejected if $t_{count} > t_{table}$ or sig value < a
2. H_0 is accepted if $t_{count} < t_{table}$ or sig value > a

RESULTS AND DISCUSSION

In this research, analysis was carried out on 5 (five) Cosmetics and Household Goods companies listed on the Indonesia Stock Exchange for 3 (three) years, namely 2020, 2021 and 2022, by formulating financial report data with ratios according to variables and operational definitions and The indicators used are.

Table 2. Indicator of the Ratio of Independent and Dependent Variables

No.	Variable	Indicator
1.	Working Capital Efficiency (X1)	Comparison of operating profit with current assets
2.	Liquidity (X2)	Comparison of Current Assets with Current Liabilities
3.	Profitability (Y)	Comparison of Net Profit After Tax with Total Assets

Descriptive Statistics

This analysis aims to provide an overview or describe the data in variables seen from the average (mean), minimum, maximum and standard deviation values (Ghozali, 2009).

Table 3. Descriptive Statistical Test

	N	Min	Max	Mean	Std. Deviation
Working_Capital_Efficiency_X1	30	-.92	1.47	,3317	,58871
Liquidity_X2	30	.61	10.25	2.5713	2.50829
Profitability_Y	30	-,21	.47	,0540	,17768
Valid N	30				

Source: Processed Data, 2024

Classic assumption test

1. Data Normality Test

Table 4. Data Normality Test

	Unstandardized Residuals
N	**30**
Normal Parameters [a, b]	
Mean	.0000000
Std. Deviation	.10255277
Absolute	,162
Most Extreme Differences	
Positive	,089
Negative	-.162
Kolmogorov-Smirnov Z	,888
Asymp. Sig. (2-tailed)	,410

Source: Data processed 2024

Based on the results of the classical assumption test with the Kolmogorov-Smirnov Test above, it shows that Sig 410 > 0.05, so the data in this study is normally distributed.

2. Multicollinearity Test

Table 5. Coefficients [a]

		Collinearity Statistics
Model	Tolerance	VIF
1 Working_Capital_Efficiency_X1	,881	1,135
Liquidity_X2	,881	1,135

Source: Data processed 2024

From table 5 in From above it can be concluded that this regression model is free from multicollinearity problems because *the Variance Inflating Factor* (VIF) value from the regression analysis is less than 10 and Tolerance is greater than 0.1.

3. Heteroscedasticity Test

Table 6. Heteroscedasticity Test
Coefficients [a]

Unstandardized Coefficients			Standardized Coefficients		
Model	B	Std. Error	Beta	t	Sig
1 (Constant)	,069	.018		3,849	,001
Working_Capital_Efficiency_X1	,063	.019	,527	3,344	,002
Liquidity_X2	-.006	,004	-.223	-1,415	,169

a. Dependent Variable: Abs_res
Source: Data processed 2024

From table 6 above, it can be concluded that Efficiency_Capital_Work_X1 is significantly 0.002 < 0.05, which means that in the research data heteroscedasticity occurs while Liquidity_X2 does not occur heteroscedasticity because sig 0.169 > 0.0 5

Hypothesis test
Hypothesis Test I

Table 7. ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	,611	2	,305	27,024	,000 [b]
Residual	,305	27	,011		
Total	,916	29			

a. Dependent Variable: Profitability_Y
b. Predictors: (Constant), Liquidity_X2, Work_Capital_Efficiency_X1
Source: Data processed 2024

From table 7 above, it can be concluded that Working Capital Efficiency and Liquidity have a simultaneous effect on Capital Structure, because the calculated F value > F table, F calculated = 27.024 and F table = 3.35. So 27.024 < 3.35 and significance 0.000 < 0.05, thus the first hypothesis which states that Working Capital Efficiency and Liquidity have a significant effect simultaneously on the Profitability of Cosmetics and Household Utilities Sub-Sector Companies listed on the IDX is correct or tested.

Hypothesis Test II and III

Table 9. Coefficients [a]

Unstandardized Coefficients			Standardized Coefficients		
Model	B	Std. Error	Beta	t	Sig
1 (Constant)	-,049	,034		-1,444	,160
Working_Capital_Efficiency_X1	,255	,036	,846	7,149	,000
Liquidity_X2	,007	,008	,101	,856	,400

a. Dependent Variable: Profitability_Y
Source: Data processed 2024

Table 9 above can see that Working Capital Efficiency (X1) has a significant effect on the Profitability of Cosmetics and Household Goods Sub-Sector Companies listed on the IDX because the calculated t value > t table is 7.149 > 2.052 and the significance is 0.000 < 0.05.

The Liquidity Variable (X2) does not have a significant effect on the Profitability of Cosmetics and Household Goods Sub-Sector Companies listed on the IDX because the calculated t value < t table is 0.856 < 2.052 and the significance is 0.400 > 0.05, thus the second hypothesis is Working Capital Efficiency. And Liquidity have a partially significant effect on the Profitability of Cosmetics and Household Utilities Sub-Sector Companies listed on the IDX are false or not proven.

Discussion

Based on the overall calculation results, it can be concluded that the discussion of the results of objectively proving the hypothesis is as follows:

Working Capital Efficiency and Liquidity have a significant simultaneous effect on the Profitability of Cosmetics and Household Goods Sub-Sector Companies listed on the IDX.

The efficiency of working capital and the company's ability to pay debts is highly expected by the company because with the efficiency of working capital by getting operating profits that are higher than the current assets owned by the company so that the company can generate large profits as well as the company's good ability to pay debts, namely the amount of debt that is smaller than short-term debt so the company will be able to generate maximum profits.

The research position supports that Working Capital Efficiency and Liquidity have a significant simultaneous effect on the Profitability of Cosmetics and Household Goods Sub-Sector Companies listed on the IDX because the calculated F value > F table, F calculated = 27.024 and F table = 3.35. So 27.024 < 3.35 and significance 0.000 < 0.05.

Working Capital Efficiency has a significant effect on the Profitability of Cosmetics and Household Goods Sub-Sector Companies listed on the IDX

Working Capital Efficiency has a significant effect on the Profitability of Cosmetics and Household Goods Sub- Sector Companies listed on the IDX. The company's operating profit continues to increase. It is hoped that the company will use working capital efficiently so that the company's profitability will be good and can generate maximum profits, capital there must be enough work within the company to finance the company's operational expenses. Controlling the right amount of working capital will ensure the continuity of the company's operations efficiently and economically, so that Cosmetics and Household Goods Sub-Sector Companies registered on the IDX are very important for managing working capital efficiently so that the company is able to generate maximum profits from the capital used. , in this study working capital efficiency is measured by the formula of the ratio of operating profit to current assets so that working capital must be managed efficiently because Cosmetics and Household Goods Sub-Sector Companies listed on the IDX always need working capital which is used to finance daily operational activities , for example for purchasing raw materials, financing employee salaries, paying debts and so on, where the money or funds spent are expected to return to the company in a short time through the proceeds from sales of its production.

The findings of this research are in line with research conducted by Bekti Fatma Sari. 2023. The Influence of Liquidity, Solvency and Working Capital Efficiency on Profitability in Cosmetics and Household Utilities Subsector Companies Listed on the IDX for the 2017-2022 Period. From the research conducted, the results showed that partially the variables liquidity (CR), solvency (DER) and working capital efficiency (WCT) had a positive and significant effect on profitability (ROA). The research results simultaneously show that the variables liquidity, solvency and working capital efficiency have a significant influence on profitability.

Household Goods Sub-Sector Companies listed on the IDX because the calculated t value > t table is 7.149 > 2.052 and the significance is 0.000 < 0.05.

Liquidity does not have a significant effect on the profitability of companies in the cosmetics and household goods sub-sector listed on the IDX.

Liquidity does not have a significant effect on the profitability of companies in the Cosmetics and Household Goods sub-sector listed on the IDX, this happens because there are companies whose profits after tax burden are not optimal and there are even companies that suffer losses, this puts the company's ability to pay short-term debt into doubt. So liquidity does not have a significant influence on company profitability. In this research, liquidity is measured using the current ratio formula, where this ratio measures whether companies in the Cosmetics and Household Supplies Sub-sector listed on the IDX can meet short-term debt with the assets they own. Current assets are considered assets that can be quickly converted into cash, such as accounts receivable, deposits

and short-term securities, and cash. So companies must be ready to pay obligations and face unexpected market changes and not waste assets that are not needed.

The findings of this research are in line with research conducted by Dsk Nym Megayunita D. 2017. The Influence of Working Capital Efficiency and Liquidity and Solvency on Profitability in Manufacturing Companies Listed on the Indonesian Stock Exchange. The research results show that: (1) working capital efficiency, liquidity and solvency have a significant effect on profitability, (2) working capital efficiency has a negative and significant effect on profitability, (3) liquidity has a positive and insignificant effect on profitability and (4) solvency has an effect positive and significant on profitability in manufacturing companies listed on the Indonesian stock exchange.

The research position supports that liquidity does not have a partially significant effect on the profitability of companies in the cosmetics and household goods sub-sector listed on the IDX because the calculated t value < t table is 0.856 < 2.052 and the significance is 0.400 > 0.05

CONCLUSION

Based on the results of the analysis and discussion that have been described, the conclusion of this research is: Working Capital Efficiency and Liquidity have a significant simultaneous effect on the Profitability of Cosmetics and Household Goods Sub-Sector Companies listed on the IDX. Working Capital Efficiency has a partially significant effect on the Profitability of Cosmetics and Household Goods Sub- Sector Companies listed on the IDX. Liquidity does not have a partially significant effect on the profitability of companies in the cosmetics and household goods sub-sector listed on the IDX.

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