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Return On Equity has an effect on Debt To Equity Ratio and Working Capital Turnover of Property and Real Estate Sub-Sector Companies Listed on the Indonesia Stock Exchange (IDX) Period 2018-2022

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Abstract:

This study aims to determine "The Effect of Debt to Equity Ratio and Working Capital Turnover on Return On Equity in Property and Real Estate Sub-Sector Companies Listed on the Indonesian Stock Exchange (IDX) for the 2018-2022 Period". The method used in this research is a quantitative method. The population in this study is the Property and Real Estate Sub Sector. Sampling technique with purposive sampling technique. The samples in this study were 14 companies within 5 years so that 70 observational data were obtained. The data analysis technique used is multiple linear regression analysis using SPSS 25 software. The results of this study indicate that there is a significant influence between the Debt to Equity Ratio variable on Return On Equity and the Working Capital Turnover variable which has no significant effect on Return On Equity. Simultaneously the Debt to Equity Ratio and Working Capital Turnover affect Return On Equity.

Keywords: *Debt to Equity Ratio, Working Capital Turnover, Return On Equity*

1. Introduction

Indonesia is a country with high economic potential. The Property and Real Estate sector plays an important role in the economy and development in Indonesia. This sector is also one of the indicators to assess the development of a country's economy.

The Property and Real Estate industry in recent years has decreased, this can be seen from the contribution to the Indonesian economy, in 2019 the Property and Real Estate sector only contributed 17/177%, this growth is still very limited, and this value is still smaller than ASEAN countries, namely Singapore reaching 23.34%, then the Philippines 21.09%, Malaysia 20.53%, and Thailand by 8.30%. (www.antarnews.com, 2020).

The small contribution was due to several companies in this sub-sector experiencing a decline in profits. Some companies that experienced a decrease in net profit, one of which was PT PP Properti Tbk (PPRO) year on year in 2019, which decreased by 27% - 28% to IDR 342.69 billion, PT Nusantara Almazia (NZIA) based on its financial statements, in 2022 recorded a decrease in its net profit to IDR 1.53 billion throughout 2022, this value decreased by 50% compared to the 2021 period of IDR 3.06 billion.

Profitability is the ability of a company to earn profits. To measure the level of profitability of the company is Return On Equity (ROE) which is a ratio to assess the company's ability to earn profits from the equity used.

The amount of company profit can be influenced by several factors, one of which is influenced by debt, if the debt is high then the level of profitability decreases, the ratio to assess debt in the company, one of which is the Debt to Equity Ratio (DER) is used to determine the company's ability to pay its long-term obligations or obligations if the company is liquidated.
Another factor that affects profitability is sales. Working Capital Turnover (WCTO) is a ratio used to measure how many times the funds invested in working capital rotate in one period. To determine whether or not a working capital management is efficient, it can be measured using the Working Capital Turnover (WCTO) ratio.

2. Research Method

Type of Research

This type of research uses associative research. Aims to determine the effect or relationship between two or more variables. The research method used is quantitative method in the form of numbers. In managing data using the Excel 2019 computer software program and SPSS 25,

Population and Sample

Based on the sample selection results above, 14 companies were obtained. Based on sample criteria carried out in 5 years with a total of 70 research data.

Data Collection Technique

The data collection technique in this study was carried out using documentation techniques. The data used in this research is quantitative data sourced from secondary data, which is obtained by taking data published by the Indonesia Stock Exchange (IDX) from its official website.

3. Results and Discussion

3.1. Results

Descriptive Statistics Results

Descriptive statistical analysis is used to obtain an overview of the data sample. The following are the results of descriptive statistics.

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
DER	70	.0433	3.7882	.788259	.7481631
WCTO	70	.1486	74.5118	2.417686	9.2532643
ROE	70	.0003	.2440	.077017	.0523933
Valid N (listwise)	70				

Based on the table above, the Debt To Equity Ratio (DER) results have the lowest (minimum) value of 0.0433. While the highest (maximum) value of the Debt To Equity Ratio (DER) variable is 3.7882. The average (mean) value of Debt To Equity Ratio (DER) is 0.788259 and the standard deviation (std. Deviation) is 0.7481631, this means that the average (mean) is greater than the standard deviation (std. Deviation), meaning that the two research sample data have different values from each other so that it can be said that the Debt To Equity Ratio (DER) in this research sample shows normal data results and does not cause data deviation.
Working Capital Turnover (WCTO) has the lowest (minimum) value of 0.1486. Meanwhile, the highest (maximum) Working Capital Turnover (WCTO) value is 74.5118. The average value (mean) of Working Capital Turnover (WCTO) is 1417686 and the standard deviation (std. Deviation) is 9.2532643 This means that the average (mean) is smaller than the standard deviation

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(std. Deviation), meaning that between the two research sample data shows abnormal data results and causes data irregularities.

Return On Equity (ROE) has the lowest (minimum) value of 0.0003. Meanwhile, the highest (maximum) Return On Equity (ROE) value is 0.2440. The average value (mean) of Return On Equity (ROE) is 0.077017 and the standard deviation (std. Deviation) is 0.0523933 This means that the average (mean) is greater than the standard deviation (std. Deviation), meaning that between the two research sample data shows normal data results and does not cause data irregularities.

Classical Assumption Test Results

Normality Test Results

The normality test is used to test whether the values are normally distributed or not. The following are the results of the normality test:

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		70
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.04800569
Most Extreme Differences	Absolute	.089
	Positive	.089
	Negative	-.061
Test Statistic		.089
Asymp. Sig. (2-tailed)		.200[c,d]

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.
d. This is a lower bound of the true significance.

Based on the table above, the results show that the residual variable data has an Asymp.Sig (2-tailed) value of 0.200, this value > 0.05, it can be concluded that the residual data is normally distributed.

Multicollinearity Test Hail

According to (Ghozali, 2018: 107) explains that the Multicolonierity Test aims to test whether the regression model found a correlation between independent variables (independent):

Coefficients[a]

Model		Collinearity Statistics Tolerance	VIF
1	DER	.994	1.006
	WCTO	.994	1.006

a. Dependent Variable: ROE

Based on the results of SPSS Output 25 above, it can be seen that the VIF value for the Debt To Equity Ratio (DER) and Working Capital Turnover (WCTO) variables has a tolerance value of 0.994 where the value is 0.994> 0.10 and a VIF value of 1.006 where the value is 1.006 < 10.00. It can be concluded that the regression model does not have multicollinearity symptoms.

Autocorrelation Test Results

The Autocorrelation test aims to test whether in a linear regression model there is a correlation between confounding errors in period T and confounding errors in period T-1 (previous). By doing the Durbin-Watson test.

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.401[a]	.160	.135	.0487169	1.824

a. Predictors: (Constant), WCTO, DER
b. Dependent Variable: ROE

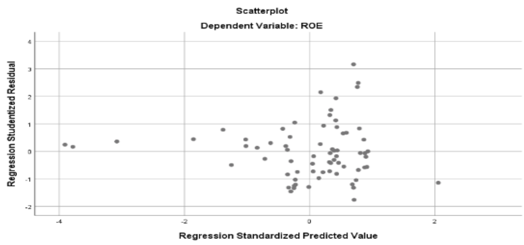
Based on the data above, there is no positive / negative autocorrelation if du < d < 4-du. While the results are 1.6715 < 1.824 </13285. It can be concluded that there are no symptoms of autocorrelation or autocorrelation problems.

Heteroscedasticity Test

Heteroscedasticity test is used to determine the presence or absence of heteroscedasticity, namely by the presence of inequality of variants and residuals for all observations in the regression model.

a. Scatter Plot Test

The Scatter-Plot test is one of the tests used to determine the presence or absence of heteroscedasticity.



Based on the results of the picture above, it shows that the points form a random spread pattern and the points spread above and below the number 0 and the Y axis. It can be concluded that there are no symptoms of heteroscedasticity.

b. White's test

White's test is a test used to detect the presence or absence of heteroscedasticity.

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.272[a]	.074	.002	.00385

a. Predictors: (Constant), X1X2, X1_Kuadrat, DER, X2_Kuadrat, WCTO
b. Dependent Variable: U2T

Based on the table above, it is known that the R Square value is 0.074, so the results obtained C^2 count 5.18 (70 x 0.074) and C^2 table with a significance value of 0.05 obtained a df value of

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89.39121. So, it can be concluded that the value of C^2 count < C^2 table is 5.18 < 89.39121 which means that there is no heteroscedasticity.

Multiple Linear Regression Test Results

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	.097	.009		11.134	.000
	DER	-.027	.008	-.386	-3.435	.001
	WCTO	.000	.001	.082	.727	.470

a. Dependent Variable: ROE

Based on the table above, the multiple regression equation of Debt To Equity Ratio (DER) and Working Capital Turnover (WCTO) on Return On Equity (ROE) is obtained as follows:
The following is an explanation of the above equation:

1. The constant value of 0.097 indicates that if the Debt To Equity Ratio (DER) and Working Capital Turnover (WCTO) are considered constant, then the Return On Equity (ROE) value is 9.7%.
2. The regression coefficient value of the Debt To Equity Ratio (DER) variable is -0.027, which means that if the other variables are constant and the Debt To Equity Ratio (DER) variable increases by 1%, the Return On Equity (ROE) decreases by 17%, the coefficient is positive but the relationship is in the opposite direction between Debt To Equity Ratio (DER) and Return On Equity (ROE).
3. The regression coefficient value of the Working Capital Turnover (WCTO) variable is 0.000462, which means that if the other variables are constant and the Working Capital Turnover (WCTO) variable increases by 1%, Return On Equity (ROE) will increase by 0.0462%, the coefficient is positive, meaning that the relationship is unidirectional between Working Capital Turnover (WCTO) and Return On Equity (ROE).

Hypothesis Test Results

Partial Significance Test (T Test)

This test is to determine whether or not the influence of each independent variable on the dependent variable is significant.

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	.097	.009		11.134	.000
	DER	-.027	.008	-.386	-3.435	.001
	WCTO	.000	.001	.082	.727	.470

a. Dependent Variable: ROE

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From the table above, it can be seen that:

a. Based on the partial test results, the value of T_{hitung} > T_{tabel} (3.435 > 1.996) and has a significance number of 0.001 <0.05. This means that H_a is accepted ($H_o$is rejected).
H_a : Debt To Equity Ratio affects Return on Equity.

b. Based on the partial test results T_hitung < T_ (table) (0.727 < 1.996) and has a significance figure of 0.470> 0.05. This means that H_0 accepted (H_a is rejected). H_0: Working Capital Turnover has no effect on Return on Equity.

Simultaneous Significance Test (F Test)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.030	2	.015	6.403	.003[b]
	Residual	.159	67	.002		
	Total	.189	69			

a. Dependent Variable: ROE

b. Predictors: (Constant), WCTO, DER

Based on the table above, it can be seen that F_{hitung} > F_{tabel} (6,403 > 3,13) and the significance value is 0.003 <0.05, which means that H_a is accepted (H_o is rejected). So it can be concluded that simultaneously the Debt to Equity Ratio (DER) and Working Capital Turnover (WCTO) variables have a significant effect on Return On Equity (ROE).

3.2. Discussion

Effect of Debt-to-Equity Ratio (X1) on Return On Equity (Y)

Based on the results of testing the first hypothesis, the value of T_{hitung} > T_{tabel} (3.435 > 1.996) and has a significance figure of 0.001 <0.05. This means that H_a is accepted (H_o is rejected), this shows that partially Debt To Equity Ratio (DER) has a significant effect on Return On Equity (ROE) in Property and Real Estate Sub-Sector companies listed on the IDX in 2018-2022.
Based on the results of financial statements, the equity owned by the Property and Real Estate Sub-Sector company is lower than the total debt it has. As a result, the Debt to Equity Ratio owned by the company is high. The high DER value indicates the greater the company's burden on outsiders, this is very likely to reduce company performance because the level of dependence on outsiders is getting higher.

The Effect of Working Capital Turnover (X2) on Return on Equity (Y)

Based on the results of hypothesis testing, it is obtained that T_{hitung} < T_{tabel} (0.727 < 1.996) and has a significance number of 0.470> 0.05. This means that H_o is accepted (H_a is rejected). This shows that partially Working Capital Turnover (WCTO) has no effect on Return on Equity (ROE) in Property and Real Estate Sub-Sector companies listed on the IDX in 2018-2022.
This is because the Property and Real Estate Sub-Sector company has a low WCTO value even though its working capital is high, but in the Property and Real Estate Sub-Sector company the allocation is not only in current assets but also in fixed assets which are still under construction, if the investment in fixed assets accumulates, it means that the assets are unproductive and cannot

be sold optimally, so it cannot increase the company's profit, so that high working capital turnover does not mean much to increase the value of Return On Equity.

Effect of Debt to Equity Ratio (X1) and Working Capital Turnover (X2) on Return On Equity (Y)

Based on the F test coefficient table data, namely yaitu $F_{hitung} > F_{tabel}$ (6,403 > 3,13) and the significance value is 0.003 <0.05, which means H_a is accepted (H_o is rejected). So it can be concluded that simultaneously the Debt to Equity Ratio (DER) and Working Capital Turnover (WCTO) variables have a significant effect on Return On Equity (ROE).

With sufficient working capital, it allows the company to operate as efficiently as possible. However, if working capital is insufficient, the company will face a crisis and cause high debt. High debt will lead to lower profits, which can also lead to a smaller Return On Equity (ROE) value. Meanwhile, a low Debt to Equity Ratio (DER) indicates that the debt burden borne is small and it can increase the profit to be generated which can also result in a greater Return On Equity (ROE) value.

4. Conclusion

Based on the research results, it can be concluded as follows:

a. Debt To Equity Ratio (X1) partially has a significant effect on Return On Equity (Y).
b. Working Capital Turnover (X2) partially has no significant effect on Return On Equity (Y).
c. Debt To Equity Ratio (X1) and Working Capital Turnover (X2) simultaneously have a significant effect on Return on Equity (Y).

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