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The Effect of Financial Leverage, Operating Leverage and Current Ratio on Profitability at PT. Manunggal Persada Jakarta

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ABSTRACT

Funds can be obtained from company owners or from outside parties. The purpose of this study was to determine the effect of financial leverage, operating leverage and current ratio on profitability at PT. Manunggal Persada Jakarta. The method used in this research is descriptive with an associative approach, the sampling technique used is proportional random sampling using the census or saturated sampling method with a sample of 7 years of financial statements. The analysis tool uses classical assumption testing, regression testing, determination coefficient testing and hypothesis testing. The results of the study concluded that the regression coefficient value of Financial leverage of 0.005 was positive with a contribution of 19.3%. Hypothesis testing obtained a significance value of 0.324> 0.05. Regression coefficient value of Operating leverage of 0.001 is positive with a contribution of 16.5%. Hypothesis testing obtained a significance value of 0.368> 0.05. Current coefficient regression value of 0.158 is positive with a contribution of 31.9%. Hypothesis testing obtained a significance value of 0.187> 0.05. Obtained a regression equation Y = 0.110 + 0.009X1 + 0.001X2 + 0.177X3, the regression coefficient value of each positive independent variable with a correlation of 0.927 and a coefficient of determination of 85.8% while the remaining 14.2% is influenced by other factors. Hypothesis testing obtained by calculating F_{count}> F_{table} or (6.064> 4.120). Thus simultaneously there is a positive and significant effect between financial leverage, operating leverage and current ratio to rentability.

Keywords: financial leverage; operating leverage; current ratio

INTRODUCTION

Every company needs funds to support its activities, be it a manufacturing company or a trading and service company (Brigham & Houston, 2013; Ekawati, 2014; Horne, J.C. dan Wachowicz, 2007). Funds can be obtained from company owners or from outside parties. But in managing company business units, companies often need additional funds to expand their

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business units. Therefore, one of the ways in which a company fulfills funding needs is financial leverage and operating leverage (Suryo, 2018; Utami, 2015; Widiyanti & Elfina, 2015).

The concept of operating and financial leverage is useful for financial analysis, planning, and control (Andersen, Bollerslev, Christoffersen, & Diebold, 2013; Siegrist & Chambaz, 2012; Wong, 2006) . In financial management, leverage is the use of assets and sources of funds by companies that have fixed costs with a view to increasing the potential returns of shareholders. If all costs are variable, it will provide certainty for the company in generating profits. But because as company costs are fixed costs, then to generate profits requires a certain minimum sales level (Bredmar, 2017; Christoffersen, 2003; Dempsey, 2017; Wang, 2005)

The company uses operating and financial leverage with the aim that the benefits obtained are greater than the cost of assets and sources of funds, thereby increasing the shareholders' finances. Conversely, leverage also increases profit variability (risk), because if the company turns out to get a profit lower than its fixed costs then the use of leverage will reduce the profits of shareholders (Sunarsi, 2018; Sunarsi, Kustini, Lutfi, Fauzi, & Noryani, 2019).

According to (Sutrisno, 2013) that financial leverage occurs due to the company using the source of funds from debt which causes the company to bear a fixed burden. Financial leverage measures the effect of changes in profits on changes in income for shareholders. While operating leverage occurs because companies operate using fixed assets, so they must bear fixed costs. Operating leverage measures changes in income or sales to operating profits.

Current Ratio comparison between current assets and current debt (Erari, 2014; PA & Marbun, 2016; Susilawati, 2012; Widati & Pratama, 2015). This ratio shows how far the guidance from short-term creditors is fulfilled by assets estimated to be cash in the same period as the debt maturity. A low current ratio is usually considered to indicate a problem in liquidation, on the contrary, the current ratio which is too high is also not good, because it shows the number of idle funds that can ultimately reduce the company's profitability. The importance of financial leverage and operating leverage issues, so this needs to be considered by the company PT. Manunggal Persada Jakarta is a company engaged in the field of construction services. But the problem faced by the company today is the operating profit achieved by the company has decreased by factors that cause a decrease in operating profit before operating expenses incurred by the company is relatively increasing for each year.

METHOD

The type of data used is quantitative with primary data sources by distributing questionnaires which are then carried out tabulation and feasibility analysis as well as secondary data from the various scientific literature. The population in this study were employees of PT. Manunggal Persada Jakarta. Sampling is used saturation sampling technique that is 7 years of the company's financial statements. Testing for normality using Kolmogorov Smirnov obtained significance greater than 0.50 and thus declared normal. Multicollinearity testing obtained tolerance values <1 and VIF <10 so that it was concluded there was no interference with multicollinearity. Autocorrelation testing obtained Durbin-Watson values amounted to be in the interval 1.550 - 2.460, thus this regression model did not have autocorrelation. Heteroskesdastisitas testing with Glejser test obtained significance values greater than 0.05 so it was concluded that there was no interference with heteroscedasticity.

RESULT AND DISCUSSION

PT. Manunggal Persada Jakarta is a company engaged in the field of construction services. But the problem faced by the company today is the operating profit achieved by the company has decreased by factors that cause a decrease in operating profit before operating expenses incurred by the company are relatively increasing for each year.

Descriptive Analysis of Percentage and Achievement of Variables

Financial statements are reports that can provide information to stakeholders about the success of management in managing company activities, because the success of management is generally measured by the profits earned by management during a certain period. The following are the results of a descriptive analysis of the conditions of the variables studied:

Table 1.
Financial Leverage, Financial Leverage, Current Ratio and Corporate Profitability Data for 2012-2018

Year	*Financial Leverage* (DFL)	*Operating Leverage* (DOL)	*Current Ratio* (CR)	Company profitability		
				RE	RMS	AVG
2012	8,62	0,64	0,68	0,22	0,37	0,30
2013	1,43	2,02	0,67	0,24	0,27	0,25
2014	1,42	15,76	0,76	0,22	0,36	0,29
2015	3,40	1,00	0,83	0,23	0,36	0,30
2016	0,97	2,05	0,76	0,21	0,27	0,24
2017	0,71	25,90	0,92	0,23	0,37	0,30
2018	1,14	2,94	0,84	0,23	0,30	0,27
AVG	2,53	7,19	0,78	0,23	0,33	0,28

Table 2.
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Financial Leverage (X1)	7	.71	8.62	2.5271	2.82740
Financial Leverage (X2)	7	.64	25.90	7.1871	9.79744
Current Ratio (X3)	7	.60	.93	.7686	.10715
Rentabilitas (Y)	7	.23	.30	.2757	.02992
Valid N (listwise)	7				

Based on the data table above, the regression data between financial leverage (X1), financial leverage (X2) and current ratio (X3) to corporate profitability (Y) during the 2012-2018 period as a whole showed fluctuating changes.

Financial Leverage data obtained a minimum score of 0.71% and a maximum score of 8.62% with a mean score of 2.53% and a standard deviation of 2.83%. Operating Leverage data obtained a minimum score of 0.64% and a maximum score of 25.90% with a mean score of 7.2% and a standard deviation of 9.80%. Current Ratio data obtained a minimum score of 0.60% and a maximum score of 0.93% with a mean score of 0.77% and a standard deviation of 0.11%. Rentability data obtained a minimum score of 0.23% and a maximum score of 0.30% with a mean score of 0.28% and a standard deviation of 0.23%.

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Regression Analysis of Multiple Regression

Regression and correlation analysis is used to measure the effect and relationship between financial leverage (DFL) and financial leverage (DOL) on corporate profitability. But before that we will present regression data which can be seen in the following table:

Table 3.
Results of Multiple Financial Leverage (DFL) Regulations, Operating Leverage (DOL) and Current Ratio (CR) with Profitability

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	.110	.058		1.895	.154
	Financial Leverage (X1)	.009	.003	.812	3.364	.044
	Operating Leverage (X2)	.001	.001	.355	1.248	.301
	Current Ratio (X3)	.177	.077	.635	2.292	.106

a. Dependent Variable: Rentabilitas (Y)

Obtained the regression equation Y = 1,110 + 0,009X1 + 0,001X2. + 0,117. From the results above, it shows that the influence between Financial leverage, Financial leverage and Current ratio with the profitability of the company which shows a positive influence. 0.110 = if financing leverage (X1), financial leverage (X2) and current ratio (X3) = 0 or constant, then the company's profitability will be worth 0.110%. 0.009 = If financing leverage (X1) has increased by one unit, while financial leverage (X2) and current ratio (X3) are constant or constant, then profitability (Y) will increase by 0.009%. 0.001 = If financial leverage (X2) increases by one unit while financing leverage (X1) and Current ratio (X3) are constant or constant, then profitability (Y) will increase in profit by 0.001%. 0.177 = If the current ratio (X3) has increased by one unit while financing leverage (X1) and financial leverage (X2) are constant or constant, then profitability (Y) will increase by 0.177%.

Correlation Coefficient Analysis

Correlation analysis is intended to determine the relationship between variables. In analyzing the relationship between Variable financing leverage (X1), financial leverage (X2) and current ratio (X3) to profitability variables (Y), researchers used data processing with SPSS version 26, as follows:
Table 4.
Correlation Coefficient Test Results for Financial Leverage (X1), Financial Leverage (X2) and Current Ratio (X3) Variables

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.927[a]	.858	.717	.016

a. Predictors: (Constant), Current Ratio (X3), Financial Leverage (X1), Financial Leverage (X2)

Obtained the correlation coefficient value is 0.927 and according to the provisions, the two variables have a positive relationship or influence because the numbers obtained are positive. This means that Financial leverage (X1), Financial leverage (X2) and Current ratio (X3) have a very strong positive and significant influence on Rentability (Y).

Whereas for the analysis of Determination Coeficient Analysis is used to find out how much influence between the independent variables on the dependent variable

Table 5.
Results of the Financial Leverage (X1), Financial Leverage (X2) and Current Ratio (X3) Determination Coefficient Results

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.439[a]	.193	.031	.029

a. Predictors: (Constant), Financial Leverage (X1)

Obtained a coefficient of determination of 0.193, it can be concluded that Financial leverage (X1) influences Rentability (Y) of 19.3%.

Table 6.
Results of the Financial Leverage Determination Coefficient (X2)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.405[a]	.164	-.004	.030

a. Predictors: (Constant), Financial Leverage (X2)

Obtained a coefficient of determination of 0.164, it can be concluded that Financial leverage (X2) and Current ratio (X3) affect the Profitability (Y) of 16.4%.

Table 7.
Results of the Current Ratio (X3) Determination Coefficient Test

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.564[a]	.319	.182	.027

a. Predictors: (Constant), Current Ratio (X3)

Obtained a coefficient of determination of 0.319, it can be concluded that the Current ratio (X3) affects the Profitability (Y) of 31.9%.

Table 8.
Simultaneous Determination Coefficient Results of Financial Leverage (X1), Financial Leverage (X2) and Current Ratio (X3)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.927[a]	.858	.717	.016

a. Predictors: (Constant), Current Ratio (X3), Financial Leverage (X1), Financial Leverage (X2)

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Obtained a coefficient of determination of 0.858, it can be concluded that Financial leverage (X1), Financial leverage (X2) and Current ratio (X3) affect the Profitability (Y) of 85.8% while the remaining 14.2% is influenced by factors other.

Hypotesis Test

To test the effect or relationship between Financial leverage variables (X1), Financial leverage (X2) and Current ratio (X3) can be done with a statistical test t (partial test). The results are as follows:

Table 9.
T-Test Results for Financial Leverage Variables (X1)

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.264	.015		17.063	.000
	Financial Leverage (X1)	.005	.004	.439	1.093	.324

a. Dependent Variable: Rentabilitas (Y)

Obtained a significance value of 0.324> 0.05. this shows that there is no significant influence between Financial leverage on Rentability.

Table 10.
T-Test Results for Operating Leverage Variables (X2)

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.267	.014		18.461	.000
	Operating Leverage (X2)	.001	.001	.405	.989	.368

a. Dependent Variable: Rentabilitas (Y)

Obtained a significance value of 0.368> 0.05. this shows that there is no significant effect between Operating leverage on Rentability.

Table 11.
Test Results for Variable Current Ratio (X3)

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.155	.080		1.935	.111
	Current Ratio (X3)	.158	.103	.564	1.529	.187

a. Dependent Variable: Rentabilitas (Y)

Obtained a significance value of 0.368> 0.05. this shows that there is no significant effect between the current ratio to profitability.

To test the effect of the variable financial leverage (X1), Financial leverage (X2) and Current ratio (X3) together against profitability (Y) can be done by statistical tests F (simultaneous test). The results are as follows:

Table 12.

Results of Simultaneous F-Testing Data Processing

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.005	3	.002	6.064	.086[b]
	Residual	.001	3	.000		
	Total	.005	6			

a. Dependent Variable: Rentabilitas (Y)
b. Predictors: (Constant), Current Ratio (X3), Financial Leverage (X1), Operating Leverage (X2)

From the table above, obtained F count = 6.064> 4.120 or (F_{count}> F_{table}) so that H0 is rejected and H1 is accepted. This means that simultaneously there is a positive and significant effect between Financial leverage, Financial leverage and Current ratio to Rentability.

CONCLUSION

Based on the results of the study the value of the regression coefficient financial leverage (X1) of 0.005 is a positive value with a contribution of 19.3%. Hypothesis testing obtained a significance value of 0.324> 0.05. Regression coefficient value Operating leverage (X2) of 0.001 is positive with a contribution of 16.5%. Hypothesis testing obtained a significance value of 0.368> 0.05. The value of the regression coefficient Current ratio (X3) of 0.158 is positive with a contribution of 31.9%. Hypothesis testing obtained a significance value of 0.187> 0.05. Obtained a regression equation Y = 0.110 + 0.009X1 + 0.001X2 + 0.177X3, the regression coefficient value of each positive independent variable with a correlation of 0.927 and a coefficient of determination of 85.8% while the remaining 14.2% is influenced by other factors. Hypothesis testing obtained by calculating F_{count}> F_{table} or (6.064> 4.120). Thus simultaneously there is a positive and significant effect between financial leverage, financial leverage and current ratio to rentability.

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