Impact Of Liquidity, Leverage And Size Of The Company On Profitability In Retail Trade Sub-Sector Companies Listed On The Indonesia Stock Exchange

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Abstract.
The purpose of this study is to analyze the impact of liquidity, leverage and the size of the company on profitability. In this study liquidity is projected on Current Ratio (CR), Leverage is projected on Debt To Equity Ratio (DER), Company size is projected on Size and Profitability is projected on Return on Equity (ROE) This study was conducted on retail trade sub-sector companies during the period 2015-2020, sampling was conducted purposive sampling so that the sample in this study as many as 5 companies. The data is collected using documentation techniques, while data analysis uses classic assumption tests and hypothesis testing. From this study obtained the results that CR, DER and Size have a significant influence simultaneously on profitability. Cr partially has a positive and significant influence on ROE while DER and SIZE have a positive and insignificant influence on ROE.

**Keywords:** *Current Ratio, Debt To Equity Ratio, Size,Retun On Equity.*

I.   INTRODUCTION

Retail trading company or commonly known as retail company is an activity to sell goods and services directly to customers or end consumers and is the last chain in the distribution of goods as the core of distribution. The growth of the retail industry to date is projected to not experience growth. The main cause is a trade war between China and the United States that never ends. So this does not close the possibility that Chinese products will be increasingly flooded throughout Indonesia. Another factor is that product products can be easily marketed through a trading platform (e-commerce) but this has not been fully regulated by the government [1].

Retail growth is currently in a range that is still not ideal because it is in the range of 7 % - 9 %. As a step to overcome this, the government needs to make a policy to encourage domestic consumption and a form of protection against the threat of global recession [1]. In addition to policy policies carried out by the government, the company also needs to do several policies to boost the company's growth in order to

achieve optimal profit [2]. Here's an overview of the average profit of retail trading sub-sector companies for the period 2015 to 2020 :
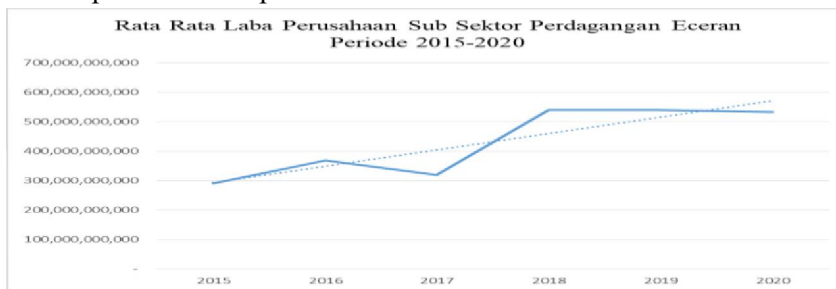
Fig 1. Graph Of Retail Trade Sub-Sector Company Profit Movement

Based on figure 1, it can be known that the profit movement of retail sub-sector companies fluctuates and tends to increase. In 2017, retail sub-sector companies experienced a decrease in this due to some companies experiencing losses. According to [3] stated that the decline in the performance of the trade sector is not only due to technical factors, but fundamentally not supportive enough so that the trade sector is considered not attractive enough to market participants. However, in 2018 the performance of trade and retail sector companies actually increased significantly. The Central Bureau of Statistics records that the growth of the trade sector reaches 5.26% on an annual basis and the sector is able to contribute 0.7% as a source of economic growth in Indonesia [4].

There are several factors that affect profitability, among others Liquidity. Liquidity projected with Current Ratio (CR) is used to measure the company's ability to pay off its current liabilities by using current assets as collateral. The lower the CR value will indicate that the company's inability to meet its short-term obligations will affect the company's profitability level [5] [6]. Furthermore the factor affecting profitability is Leverage. In this study the proxy used was Debt to Equity Ratio (DER). Companies that are more financed by debt tend to have low profitability, this is due to the increasing debt, the interest expense that must be borne will increase and the profitability of the company will be reduced [7]. Another factor is Size. Companies that have a large size then have high efficiency and great market strength, the higher the profitability of the company [7] [8]. The purpose of this study is to analyze the effect of liquidity, leverage and size on profitability both partially and simultaneously.

II.   LITERATURE REVIEW
Profitability

Profitability is a ratio used to measure how much a company can generate corporate profits by utilizing resources owned by companies such as assets, equity and sales [9] [10]. The proxy used in this study was Return On Equity (ROE). The reason researchers use this proxy is that researchers want to know how companies leverage the equity owned by companies in generating profits.

Liquidity

Liquidity is a ratio used to measure how much the company can meet all of the company's short-term obligations [9]. The proxy used in this study was the Current Ratio (CR). The reason researchers use this proxy is because researchers want to know how much the company's current asset capabilities meet its short-term obligations. The higher the Current Ratio (CR) value, it shows that the company has excess assets smoothly in paying off current liabilities so that this is very important in the company's operational activities that will have an impact on increasing the company's profit [8].

H_1 : *Current Ratio (CR) positively and significantly affects Profitability*

Leverage

Leverage is a ratio used to measure how much the company can pay off all corporate liabilities [9]. The proxy used in this study is Debt to Equity Ratio (DER) The reason researchers use this proxy is because researchers want to know how much equity the company is used as a guarantee of the company in fulfilling all corporate obligations. The lower the value of debt to equity ratio (DER) then shows that the company has more use of the company's internal funding than external funding and also the company does not have a high fixed load. This is the attraction for investors so that investors think that the company will be able to generate maximum profit and ultimately impact on the yield income (dividend) for investors [11].

H_2 : *Debt to Equity Ratio (DER) negatively affects Profitability*

SIZE

Size is a reflection of the company's total assets, the company has two categories, namely small and large-scale companies [12]. The larger the size of the company, the higher the interest or purchasing power of consumers because the company has its own attractiveness, so this will have an impact on the increase in the company's profit [13].

H_3 : Size has a positive and significant effect on profitability

III.   METHODS

The data in this study is quantitative data with the object of research is a Retail Trade Sub-Sector Company listed on the Indonesia Stock Exchange. To obtain the data, researchers visited the website of the Indonesia Stock Exchange. The data was analyzed using classic assumption testing as well as hypothesis testing.In table 1 is presented a list of population and sample selection processes used in this study.

Table 1. Sample Selection Process

Description	Company Number
Retail Trade Sub-Sector Companies listed on Indonesia Stock Exchange as of December 31, 2020	27
Companies that do not publish and do not audit financial statements	(13)

Companies that suffered losses in the period 2015 - 2020	(9)
Number of Companies	5

Source: Data processing (2021)

Based on Table 1 obtained samples in this study amounted to 5 companies with a research period of 6 years so that the number of observations as many as 30.

IV.   RESULT AND DISCUSSION

Classic Assumption Test

Normality Test

Table 2. Normality Test Results

		Unstandardized Residual
N		30
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.04897910
Most Extreme Differences	Absolute	.087
	Positive	.087
	Negative	-.084
Kolmogorov-Smirnov Z		.476
Asymp. Sig. (2-tailed)		.977

Source: Data processing 2021 (SPSS 21)

Normality Test results show that the value of Asymp. Sig (2-tailed) above 0.05 is 0.977 so it is concluded that the data has been distributed normally.

Multicolinearity Test

Table 3. Multicolinearity Test Results

		Collinearity Statistics	
Model		Tolerance	VIF
1	(Constant)		
	CR	.295	3.395
	DER	.330	3.033
	SIZE	.799	1.252

Source: Data processing 2021 (SPSS 21)

The results in Table 3 show that the TOLL values of CR, DER and SIZE variables greater than 0.10 and VIF values smaller than 10 mean that the data is free of symptoms of multicolinearity.

Autocorrelation Test

Table 4. Autocorrelation Test Results

Model	Change Statistics					Durbin-Watson
	R Square Change	F Change	df1	df2	Sig. F Change	
1	.445	6.959	3	26	.001	2.346

Source: Data processing 2021 (SPSS 21)

The results in Table 4 show that watson durbin values = 2,346 where dL values are 1.2138 and dU is 1.6498 so it can be stated that dU < DW < 4–dU or 1.6498 < 2,346 < 2.3502, which means there are no autocorrelation symptoms.
Heteroskedastisitas Test
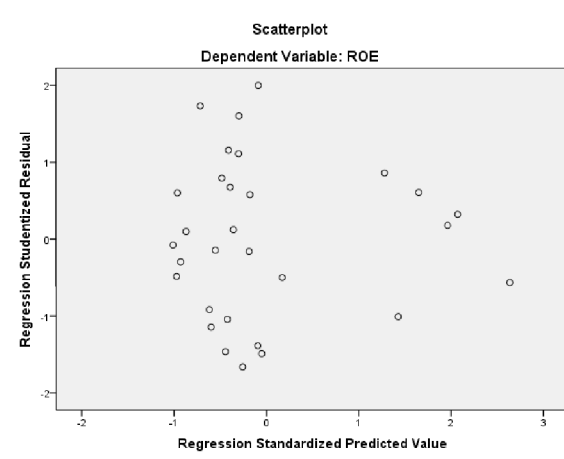
Fig 2. Heteroskedastisitas Test Results

Source: Data processing 2021 (SPSS 21)

From Figure 2, it can be concluded that there is no indication of heteroskedastisitas due to the spread of randomly distributed data and does not form patterns.

Based on the results of the classic assumption test concluded that the data is free from interference, so that the research can be continued with multiple linear regression tests.

Hypothesis Test

Multiple Linear Regression Analysis

Table 5. Multiple Linear Regression Results

Model		Unstandardized Coefficients	
		B	Std. Error
1	(Constant)	-.123	.523
	CR	.027	.007
	DER	.023	.014
	SIZE	.005	.017

Source: Data processing 2021 (SPSS 21)

Based on Table 5, the equation model can be formed as follows:

Y = - 0.123 + 0.027CR + 0.023DER + 0.005SIZE

From the equation model, it can be concluded that all free variables in this study, namely CR, DER and SIZE, have a positive influence on ROE

Correlation Coefficient and Determination Coefficient

Table 6. Correlation Coefficient Results and Determination Coefficients

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.667[a]	.445	.381	.05173

Source: Data processing 2021 (SPSS 21)

From Table 6 provides information that the value of r is 0.667 which means roe has a strong relationship with CR, DER and SIZE. While the value of the coefficient of determination of 0.445 which means that the variables CR, DER and SIZE have an influence of 44.5% on ROE while other variables that are not studied affect ROE by 55.5%.

Simultaneous Test or F-Test

Table 7. F Test Results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.056	3	.019	6.959	.001[a]
	Residual	.070	26	.003		
	Total	.125	29			

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

Source: Data processing 2021 (SPSS 21)

Table 7 results show that the calculated F has a significance value less than 0.05 or can be expressed 0.001 < 0.05, so it can be concluded that simultaneously CR, DER and SIZE have a significant influence on ROE.

Partial Test or t Test

Table 8. Test Results t

	Model	t	Sig.
1	(Constant)	-.235	.816
	CR	3.615	.001
	DER	1.662	.108
	SIZE	.282	.780

Source: Data processing 2021 (SPSS 21)

From Table 8 it can be explained that

a. Effect of CR on ROE

The significance value of the CR variable is less than 0.05 which is 0.001, so cr can be declared to have a significant positive influence on ROE thus H1 is accepted which means that CR has a positive and significant effect on ROE. This condition indicates that the company is able to meet all its short-term obligations and is able to manage working capital well so that the company is able to generate profit, which is the attraction for investors to invest in the company. These results are in line with research conducted by [14]

b. DER influence on ROE

The significance value of the DER variable is above 0.05 which is 0.108, which means that DER has a positive and insignificant influence on ROE and thus H2 is

rejected. This condition indicates that retail sub-sector companies make more use of external funding than internal funding of companies. Thus retail trading sub-sector companies must have the right strategy in terms of funding so that this will affect the improvement of profitability in the future. This is not in line with the research conducted by [15]

c. SIZE's Influence on ROE

The significance value of the SIZE variable is above 0.05 which is 0.780, so it can be stated that SIZE has a positive and insignificant influence on ROE, which means H3 is rejected. This condition shows that the size of a company is not a guarantee for consumers to make purchases so this is what causes profits in retail trading sub-sector companies are not optimal. This is not in line with the research conducted by [16]

V.   CONCLUSION

The results showed CR, DER and Size had a strong relationship with ROE. Simultaneously CR, DER and Size have simultaneous effects, while partial CR has a positive and significant effect while DER and SIZE have positive and insignificant effects.This study has limitations where researchers still use some variables in analyzing the influence of Profitability. Therefore, researchers expect to further increase the number of other variables such as dividend policy, Investment Opportunity Set, and others so that with the addition of these variables, new findings are obtained regarding the influence of variables on profitability.

VI.   ACKNOWLEDGMENTS

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