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REVENUE AS A MODERATING VARIABLE ON THE EFFECT OF WORKING CAPITAL CREDIT ON NET INCOME

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ABSTRACT

This research aims to assess how Working Capital Credit affects Net Income, with Revenue acting as a moderating variable. The study considers all BUMN banks listed on the Indonesia Stock Exchange (IDX), with a sample of four banks and eight years of financial reports (2014-2021) analyzed through Moderated Regression Analysis (MRA). Results indicate that Working Capital Credit has a significant positive impact on Net Income, while Revenue plays a moderating role in the relationship between the two. The findings suggest that firms must consider the impact of sales as a moderating variable to optimize working capital credit utilization and increase net income.

1. INTRODUCTION

Banking services play an important role in the economic activities of society, as they facilitate the flow of payments. Acting as an intermediary between those who have excess funds and those who need them, the banking industry is essential in providing financial assistance. Basically, banks work as financial intermediaries between surplus units and deficit units, as well as institutions that facilitate cash flow. (Source: Bagus Airlangga, 2021). The Indonesian economy is experiencing a rapid increase in banking consumption and production activities, where the banking sector plays an important role. Banking services are an integral part of the growth and development of businesses and companies, and are considered the backbone of the economy. (Nurrahmawati, 2019)

As the banking industry becomes increasingly competitive, service providers must fight for survival. To stay relevant, banks must improve their service quality and formulate strategies that can compete with their competitors. This involves conducting a market segment analysis, setting service quality standards expected by customers, taking into account economic conditions, government regulations, and standard operating procedures. In addition, banks need to evaluate their strengths, weaknesses, opportunities, and constraints to devise effective long-term and short-term plans. Credit is a critical component of the banking industry, and plays a significant role in shaping its landscape.

In Indonesia, Bank Indonesia estimates that bank credit growth will rise 6% to 8% in 2022, while third-party funds (DPK) will increase 7% to 9%. Governor Perry Warjiyo made the prediction in a virtual discussion on Thursday, January 20, 2022. He also mentioned that in December 2021, bank credit rose 5.24% YoY, reflecting the improving intermediary function of banks. Working Capital Credit experienced YoY growth of 6.32%, mainly due to the rise of MSMEs and government support which had an impact on the improving business economy. The table below shows the fluctuations in the quantity of Working Capital Loans issued as well as the Net Banking Profit earned from 2019 to 2021.

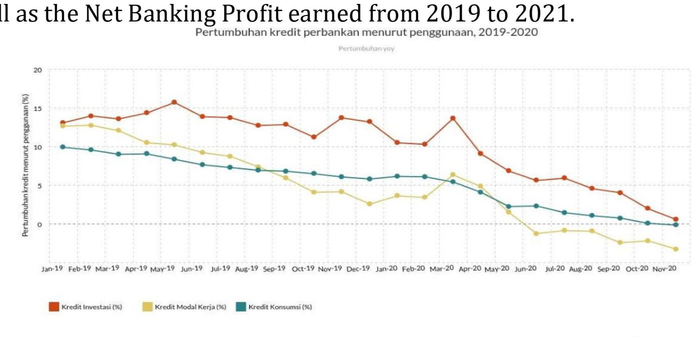

Figure 1: Development Data of Working Capital Loans and Net Income of Banks 2019-2021 Period (In Millions Rupiah)

The first figure displays information on the growth of working capital loans and net profit of banking institutions. Over the period 2019 to 2021, the figures are represented in millions of Rupiah. The original text cannot be recreated as it is only a source quote. It does not contain any information or context to repeat. Working capital loan disbursement presented in the table above shows a sharply increased allocation at the beginning of 2019 that was overwhelmed by consumption loans in September of that year. Subsequently, the allocation level continued to decline until the end of 2020. Notably, investment loans are the main source of credit for the Indonesian banking sector, followed by working capital and consumer loans. This shift in the credit allocation activities of banking companies is noteworthy. Loans can be categorized based on how the borrower intends to use the funds. The categories include working capital loans, investment loans, and consumer loans.

Working capital loans are designed to meet customers' working capital needs, such as the acquisition of raw materials. Investment loans, on the other hand, provide financing for long- term capital goods to support clients' business operations. Finally, consumption loans are intended for the purchase of goods and services for consumption purposes (Indriati, 2018).

Net profit refers to the remaining income generated during a certain period after income tax has been deducted. This figure is usually displayed in the form of a profit and loss statement, as noted by Suhikmat (2020). In terms of assessing a company's performance, profit or loss serves

as a measure of its success or failure. The profit generated by a company is used to evaluate the effectiveness of its business operations. Revenue refers to the inflow of assets or payment of liabilities resulting from the delivery or production of goods, or the provision of services. For many companies, providing services is the main business and generates the largest revenue.

In the banking industry, lending activities are of paramount importance, as they help generate maximum revenue for the bank, which in turn accelerates economic growth in the country. As a result, banks strive to increase profitability through their credit activities. This is highlighted in a recent report by jamhuriah (2021). This study aims to explore the effect of working capital credit on the company's net profit. Working capital credit is credit obtained by companies from financial institutions to fund their operational activities. While this credit can increase the company's growth, its utilization can also affect the company's net profit. Effective utilization of working capital loans can lead to an increase in net profit. Conversely, poor management of these loans can result in losses or even bankruptcy. The impact of working capital loans on a firm's net profit can be moderated by revenue. Firms with high revenues may manage these credits more efficiently, leading to an increase in net profit. However, firms with lower revenues may struggle to manage these loans, and this may negatively impact their net profit.

Exploring the relationship between working capital credit and net income, with income serving as a moderating factor, can provide valuable understanding of the variables that influence this relationship. Such a study could enable companies to better manage working capital credit, which could lead to an improvement in the organization's overall financial performance.

2. LITERATURE REVIEW

Bank

The definition of bank according to Law No.10 of 1999 concerning amendments to Law No.7 of 1992 concerning Banking in Chapter 1 and Article 1 and paragraph 2 explained that, "Bank is a business entity that collects funds from the public in the form of deposits and distributes them to the public in the form of credit and or other forms in order to improve the lives of many people. As for paragraph 1, it is explained about the definition of banking, banking is everything related to banks, including institutions, business activities, as well as ways and processes in carrying out their business activities ". Meanwhile, according to Kasmir (2015: 7) states simply that "Bank is defined as a financial institution whose business activities are to collect funds from the public and channel these funds back to the public and provide other bank services".

Working Capital Loans

This Working Capital Credit is classified as productive credit, according to Rachmat Firdaus and Maya (2017: 10) the definition of Working Capital Credit is "Credit intended to finance current capital needs which are usually used up in one or several times the production process or business cycle, for example for the purchase of raw materials, employee salaries / wages, building / office rent, purchase of merchandise and so on". Meanwhile, according to Andrianto (2020: 12) "Working Capital Credit is a type of credit provided by banks to customers which is then used to meet working capital needs. In general, the working capital is used up in one business cycle. Examples of working capital loans are credit for the purchase of raw materials, credit for closing trade payables, credit for labor wages and so on ".

Revenue

According to Ardhianto (2019: 102) writes that "Revenue is an increase or increase in assets and a decrease or reduction in the company's liabilities which is a result of operating activities or the provision of goods and services to the public or consumers in particular". According to I Nyoman Puruasa (2020: 113) "In relation to lending, revenue at the bank is revenue derived from interest income, administrative fee income, fee and commission income and other income as a result of bank transactions. From the results of this credit loan, the bank can generate income which is called operating income ".

Net Profit

According to (Kasmir, 2015: 303) states that the definition of Net Profit is "profit that has been reduced by the company's costs or expenses including taxes in a certain period. According to Sofıan Syafri Harahap (2012: 273) Profit is the difference between realized revenue arising from transactions of a certain period faced with costs in that period ". Definition of profit according to (PSAK 46, 2018) "namely accounting profit is Net Income during one period before deducting tax expenses. According to (Ardhianto, 2019: 100) Profit is the excess of total revenue over total expenses, also called net income or net earning ".

Hypothesis

Based on the theoretical basis and framework above, several hypotheses can be formulated in this study. The hypothesis in this study is:
H1 : Working Capital Credit Affects Net Income at State-Owned Banks Listed on the Indonesia Stock Exchange 2014-2021
H2 : Revenue strengthens the relationship between Working Capital Credit and Net Income at State-Owned Banks Listed on the Indonesia Stock Exchange 2014-2021.

3. METHOD

The methodology used in this research is quantitative research, utilizing a combination of data from the idx.co.id website and library-based research. The research focused on time series data, specifically financial statements for 2014-2021. The research subjects are state-owned banks listed on the Indonesia Stock Exchange (IDX). Data were collected through systematic classification of variables, including working capital credit, revenue, and net profit. To solve the problems formulated or test the hypotheses formulated, data analysis techniques are used. These techniques use statistical methods that are already available. An example is testing the relationship between two variables. Sample integrity is maintained and the influence of moderator variables is controlled through Moderated Regression Analysis (MRA) - an analytical approach described by Ghozali (2018: 227). After the data is collected, it is then selectively processed to align with the research focus. The processed data is then tested to draw conclusions about the relationship between the independent and dependent variables, as well as the influence of moderator variables, for use in research.

4. RESULT AND DISCUSSION

Table 1. Descriptive Statistical Analysis

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Working Capital	32	17116.519	268106.796	152419.44816	85062.951677
Loans Net Profit	32	209.263	34413.825	15875.13384	10902.268542
Revenue	32	5464.581	114094.429	43108.30603	28035.984004
Valid N (listwise)	32				

After examining the table provided, we can conclude the following variables in this study:

1. The results of the research analysis show that the Working Capital Credit variable has a minimum value of Rp. 17,116,519 (billion) and a maximum value of Rp. 268,106,796 (billion), with an average value (mean) of Rp. 152,419,44816 (billion). While the standard deviation value of Working Capital Credit is Rp. 85,06,951677 (billion).
2. The Net Profit variable in the descriptive analysis resulted in a minimum value of Rp. 209.263 billion and a maximum value of Rp. 34,413.825 billion. The average value (mean) is calculatedto be Rp. 15,875.13384 billion, with a standard deviation of Rp. 10,902.268542 billion for Revenue.

3. In the analysis, the Revenue variable ranges from a minimum value of Rp. 5,464.581 billion to a maximum value of Rp. 114,094.429 billion. The average value (mean) of this variable is Rp. 43,108.30603 billion, with a standard deviation of Rp. 28,035.984004 billion for Net Income.

Table 2. *Kolmogorov Smirnov* Test Results

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		32
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	4916.06102592
Most Extreme Differences	Absolute	.141
	Positive	.089
	Negative	-.141
Test Statistic		.141
Asymp. Sig. (2-tailed)		.104[c]

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.

Based on Table 2, the residual significance value is 0.104> 0.05. This means that the residual data is normally distributed, and the normality test results meet the requirements of the classical assumption test.

Table 3. Multicoloniertity test

Model		B	Std. Error	Beta	Tolerance	VIF
1	(Constant)	-411.207	1935.436			
	Working Capital Loans	.020	.014	.158	.628	1.592
	Revenue	.306	.041	.787	.628	1.592

a Dependent Variable: Net Profit

Based on table 3, it shows that :

- *Tolerance* value of 0.628> 0.1, in this research variable, there is no multicolonierity;
- VIF value of 1.592 < 10, in this research variable, multicollinearity does not occur in this study.

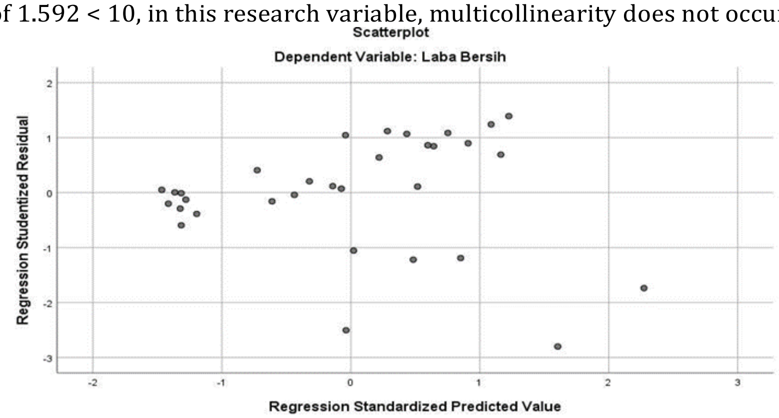

Figure 2. Heteroscedasticity Test Results

As can be seen from the plot, the data is distributed in an unclear pattern, with points above andbelow 0 on the Y-axis, therefore, there is no heteroscedasticity in the data.

Table 4. Autocorrelation test

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.893[a]	.797	.783	5082.754264	1.615

A. Predictors: (Constant), Income, Working Capital Credit
b. Dependent Variable: Net Profit

Autocorrelation was checked using the Durbin-Watson (DW) value, as shown in Table 4 With a sample size of 32 (n) and 2 independent variables and moderator (k = 2), a significance value of 5% was used to compare the DW value of 1.615 against the table value. The resulting values for dL and dU are 1.3093 and 1.5736 respectively. The DW value of 1.615 was found to be greater than 1.5736 but smaller than 2.4624 indicating the absence of autocorrelation. This finding allows for the next stage of research.

This study uses multiple linear regression as its regression technique. After classical assumption tests, it was found that the data followed a normal distribution and showed no signs of multicollinearity, autocorrelation, or heteroscedasticity. These findings meet the prerequisites of multiple linear regression analysis which allows testing the hypothesis of the effect of WorkingCapital Credit on Net Income of State-Owned Banks (BUMN) on the IDX during 2014-2021.

The simple linear regression model test results can be obtained with the following equation:

$$Y = 3{,}410.647 + 0.082X + e$$

Can be explained from the above equation:

a. The constant value is 3,410.647 which means that without the Working Capital Creditvariable (X), the Net Profit value (Y) is Rp. 3,410.647 (billion).
b. The regression coefficient of the Working Capital Credit variable (X) is 0.082. Thisshows that every additional Rp. 1 (billion) will have an impact on increasing Net Profit (Y) by Rp. 0.082 (billion).

Table 5. Multiple Linear Regression Equation Analysis

	Model	**B**	**Error**	**Beta**	**T**	**Sig.**
1	(Constant)	-1850.412	2701.225		-.685	.499
	Working Capital Loans	.037	.025	.287	1.446	.159
	Revenue	.375	.099	.965	3.795	.001
	XZ	-5.090	.000	-.284	-.770	.448

A. Dependent Variable: Net Profit

The following is the equation obtained from the analysis of multiple linear regression equationsin table 6:

$$Y = - 1{,}850.565 + 0.037\,X + 0.375\,Z - 5.090\,X.Z + e$$

a. The equation given shows that the constant value is equal to -1,850.412. The regression coefficient for Working Capital Credit (X) is 0.037, while that for Income (Z) is 0.0375. While the interaction of Working Capital Credit (X) and Income (Z) has a negative value of 5.090 as its regression coefficient.
b. After looking at the coefficient table, it turns out that the coefficient of b2 (representing income) has significance as its value of 0.001 is smaller than the significance level of 0.05. In contrast, the coefficient of b3 (representing working capital credit * income) has no significance with a value of 0.0448 which exceeds the significance level of 0.05. As a result, the moderator variable is only used as a predictor variable in the developed relational model.

Table 7. Partial Test (t)

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	3410.647	3133.298		1.089	.285
	Working Capital Loans	.082	.018	.638	4.539	.000

a. Dependent Variable: Net Profit

The test results in Table 7 confirm the acceptance of hypothesis H1 which states that Working Capital Credit has a real effect on net profit (Y). This result is supported by the conditional value (df = 32 - 2 = 30), with t_table of 2.042272 and tcount of 4.539 > 2.042272. In addition, the significance value ≤ 0.05, specifically 0.000 ≤ 0.05 for t, further validates this statement.

Tabel 8.Test the coefficient of determination regression I

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.638a	.407	.387	8533.417259
a. Predictors: (Constant), Working Capital Credit				

Based on Table 8, it can be seen that the coefficient of determination (*R Square*) is 0.407 or 40.7%. Thus it can be concluded that the ability of the independent variable Working Capital Credit (X) in explaining the dependent variable Net Income (Y) is 40.7%. The remaining (100% - 40.7%) 59.3% is the influence of other factors not examined in this study, such as investment credit, consumer credit, credit cards, employee credit, etc.

Table 9. Test the coefficient of determination of regression II

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.895a	.801	.780	5118.867019

a. Predictors: (Constant), XZ, Working Capital Credit, Income

The results of testing the coefficient of determination in Table 9 produce a coefficient of determination (*R Square*) of 0.801. This shows that the ability of the independent variable (i.e. Working Capital Credit Moderated with income) in explaining the variation in Net Income of the dependent variable is 80.1%, while the remaining 19.9% is explained by other factors not examined in this study.

it is found that the value of R^2 regression equation I is 0.407 and the value of R^2 regression equation II is 0.801. This shows that Income is able to moderate Working Capital Credit on Net Income. This is in accordance with the provisions If R^2 in the 1st Regression equation is smaller than R^2in the 2nd Regression equation , it means that the Moderating Variable strengthens (moderates) the relationship between the independent variable (X) and the dependent (Y). Then the Income hypothesis strengthens the relationship of Working Capital Credit to Net Income (H2) is accepted.

5. CONCLUSION

The first hypothesis was tested, and the statistical analysis revealed that working capital loans have a positive impact on net profit. The regression coefficient value of 0.82 was positive, and the t statistical test yielded a value of 4.539 with a significance value of 0.000. This value is less than the error tolerance set at 0.05. Consequently, the results indicate that the level of net profit is affected by working capital credit, leading to the acceptance of H1.

The effect of Working Capital Credit on Net Income depends on Revenue, according to the analysis of Regression Equation R2. Results show that Working Capital Credit (X) accounts for 40.7% of Net Income (Y) (Regression Equation I). However, when Revenue (Z) is taken into account, the contribution of Working Capital Credit to Net Income increases to 80.1% (Regression Equation II), indicating that Revenue moderates the effect of Working Capital Credit on Net Income.

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