

## EFFECT OF OWN CAPITAL, CAPITAL LOAN, TURNOVER SALES, AND USE OF HOURS TO PROFITABILITY (Empirical Study on The Actors SMEs Market Ngarsopuro Surakarta)

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**Abstract:** This study aimed to analyze effect of equity capital, debt capital, sales omzet, and utilization of working hours on profitability. This study using the census research with 44 respondents were SMEs in Ngarsopuro Market Surakarta. To test our hypotheses using multiple regression analysis, data processing using SPSS. The results of this study indicate that (1) equity capital have positive and significant effect on profitability, thus hypothesis 1 supported. (2) debt capital have positive and significant effect on profitability, thus hypothesis 2 supported. (3) sales omzet have positive and significant effect on profitability, thus hypothesis 3 supported. (4) utilization of working hours have not significant effect on profitability, thus hypothesis 4 rejected. SMEs in Ngarsopuro Markets Surakarta suggested increasing the efficiency of inventory management, advised to raise working capital through a capital increase itself or seek additional foreign capital in the form of loans and improve financial and marketing management.

**Keywords:** *equity capital, debt capital, sales omzet, utilization of working hours, profitability, SMEs*

### INTRODUCTION

The development of Micro, Small and Medium Enterprises (SMEs) provide a substantial contribution in the economy of a country. The main driving force for the economy in Indonesia this is basically the SME sector (Tambunan, 2009). The role of SMEs in the economy can not be assessed simply by looking at their contribution to production, employment, and other economic indicators, but rather as mandated by Law No. 20/2008 on Micro, Small and Medium Enterprises that SMEs should be empowered to become more resilient and self-sufficient and even greater role in the economy of Indonesia (Lia, Hidayat & Zahroh, 2015). Another interesting thing that drives this research, that the development of SMEs can not be separated

from the problem of managing finances. Good financial management requires accounting skills, and in fact not all SMEs can realize. The phenomenon was also experienced by SMEs in Surakarta Ngarsopuro Market. The reasons for this is because of making financial reports were deemed too cumbersome and a waste of time, otherwise the SMEs in the operations there are still many who do not know how the financial turnover, or how the ability to generate optimal profit.

Profitability has significance for SMEs in an effort to survive in the long term, because the profitability of the business carried indicate whether it has good prospects in the future. Field observations indicate that the ability to generate profits (profitability) for SMEs Ngarsopuro Surakarta, is an important issue that needs

to be analyzed. The SMEs in the location previously occupied Ngarsopuro Triwindu Market and as a result of the relocation was not a little trader decreased profit. The decline in profit among others reflected in declining number of visitors so that the impact on the sales turnover was also less than optimal. Another factor affecting the profitability of SMEs Ngarsopuro among capital structure has not been able to increase profits, it is because the ratio of equity capital to total debt ratio has not been demonstrated that efficient. Since their relocation, some SMEs Ngarsopuro there who prefer to move the location, while still occupy the site are not all optimally utilizing the working hours. Utilization of working hours for SMEs Ngarsopuro in one day the majority just use the time for 8 hours (open 9 am until 5 pm), whereas open until the evening more or less take advantage of as long as 12 hours.

Based on the above, there are at least four factors that affect the profitability of SMEs Ngarsopuro Surakarta, namely equity, loan capital, sales turnover, and utilization of working hours. Profitability in general is the ability of a company for a profit (profit) in a given period. According to Husnan (2001) profitability is the ability of a company to generate profit (profit) on the level of sales, assets, and a specific share capital. Research conducted by Saragih and Nasution (2014) showed that equity and loan capital *Kredit Usaha Rakyat* (KUR) significantly affects revenue SMEs in Toba Samosir. Research conducted by the Putra (2014) showed that the cost of production and sale of a significant effect on the company's profit on SMEs in District Jaten Karanganyar. Research conducted by Priyandika (2015) showed that the old business, capital, and hours of work and significant positive effect on the income street vendors

merchants convection in District Central Semarang Semarang. Research conducted by Riningsih (2005) showed that the working capital and the unit working hours significantly influence the precarious income artisans in the village of Karangasem Subdistrict Grobogan Wirosari.

Based on the background of the problems that have been submitted, the formulation of the problem in this study are as follows:

- What is the capital itself have a significant effect on profitability in SMEs Ngarsopuro Market Surakarta?
- Is loan capital have a significant effect on profitability in SMEs Ngarsopuro Market Surakarta?
- Is the sales turnover have a significant effect on the profitability of SMEs Ngarsopuro Market Surakarta?
- Does the utilization of working hours have a significant effect on profitability in SMEs Ngarsopuro Market Surakarta?

The goal of this research is as follows:

- To analyze the significance of the influence of their own capital on profitability in SMEs Ngarsopuro Market Surakarta.
- To analyze the significance of the effect on profitability in the loan capital markets SMEs Ngarsopuro Surakarta.
- To analyze the significance of the effect of sales turnover profitability in SMEs Ngarsopuro Market Surakarta.
- To analyze the significance of the effect of the utilization of the working hours on profitability in SMEs Ngarsopuro Market Surakarta.

## RESEARCH METHODS

This research is a survey research using a quantitative approach, to perform statistical data analysis. Design / design of

this research is explanatory type that describes causal relationships between variables through hypothesis testing.

This study uses census study by taking the entire population to be sampled. The population in this study are all SMEs Ngarsopuro Market Surakarta which amounted to 51 SMEs

### Data Analysis Technique

1. Classical Assumption Test is conducted through four test multicollinearity test, autocorrelation test, heteroscedasticity test, and test for normality.

2. Data were analyzed using multiple linear regression analysis to determine the effect the effect of its own capital, loan capital, sales turnover, and the utilization hours of work on profitability, expressed by the following equation:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

Information:

Y : Profitability

X1 : Equity

X2 : Capital loan

X3 : sales turnover

X4 : Utilization of working hours

$\beta_0$  : constant

$\beta_1 \dots \beta_4$  : Regression coefficients

e : error

3. Hypothesis Testing conducted by t test using significance level of 5%. Testing criteria when p value < 0.05 then Ho is rejected means of equity capital, loan capital, sales turnover, and the utilization hours of work a significant effect on profitability

4. Test F aims to test the accuracy of multiple linear regression model to predict the influence of their own capital, loan

capital, sales turnover, and the utilization hours of work a significant effect on profitability

5. Test the coefficient of determination to find out the percentage contribution of the influence of their own capital, loan capital, sales turnover, and utilization of working hours to profitability.

## RESEARCH RESULT

### Results of Data Collection

The population in this study were all SMEs Ngarsopuro market in Surakarta were 51 employers. In practice, not all questionnaires were returned to the hands of researchers. Questionnaire distributed is as much as 51 copies, and the questionnaires were returned by 47 copies, whereas the questionnaire could not be processed as many as 3 copies. This is due to the delay and its contents are incomplete, so that the number of questionnaires that can be processed as many as 44 copies, which means a questionnaire that can be analyzed and will be used as the data that as many as 44 respondents with a rate of return of 86.27%. Thus the total sample is 44 respondents.

### Classical Assumption Test Results

Classic assumption test results show that the multiple linear regression model was no trouble multicollinearity, there was no trouble heteroscedasticity, autocorrelation problem does not occur, and normal residual.

### Results of Multiple Linear Regression Analysis

The results of multiple linear regression analysis using SPSS are presented in the table below.

Table 1. Results of Multiple Linear Regression Analysis

Independent Variable	Regression coefficients	Significance
constants	1,954.704	
owner's equity	0.014	0.039
Loan capital	0.022	0.004
Sales Omzet	0.016	0.032
Utilization of working hours	2,329.62	0.978
F : 16.973		0.000
<i>Adjusted R<sup>2</sup> : 0.598</i>		

Source: Primary data is processed, 2016

Based on the results of the regression analysis obtained by the following equation:

$$Y = 1,954.709 + 0,014 X_1 + 0.022 X_2 + 0.016 X_3 + 2,329.6 X_4$$

### Hypothesis testing

#### 1. Effect of own capital to profitability

Test significant effect on profitability of own capital obtained probability value (0.039) < 0.05 then Ho is rejected means of equity capital significantly influence on profitability. The higher the equity, the profitability of SMEs will be higher. Thus the first hypothesis is accepted or proven true.

#### 2. Effect of loan capital to profitability

Test significant effect on the profitability of loan capital obtained probability value (0.004) < 0.05 then Ho is rejected means loan capital significantly influence on profitability. The higher the profitability of SMEs loan capital will be

higher. Thus the second hypothesis is accepted or proven true.

#### 3. Effect of sales turnover to profitability

Test significant effect on the profitability of sales turnover obtained probability value (0.032) < 0.05 then Ho is rejected means that the sales turnover significantly influence on profitability. The higher the sales turnover of the profitability of SMEs will be higher. Thus the third hypothesis is accepted or proven true.

#### 4. Effect of utilization of working hours on profitability

Test significant effect on the profitability of utilization of working hours was obtained probability value (0.978) < 0.05 then Ho is rejected means of utilization of working hours no significant effect on the profitability. Thus the hypothesis is rejected or not truth. Other findings showed that the regression coefficient of utilization variable working hours is positive, meaning the higher utilization of the working hours, the profitability of SMEs will be higher.

### F Test

Based on the results obtained by multiple linear regression analysis calculated F value of 16.973 with probability value (0.000) < 0.05 means that multiple linear regression model revealed right (fit) in predicting the influence of their own capital, loan capital, sales turnover, and utilization of working hours on profitability.

### Test Coefficient of Determination

Based on the multiple linear regression analysis known that the value of Adjusted R Square is 0.598 means that donations

influence their own capital, loan capital, sales turnover, and utilization of working hours on profitability amounted to 59.6%, while the remaining 40.4% described other variables that are not researched.

## DISCUSSION

### 1. Equity Effect on Profitability SMEs

These research findings indicate that the equity capital and significant positive effect on the profitability of SME market Ngarsopuro Surakarta. The higher the equity capital used in running the business, the net profit or profitability achieved SMEs every month will be higher. Capital is most important element in the sustainability of a company, where as the initial source that is used to run the operating activities so as to achieve the expected profit. Surakarta Ngarsopuro market SMEs entrepreneurs with their business needs to have cash. The cash kept it self in the form of cash or deposited in the bank. Own capital is owned SMEs market Ngarsopuro Surakarta start from Rp 15 million up to Rp 150 million, the size of equity capital owned SMEs will certainly affect the ability of entrepreneurs to finance their daily operational activities. Based on the findings of this study provide the use of its own capital and significant positive effect on the profitability of SMEs in the market Ngarsopuro Surakarta. The increase in equity capital to give effect to the increased profitability of SMEs. The implications of these findings, the profitability of SMEs in Surakarta Ngarsopuro market can be improved through increased equity capital.

The findings of this study support the research conducted by Issabella Pratiwi Saragih & Syahrir Hakim Nasution (2014) that the capital itself significant effect on

earnings SMEs in Toba Samosir. Temaun is also in line with research conducted by Priyandika (2015) that the working capital positive and significant effect on the income street vendors merchants convection in District Central Semarang.

### 2. Effect on Profitability SMEs Loan Capital

These research findings indicate that the loan capital and significant positive effect on the profitability of SME market Ngarsopuro Surakarta. The higher the loan capital used in running the business, the net profit or profitability achieved SMEs every month will be higher. The success of SME market Surakarta Ngarsopuro of which can be seen from the increasing amount of profit. To increase profits require substantial capital investment, venture capital fulfilling the better it will support the financial plan and the smooth flow of cash. Foreign capital or borrowed capital required for the SME market to meet capital adequacy Ngarsopuro with the aim that the employers will be easier to meet inventory and market demand, so it is likely to obtain operating profit will be higher than the merchant whose capital is relatively low. Thus the increase in loan capital will support further business improvement that will give effect to the increase in profits of SMEs.

The findings of this study support the research conducted by Saragih & Nasution (2014) that the loan capital Kredit Usaha Rakyat (KUR) significantly affects revenue SMEs in Toba Samosir. This finding is also consistent with research conducted by Priyandika (2015) that the working capital positive and significant effect on the income street vendors merchants convection in District Central Semarang. This study supports research

Riningsih (2005) found significant effect on the working capital income precarious artisans in the village of Karangasem Subdistrict Grobogan Wirosari.

### 3. Effect on Profitability Sales turnover of SMEs

These research findings indicate that the sales turnover positive and significant impact on the profitability of SMEs market Ngarsopuro Surakarta. The higher the sales turnover, the net profit or profitability achieved SMEs every month will be higher. Sales is one of the activities in marketing, in other words, the main goal of marketing is to obtain an increase in sales from time to time within a certain period. In this study, achieved sales turnover Ngarsopuro Surakarta SMEs market is the overall amount of revenue generated from the results goods sales / services for a month. The level of sales turnover in terms of factors other than capital, can also be influenced by the ability of entrepreneurs in marketing, market conditions and other factors such as the condition of competitors and government policies. Increased sales turnover of SMEs in the market Ngarsopuro need to consider two main factors, namely internal and external factors. Internal factors are derived from the SMEs themselves as marketing capabilities so dizzy remedy is developed, in this case SMEs need to pay attention to marketing strategies, for example by improving customer service, provide discounts, gifts or promotion through advertising. The implications of the findings of this research that the increased profitability of SMEs entrepreneurs Surakarta Ngarsopuro market can be improved by increasing the number of sales turnover. SMEs entrepreneurs who want to increase profits should increase the supply of goods so that the sales turnover is

also expected to be greater. However, to increase sales turnover required substantial capital, venture capital is not adequate when traders need to look for a loan through a bank credit, cooperatives or other financial institutions that provide competitive interest.

The findings of this study support the research conducted by Putra (2014) found significant effect on the sales of the company's profit on SMEs in District Jaten Karanganyar. The findings of this study support the results of research conducted by Zaini (2010) that the number of admissions positive and significant impact on the income of paddy farmers in Loa Crow Regency.

### 4. Working Hours Utilization Effect on Profitability SMEs

The findings of this study indicate that the use of working hours no significant effect on the profitability of SME market Ngarsopuro Surakarta. In fact, the SME entrepreneurs in the market Ngarsopuro Surakarta utilizing working hours during the day ranged from 6 hours to 12 hours, but most utilize for 8 hours per day. Based on these findings, although it does not have significant influence working hours have a positive impact on profitability. SMEs entrepreneurs are advised to manage the business as well as possible in accordance with the existing working hours. The study's findings did not support research conducted by Priyandika (2015) that the hours of work and significant positive effect on the income street vendors merchants convection in District Central Semarang. This study is also not in line with research conducted by Riningsih (2005) that the unit working hours significantly influence the precarious income artisans in the village of

Karangasem Subdistrict Grobogan  
Wirosari.

## CONCLUSIONS

This study successfully address concerns and testing of each hypothesized that:

1. Own capital positive and significant impact on the profitability of SMEs market Ngarsopuro Surakarta with probability value 0.039, means that Hypothesis 1 is accepted. Any increase in capital itself can affect profitability increase SMEs market Ngarsopuro Surakarta.
2. Capital lending positive and significant impact on the profitability of SMEs market Ngarsopuro Surakarta with probability value of 0.004, meaning Hypothesis 2 received. Any increase in loan capital may affect profitability increase SMEs market Ngarsopuro Surakarta.
3. The sales turnover positive and significant impact on the profitability of SMEs market Ngarsopuro Surakarta with probability value of 0.032, meaning third hypothesis is accepted. Any increase in sales turnover can affect profitability increase SMEs market Ngarsopuro Surakarta.
4. Utilization of working hours no significant effect on the profitability of SMEs market Ngarsopuro Surakarta with probability value 0.978, meaning Hypothesis 4 is rejected.

## RESEARCH LIMITATIONS

1. The object of this research uses only one region in Surakarta Ngarsopuro market with samples of 44 entrepreneurs. Further research can use objects other areas by increasing the number of samples in order to obtain a better findings.
2. This study only uses four factors that

affect the profitability of SMEs, and of course there are still other variables. For that they need to do further research using other predictors include variables or moderation or mediation.

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