The Impact of Efficiency of Working Capital Management on Company Profitability

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ABSTRACT

This research aims to analyze the influence of working capital management efficiency (Working Capital Turnover) on Return On Total Assets and the role of Diversification Strategy as a moderating variable on the influence of Working Capital Turnover on Return On Total Assets. The research population is green industry award-winning companies listed on the Indonesia Stock Exchange for the 2019-2021 period. Data obtained from financial reports (Audited). The analysis was carried out using a panel data regression approach with moderating variables used to test the hypotheses in this research.

Purpose –The research results show that Working Capital Turnover has a significant negative effect on Return On Total Assets and Diversification Strategy as a moderating variable in the relationship between Working Capital Turnover and Return On Total Assets has a significant positive effect.
Keywords:
Working Capital Turnover, Return On Total Assets, Diversification Strategy, panel data regression

INTRODUCTION

Indonesia is a developing country that has many industries. Industry players are currently faced with very tight competition. Companies are expected to not only be able to compete with domestic industries, but also be able to compete with industries abroad. Many factors support the industry's success in winning increasingly fierce business competition, one of which is being able to create quality products at affordable prices so as to attract consumer interest. As time goes by, industry is required to run business in an environmentally friendly manner because environmental damage and natural disasters are the result of a lack of public concern about environmental conservation. Currently, environmentally friendly industries are still carried out voluntarily and are not yet mandatory.

In the face of increasingly fierce business competition, company leaders are required to be able to properly manage all company activities in the fields of production, marketing, human resources and finance. For this reason, companies must formulate appropriate strategies and policies. One strategy that companies need to pay attention to in carrying out their activities is related to the efficiency of working capital management.

Since 2010 the Ministry of Industry has begun publishing green industry standards in Indonesia. The Green Industry Standard is a reference for industry players in developing a consensus regarding raw materials, auxiliary materials, energy, production processes, products, company management, waste management and/or other aspects aimed at realizing a green industry in order to achieve environmentally friendly

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certification. Therefore, business actors are required to have strategies to survive and continue to develop and minimize risks in facing these conditions. One strategy that a company can implement is a diversification strategy (Verawati, 2012).

Diversification strategy is an expansion of market share carried out by a company, where the company develops its business into various or more than one business segment. Most companies in Indonesia, especially companies that have gone public or are listed on the Indonesian Stock Exchange, are implementing a diversification strategy. Implementation of this strategy is generally related to the use of working capital. According to Madura (2011:239) the working capital required by a company consists of debt (loan funds) and equity (own capital consisting of retained earnings and funds obtained from selling shares).

Darwanto (2010) stated that additional working capital can also be used to increase the amount of production by diversifying products as well. Apart from that, the company's working capital can also be used to increase profitability and streamline costs.

According to Zainal (2020: 172), in the 1960s and 1970s, diversification strategies became popular because every company tried as much as possible not to depend on just one type of business. There are still quite a lot of companies that are successful with diversification strategies, especially for companies operating in business areas that are experiencing a downward trend.

Companies that diversify are believed to have business diversity so that they can increase the company's profitability. As explained by Hitt et al. (2007:173) that most companies implement a diversification strategy to increase the strategic competitiveness of all their companies. When a diversification strategy increases strategic competitiveness, the total value of the company will increase. Another reason for diversification is to gain greater market power.

Previous research related to the effect of diversification strategy on company profitability has been carried out and has had varying results. Several researchers state that business diversification can increase company profitability (Yuliani, et al. 2012 and Umrie & Yuliani 2013). Wisnuwardhana and Diyanty's (2014) research states that diversification strategy has a negative and significant effect on company performance. The results of this research are in line with research by Satoto (2009); Rafrini and Nuraini (2013); and Athar Iqbal, Irfan Hamed, and Majid Qadeer (2012) which shows that there is a negative and significant influence between Diversification Strategy on company performance and is in accordance with the research of Muhammad Ilyas Sindhu, and Ehtasham-Ul-Haq (2014) which proves that diversification has a positive and significant to company performance. The results of previous research show that diversification has a significant and influential effect on company performance. Therefore, scientific studies regarding the influence of business diversification strategies on company profitability need to be carried out on an ongoing basis.

Effective and efficient working capital management depends on how management can organize and distribute working capital as well as possible. Mistakes in managing working capital will result in the company's failure to achieve its stated goals, and can even directly affect the company's survival. The factors to be studied are formulated in the following questions:

1. Does working capital management efficiency affect company profitability in Green Award Winning Companies listed on the Indonesia Stock Exchange?
2. Is Business Strategy able to moderate the influence of Working Capital Management Efficiency on Company Profitability in Green Award Winning Companies listed on the Indonesia Stock Exchange?

LITERATURE REVIEW

Green industry or environmentally friendly industry is an industry that in its production process prioritizes efficiency and effectiveness in the use of resources in a sustainable manner, so that it is able to align industrial development with the preservation of environmental functions and can provide benefits to society. The development of green industry can be carried out through several applications such as clean production, energy conservation, resource efficiency eco-design, recycling processes and low-carbon technology (Mahfudh, 2017). Through the implementation of green industry, there will be efficient use of raw materials,

energy and water, so that the waste and emissions produced will be minimal and the production process will become more efficient which can increase the competitiveness of national industrial products.

The Green Industry concept emphasizes efficiency and effectiveness in the use of raw materials, so that too many raw materials are not wasted. Efficiency and effectiveness are one of the main keys to the green concept. Input equal to output is the minimum that every company must achieve.

The green industry in Indonesia now has a standard, namely the Green Industry Standard (SIH), which is prepared by taking into account various aspects, including national policies in the field of standardization, industrial development at home and abroad, international agreements, as well as scientific and technological capabilities. This is the content of Law no. 3 of 2014 which is mandated in the Minister of Industry Regulation Number 51/M-IND/PER/6/2015 concerning guidelines for preparing green industry standards.

Regarding the meaning of working capital, Halim (2013: 85) stated that every company always needs working capital to pay for its daily operations, for example to provide costs for purchasing raw materials, paying labor wages, employee salaries, and so on, where the money or funds that have been It is hoped that this issue will return to the company in a short time through the proceeds from sales of its production. The money that comes in from the sale of these products will immediately be spent again to finance further operations. In this way, these funds will continue to rotate every period during the life of the company.

Sutedi & Andrian (2011) stated responsibilityThe most basic responsibility of directors is to act in the interests of increasing shareholder value. If a company pays attention to the interests of its suppliers, customers, employees and the environment, then the value obtained by shareholders will be less, so management by directors must consider the interests of shareholders to ensure the long-term health of the company, including increasing shareholder value. This theory, which explains the relationship between company management and shareholders, aims to assist company management in increasing value creation as a result of the activities they carry out and minimizing losses that may arise for their shareholders. In creating value for the company, company management must be able to manage all the resources owned by the company, both employees (human capital), physical assets (physical capital) and structural capital. If all the resources owned by the company can be managed and utilized well, it will create added value for the company so that it can improve the company's financial performance. All these actions are carried out in the interests of shareholders.

(Riyanto, 2013) said that in conditions the greater the working capital, the smaller the risks faced by the company, and the greater the profit the company will obtain and the size of the profit obtained depends on the amount of current assets (quantitative working capital) the company has for finance the company's operations without disrupting its liquidity.

From this statement it can be concluded that Working Capital Turnover has a positive and significant effect on Return On Total Assets. The existence of a positive influence means that high working capital management efficiency will result in increased profitability, while increased profitability is due to the company's effectiveness in using its working capital sources such as cash, receivables and inventory.

The use of Diversification Strategy as a moderating variable is used to analyze whether the Diversification Strategy is able to overcome working capital management problems. Diversification Strategy shows that the wider a company diversifies, the more the company's profitability will increase. But several other researchers state that diversification does not actually improve the quality of profitability.

Previous research by Iqbal, Hamed & Qadeer (2012), stated that diversification carried out by companies will have different influences on company profitability in various countries. This is due to the influence of the institutional or economic environment in the country concerned.

*Working Capital Management Efficiency*has a positive and significant effect on company profitability. The existence of a positive influence means that high working capital turnover will result in increased profitability, while increased profitability is due to the company's effectiveness in using its working capital sources such as cash, receivables and inventory.

Efficient working capital management signals the company is performing well. The more efficient the management of working capital, the more capable the company is of generating high profits. Previous research by Li, Dong, Chen & Yang (2014), Merlysa & Wijaya (2016), Heni and Maudya (2017), stated that working capital efficiency has a positive and significant effect on profitability.

H₁   :*Working Capital Management Efficiency*has a positive effect on company profitability.

Diversification Strategy shows that the wider a company diversifies, the more the company's profitability will increase. But several other researchers state that diversification does not actually improve the quality of profitability.

Wisnuwardhana and Diyanty's research (2014) states that diversification strategy has a negative and significant effect on company profitability. The results of this research are in line with research by Satoto (2009); Rafrini & Nuraini (2013); and Iqbal, Hamed, & Qadeer (2012) which shows that there is a negative and significant influence between Diversification Strategy on company profitability and is in accordance with research by Ilyas Sindhu & Ehtasham-Ul-Haq (2014) which proves that diversification has a positive and significant effect on company profitability. The results of previous research show that diversification has a significant and influential effect on company profitability.

H_2: *Business strategy* as a moderating variable has an effect on Working Capital Management Efficiency and Company Profitability.
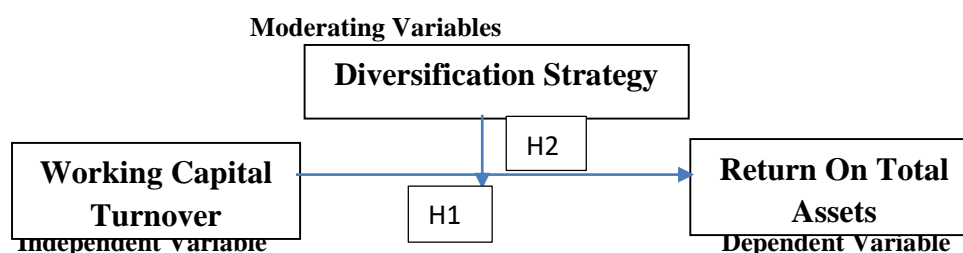
Moderating Variables

Diversification Strategy

H2

Working Capital Turnover

H1

Independent Variable

Return On Total Assets

Dependent Variable

Figure 1. Research Model

METHOD

The variable measurements in this research are the independent variable, dependent variable, and moderating variable. The independent variable used in this research is Working Capital Turnover to measure Working Capital Management Efficiency. Working Capital Turnover is a ratio that shows the relationship between working capital and sales and shows the number of sales that a company can obtain (amount of rupiah) for each rupiah of working capital. (Munawir, 2012:80). This ratio can be mathematically formulated as follows (Wild, 2005):

$$Working\ Capital\ Turnover\ (WCTO)\ = \frac{Net\ Sales}{Working\ Capial}\ ....(1)$$

The dependent variable is a variable whose value is influenced by other variables (Priyatno, 2013). In this research, the dependent variable is Return On Total Assets to measure company profitability.

This ratio can be mathematically formulated as follows (Brigham, 2016:457) :

$$........................ (2) Return\ On\ Total\ Asset\ (ROA)\ = \frac{Net\ Profit\ before\ tax}{Total\ Aktiva}$$

dependent variable and the dependent variable. In this research, Diversification Strategy is used as a moderating variable. The level of diversification is measured using the Hierschman Herfindah Index (HHI). HHI is calculated by the sum of the squared sales of each segment divided by the square of the company's total sales using the following formula (Satoto, 2009):

$$HHI = \frac{\sum_{i=1}^{n} Segsales^2}{\sum_{i=1}^{n} (sales)^2} .... (3\ )$$

Information :
Segsales: Sellers of each segment
Sales: Total sales
Where :
The lower the HHI value, the more diversified it will be.

$$Diversification\ Index\ (DI) = \frac{1}{HHI}$$

The data source is the place or origin of the data obtained (Marzuki, 2015). The data sources that the author uses in this research are secondary data, annual data, ratio scale, cross-section and time series data. The data collection method used is literature (documentation). Secondary data sources are data obtained indirectly from the source, in the form of financial report data on Green Award Winning Companies listed on the Indonesia Stock Exchange during 2019 – 2021.

Population is a collection of individuals or research objects that have predetermined qualities and characteristics (Cooper and Emory, 2015). The research population is Green Award Winning Companies Listed on the Indonesian Stock Exchange. The research sample was taken using a purposive sampling approach. The samples used in this research were 11 Green Award Winning Companies listed on the Indonesia Stock Exchange which were included in the criteria. The criteria set are as follows:

1. Is a Green Award Winning Company Listed on the Indonesia Stock Exchange in 2021.
2. The Company's Financial Report is available and can be accessed athttps://idx.co.id/.
3. The research period was three years of observation from 2019 – 2021.
4. Green industry category companies that publish complete financial reports during the observation year, namely from 2019 – 2021.
5. Green industry category companies listed on the Indonesia Stock Exchange which use the rupiah as reporting currency.
6. The company was not removed from the stock exchange (delisted) in the sample period.

RESULTS AND DISCUSSION

1. Descriptive statistics

Variable descriptive statistics on the data carried out were for the 2019 - 2021 period so that the total amount of data observed was 33 samples for green industry award-winning companies listed on the Indonesia Stock Exchange. Descriptive statistics in this study can be seen in table 1.

Table 1
Descriptive statistics

Variable	ROA	WCTO	IHL
Mean	0.053	9,585	0.63370
Maximum	0.3098	172.5283	0.9824511
Minimum	-0.153	-228,341	0.3128273
Std. Dev.	0.089	57.49898	0.1990
Observations	33	33	33

Source: Processed by the author from Stata 14

The average WCTO value for the observation year 2019 – 2021 is 9.585unit. The WCTO minimum value is-228,341 unitsis an AMFG company in 2021. The maximum WCTO value is 172.5283unitis a KRAS company in 2020. And the standard deviation value is 57.498. The average value of 9.585 shows that statistically during the research period the working capital turnover ratio in Green Industry Award Winning Companies was above 1 times, so it can be concluded that the working capital turnover ratio owned could be said to be good because it was above 1 times. If you look at the WCTO value for each company, there are 2 companies with a WCTO value below 1 times, the companies with the worst WCTO values from the 2019 - 2021 period include AMFG

and KRAS. Meanwhile, several companies with WCTO scores that can be said to be good because they are above 1 time for the 2019 – 2021 period include SMBR, SMGR, and SMCB. A standard deviation value that is greater than the mean value indicates that the data deviation on Working Capital Turn Over is relatively bad.

Company profitability as measured by Return On Total Assets based on the results of statistical calculations produces an average for the 2019 - 2021 observation year of0.053sunit with a standard deviation of 0.089.The minimum ROA value is-0.153 unitis a KRAS company in 2019. Meanwhile, the maximum ROA value is 0.309unitis a SIDO company in 2021. These average results show that on average every 100% of sales made by the sample companies will produce a net profit of 5.3%.

The diversification variable is the level of company diversification. This variable is measured using the Herfindahl index (HHI). Berger and Ofek (1995) and Christiningrum (2014) state that the greater the Herfindahl Index, the more a company's income can be said to come from only one line of business. The average HHI value for the 2019-2021 observation year is0.63370 unit.The minimum HHI value is0.312 unitsis a TPIA company in 2019. Meanwhile, the maximum HHI value is0.98245unit is the SMBR company. This shows that companies that win green industry awards are more likely to choose to operate in non-single segment businesses.

2. Model Selection

Panel data regression model estimation aims to predict the parameters of the regression model, namely the intercept or constant value (α) and slope or regression coefficient (β_i). Using panel data in regression will produce different intercepts and slopes for each company and each time period. According to Widarjono (2007:251), to estimate model parameters with panel data, there are three techniques offered, namely:

A. Common Effect Model (CEM) is sometimes called Pooled Least Square (PLS),Panel Least Square (PLS), Ordinary Least Square (OLS) i.e. ignoring individual and year effects.

B. Fixed Effect Model (FEM)or Least Square Dummy Variable (LSDV), which differentiates between individuals with fixed effects.

C. Random Effect Model (REM)or Generalized Least Square (GLS), which differentiates between individuals with random effects.

After estimating the panel data regression with several estimators, the next stage is to choose the most appropriate model with tests. The tests carried out include three types of tests, namely Chow Test, Hausman Test and Langrange Multiplier Test

a. *Chow Test*(likelihood ratio)

This test was carried out to choose between the OLS model and the fixed effect model. The output results of data processing in Stata 14 in table 2 for the Chow Test show that the Prob > F value is smaller than α (5%) so that H0 is rejected and H1 is used by FEM (fixed effect model).

Table 2 Chow Test

F-statistic	df 1	df 2	Probability	Decision	Conclusion
(1)	(2)	(3)	(4)	(5)	(6)
13.23	10	19	0.0000	Reject H0	The selected model is FEM

Source: Processed from Stata 14

b. *Hausman Test*

This test is used to determine whether the REM or FEM model is most appropriate to use to estimate the panel data regression equation. The hypotheses used are H0: the model uses REM and H1: the model uses FEM.

Table 3 Hausman Test

Chi square-statistic	Df	Probability	Decision	Conclusion
(1)	(2)	(4)	(5)	(6)
2.17	3	0.5381	Failed to reject H0	The selected model is REM

Source: Processed from Stata 14

table 3 showsThe calculated Hausman value (statistics) follows the statistical distribution of chi-square with df on k (number of independent variables). If the Hausman calculated value is more than chi-square or the probability error is less than 5% then H0 is rejected so the model used is FEM. On the other hand, if the Hausman calculated value is less than chi-squares or the probability error is more than 5% then H0 cannot be rejected so the model used is REM. The test results can be seen in Table 3.

From the test results, it can be seen that the probability value is more than 0.05, so H0 cannot be rejected. Therefore the model chosen is REM. Because in the Chow Test the choice falls on FE and in the Hausman Test the choice falls on REM, there is no need to carry out LM testing. The estimation model chosen is REM (Random Effect Model).

3. Classic assumption test

In the next test, several classical assumption tests need to be carried out, which in general are carried out several tests, including non-autocorrelation tests, non-multicollinearity tests, normality and non-heteroscedasticity tests. However, testing the non-heteroscedasticity assumption is only carried out when using OLS or FEM. Because the regression model chosen is REM, this test can be ignored (Ekananda, 2016). Apart from that, because the observation sample data (n) is large, namely 33 data or n > 30, according to the Central Limit Theorem (CLT) it can still be assumed that the data is normally distributed so that testing the normality assumption in this research can also be ignored (Gujarati 2003). Meanwhile, testing of other assumptions is still carried out using Stata 14. If there are deviations from these assumptions, statistical intervention will be carried out on the data or other panel data regression equation estimation methods will be used.

a. Non-autocorrelation test

According to Ghozali (2013), the non-autocorrelation test aims to test whether in the linear regression model there is a correlation between confounding errors in period t and confounding errors in period t-1 (previously). One method for carrying out this test is the Wooldrige test for autocorrelation in panel data. As for H0: there is no autocorrelation, it will not be rejected if the Prob>chi2 value < α (0.05).

Table 4. Autocorrelation Test Results

F-statistic	df 1	df 2	Probability	Decision	Conclusion
(1)	(2)	(3)	(4)	(5)	(6)
11,441	1	10	0.0070	Reject H0	Autocorrelation occurs

Source: Processed from Stata 14

From table 4 of the non-autocorrelation test, it can be seen that the data experiences autocorrelation, where the value of Prob > F is smaller than α (5%) so that H0 is rejected. To overcome this problem, an alternative model can be used by adding a robust std error estimate to the REM model. Robust estimation can overcome autocorrelation problems where errors that experience autocorrelation are adjusted so that the regression model has robust properties. The use of this method is to correct OLS standard errors by correcting standard errors in heteroscedasticity and autocorrelation problems (Nurlaila, Z., M. Susilawati, DPE Nilakusmawati, 2017)

b. Non-multicollinearity test

The non-multicollinearity test aims to test whether in the regression model a high or perfect correlation is found between the independent variables (Ghozali, 2013). (Ekananda, 2016) states that a good independent variable is an independent variable that has a relationship with the dependent variable, but has no relationship with other independent variables. However, this research uses panel data so that multicollinearity problems can be ignored considering that combining cross section and time series data is one of the rules of thumb proposed by Gujarati (2003, p. 365) to overcome multicollinearity problems.

c. Heteroscedasticity Test

There is no need to do this because REM estimates already use Generalized Least Square (GLS). Of the three panel data regression models, only CEM and FEM allow heteroscedasticity to occur, while REM does not. This is because CEM and FEM estimates still use the Ordinary Least Square (OLS) approach, while REM already uses Generalize Least Square (GLS) which is one of the regression healing techniques. To compare whether CEM has heteroscedasticity or not, it can be done by comparing the results between the CEM model without weighting and the CEM model with weighting.

d. Normality test

From the results of the normality test, it shows that the significance value of 0.0101 is less than 0.05, so it can be concluded that reject H0 so that the residuals do not have a normal distribution or the assumption of normality is not met. Even though it is not fulfilled, because N has a large number (> 30), according to the

Central Limit Theorem (CLT), a large sample will follow a normal distribution. Thus, based on this theory, the assumption of normality can be ignored for this case because the sample size is large.

4. Regression Analysis

A. Results of Regression Analysis with Random Effect Model (robust)

Similar to the REM model, a robust model also accommodates differences in individual characteristics and time to model error. Errors may be correlated throughout the time series and cross section. These two components contribute to the formation of errors. However, in the robust model, the value of the standard error has been adjusted so that the model will be robust in violating model assumptions.

Table 5 Random Effect Model with robustness

Variable	Coefficient	Std. Errr	z-statistic	Probability
(1)	(2)	(3)	(4)	(5)
WCTO	-.0011498	.0006279	-1.83	0.067
IHL	-.0452193	.0174058	-2.60	0.009
WCTO*HHI	.0015107	.0008703	1.74	0.083
Constant	.0505365	.0158827	3.18	0.001
Overall R-square= 0.08671711				
Chi square-statistic probability = 0.0309				

Source: Processed from Stata 14

a. Coefficient of determination (R2)

A small R¬2 value means that the ability of the independent variables to explain variations in the dependent variable is limited. Based on the selected panel data regression estimates in Table 5 Random Effect Model with robustness, the overall R2 value is 0.08671711. This means that the contribution from the model is 8.67%. The ability of the independent variables to explain variations in the dependent variable is 8.67%, while the rest is explained by other independent variables not covered in this research.

b. Simultaneous significant test (chi square-statistical test)

This test basically shows whether all the independent variables included in the model have a joint influence on the dependent variable (Ghozal, 2013). The null hypothesis (H0) to be tested is whether all the parameters in the model are equal to zero or in other words whether all the independent variables are not significant explanations at a 5% error rate for the dependent variable. This test is carried out by looking at the probability F value. From Table 5 the probability value is 0.0309, meaning that H0 is rejected. Or in other words, from this model it can be seen that the independent variables are able to jointly influence the dependent variable.

c. Test the significance of individual parameters (z statistical test)

Hypothesis testing in this research will use the Null Hypothesis Significance Testing (NHST) approach. The level of significance of this research will be measured at the 95% confidence level. To determine whether the null hypothesis (H0) is correct, you will look at the z value of the regression results compared to the z table because this hypothesis uses a one-way hypothesis. In short, the approach chosen in the statistical model is a Random Effect Model with robustness to see the influence of independent variables on ROA.

In Table 5 it is stated that the z-statistic probability value is expressed in a two-way test. However, because the WCTO variable is hypothesized to influence in one direction, then the z value for the WCTO variable will be compared with the one-way z table value and the probability in one direction, where if the z-statistic value is greater than the z table or the probability is smaller than 5% then H0 will be rejected or the independent variable has a statistical influence on ROA. On the other hand, if the z-statistic value is smaller than the z table or the probability is greater than 5% then H0 will fail to be rejected or the independent variable has no statistical influence on ROA. Meanwhile, for the other variables, two-way testing is still carried out. Based on the results in table 5, the ROA equation is as follows.

$$\widehat{ROA}_{it} = 0.0505365 - 0.0011498WCTO_{it} - 0.0452193\,HHI_{it} + 0.0015107WCTO * HHI_{it}$$

With a significance level of 5%, it can be concluded that the WCTO variable has a negative influence on the ROA variable. If the WCTO variable decreases by 1 unit, then the ROA variable will decrease by 0.0011498 units assuming other variables remain constant (ceteris paribus). Meanwhile, the HHI variable has a statistical influence if seen from the partial testing of this variable. Meanwhile, the moderating variable has a positive influence, meaning that the moderating variable has the effect of strengthening the increase in ROA.

DISCUSSION

*Effect of Working Capital Turnover*on the Company's Financial Performance

In this research, using panel data regression analysis, there is the first hypothesis, namely that Working Capital Management Efficiency as measured by the Working Capital Turnover variable has a significant negative effect on the Company's Financial Performance as measured by the Return On Total Assets variable. The statistical results show that Working Capital Turnover is negatively related because the coefficient value is <0.0. Sig value. of 0.0335 which is below 0.05. Thus, this means that Working Capital Turnover has a statistically significant negative effect on Return On Total Assets.

The working capital turnover obtained by the company will influencethe amount of net sales received by the company in certain periods. If prices fall during inventory conditions, the working capital used by the company will affect daily operational activities, especially production volumes. When the production volume becomes large, it will affect the small net sales.

When measuring the Return On Total Assets ratio,We must use information related to net sales data to find out the amount of net profit after tax in the company in certain periods and then compare it with the company's total assets. And if it is connected to working capital turnover, it will be related in terms of net sales information data or company asset information data, especially for current assets. The results of this research are in line with previous research conducted by(Susilawati & Fatururrahman, 2023)And(Ema Yuliani et al., 2024)which shows that working capital turnover affects profitability because the faster working capital turnover has an impact on increasing company profitability. Besides that, the results of this study do not match the research conducted by(Faishol & Efendi, 2020)where partial Working Capital Turnover has no effect on Company Profitability.

*Working Capital Turnover*which moderates the relationship between Working Capital Management Efficiency

Based on the results of statistical testing, the second hypothesis is that the moderating variable (WCTO*HHI) has an effect on the Company's Financial Performance as measured by the Return On Total Assets variable. Empirical evidence shows that Diversification Strategy is positively related because the coefficient value is 0.0015107 > 0.0 and the sig. of 0.0415 which is below 0.05. Thus, it can be concluded that Diversification Strategy as a moderating variable can strengthen the significant positive relationship between Working Capital Turnover and Return On Total Assets. These results show that the more diversified the company, the company performance will increase. This indicates that the more business segments a company builds, the higher the company's performance. The results of this research are not in accordance with research conducted by(Andrian & Khairudin, 2024)which says that the Diversification Strategy has no effect on the Company's Profitability because it shows that if a Company implements a diversification strategy it will not necessarily affect the Company's profitability.

CONCLUSION

Based on the research results obtained through statistical testing and discussions as described in the previous chapter, it can be concluded that in the first hypothesis, Working Capital Management Efficiency has a significant negative effect on Company Financial Performance in companies that have won green industry awards and the second hypothesis in this research is Business Strategy can have a significant positive effect as a moderating variable in the relationship between Working Capital Management Efficiency and Company Profitability.

The limitation that exists in the research is that the influence on company profitability needs to be tested again in subsequent research by using different measures to measure the influence on company profitability, for example by using Turnover from Operating Assets or Profit Margin as a factor that influences the amount of Return On Total Assets. It is hoped that using different measures can better explain the different influences. And research data on each company is further examined by looking at whether the company is "healthy" or "unhealthy" in order to explain the different influences.

Suggestions for further research with a similar research theme are to use a theoretical basis that can provide clear direction to the results of this research, using different variables apart from using the variables from this research, namely Working Capital Turnover, Diversification Strategy, Return On Total Assets in order to obtain

good results. Even better, it can be seen how the independent variables influence the dependent variable for different types of companies and variables.

With the discovery of the fact that working capital turnover has a significant negative effect on Return On Total Assets, companies that have won green industry awards need to know more about how to properly manage the level of working capital turnover, where part of the capital comes from debt, manage current asset policies and current debt, so that companies can streamline working capital, improve liquidity management and maximize profits and Business Strategy has a significant positive effect as a moderating variable in the relationship between Working Capital Management Efficiency and Company Profitability. It shows that the wider the company diversifies, the more green industry award-winning companies are expected to have increasing company profitability.

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