

CHAPTER 1

INTRODUCTION

I.1 Background

The Banking sector dominates the financial market on the basis of short-term sources of funds in Indonesia. Meanwhile, although the Capital Market continues to grow, it is still not optimal for long-term financing. Nonbanking financial institution is still relatively small although it keeps growing. Banking credit risk was maintained at a manageable level as of October 2020 at 3.15% (gross NPL) and net NPL) and indicating an improvement position from July 2020 for gross NPL (3.22%) and May 2020 for net NPL (1.17%). The Indonesian finance industry remains relatively stable, with growth occurring in the Sharia Banking sector, the Sharia Non-Bank Industry, and the Sharia Capital Market. The Indonesian Sharia Finance industry has great potential to grow and expand its services and reach to serve the wider community, both Moslem and non-Moslem. (Gedung Soemitro Djojohadikusumo, 2020)

IDX plays a significant role in capital market activities in Indonesia. IDX is responsible for providing all securities trading facilities and making regulations related to stock exchange activities. As the Indonesian Capital Market's regulator and facilitator, IDX is dedicated to becoming a healthy and globally competitive stock exchange (IDX). Code of Conduct has therefore been developed to serve as reference for managers and employees to develop and sustain a healthy, professional, and harmonious work relationship with fellow employees, Board of Commissioners, Board of Directors, Exchange Members, Listed Companies, partners, customers, government, and public. This will be achieved through alignment of aspects contained in Code of Conduct, vision, mission, and corporate values, namely Teamwork, Integrity, Professionalism, and Service Excellence (TIPS) (IDX). Indonesia Stock Exchange is a Self-Regulatory Organization that providing infrastructures to enable fair, orderly, and efficient securities trading whilst accessible to all stakeholders. The Indonesia (IDX) or Indonesia Stock Exchange (IDX) is a party that organizes and provides a system as well as a means to bring together securities buying and selling offers of other parties with the aim of trading securities between them. IDX has successfully implemented the guidelines, frameworks and principles of CG effectively and efficiently in the operations of the Company and is committed to make continuous improvement on the practices of CG in the future. (IDX)

Indonesia is basically a highly bank-dominated country. Despite the rapid growth of capital market and bond market, their contribution in financing the economy is still limited compared to banks. Based on the composition of Indonesia's formal financial sector, banks still dominate 79% of the financial sector. Indonesia is clearly a typical bank-dependent country. In such situation, the behavior of banking sector will have a significant impact to the economy, environment and society. Despite the rapid growth of capital market and bond market, their contribution in financing the economy is still limited compared to banks. Indonesia is clearly a typical bank-dependent country. In such situation, the behavior of banking sector will have a significant impact to the economy and society. (prakkarsa, 2020).

Several factors can influence an increase in company profits. To compute and measure a company's profit growth, one method is to examine financial performance. The process of critically evaluating financial performance, which includes reviewing financial data, calculating, measuring, interpreting, and providing solutions to financial problems. Company during a specific time period financial performance can be evaluated using a variety of analytical tools, including financial ratio analysis. Technique is financial ratio analysis. Analysis used to determine the relationship between certain balance-sheet items and a financial statement. A person can study the composition of the changes that occur in determining whether there is an increase or a decline in the company's financial condition and performance over a certain period of time by comparing the company's financial ratios from year to year (Melia Trie Utami, Gusganda Suria Manda, 2021). Profit growth is the percentage increase in profit earned by the company. Good profit growth indicates that the company has good finances, which in turn will increase the company's value, because the large dividends to be paid in the future are highly dependent on the company's condition Working capital to total assets (WCTA), current ratio (CR), and debt to equity ratio are all examples of ratios (DER). Working capital to total assets is the ratio of working capital to total assets that can affect the size of the company's profit activity, working capital sufficient for the company to provide good performance while also achieving the desired profit. (Randa Mohammed Shams Addin Al-Mawsheki, Norzalina Binti Ahmad , Norhafiza Binti Nordin, 2019).

This research will focus on several variables impacting on Working Capital to Total Asset such as Current Ratio, Debt to Asset Ratio, Return of Asset Ratio, and Total Asset Turn over. The higher the Current Ratio, the more conspicuous the organization's ability to meet its flashing commitment. Benefits are flowed to financial backers using cash asserted by the association, thus to deliver profits in a steady way the organization should have adequate money. While for Debt to Asset Ratio, many researches stated that it does not affect or even negatively affect Working Capital to Total Asset. The higher the return on investment or ROI implies the more prominent the organization's capacity to create overall gain and deliver profits consistently. Working Capital is the difference between current assets and current liabilities, so the Working Capital to Total Assets ratio determines the short-term company's solvency. (Asmaul Husna, Ibnu Satri, 2019)

This ratio is vital for management to analyze the company's management's efficacy and efficiency in managing all company assets. The higher the ROA, the more efficient the company's assets are used, or in other words, the same number of assets may generate more profits, and vice versa. Return on Assets (ROA) is a ratio that assesses a company's capacity to generate net income from the amount of money it invests or its total assets. (Jason Fernadon, 2021)

As a result, it will be fascinating to see how the relationship between the variables in the Banking Subsector of the Finance Sector in IDX changes as a result of this research. This is clearly what distinguishes this study from others of its kind, as the banking sector evaluated by the WCTA is not large.

1.2 Statement of the Problem

1. How does the Current Ratio affect the Working Capital to Total Asset in Banking Subsector of Finance Sector in IDX 2018-2021?

2. How does the Debt to Asset Ratio affect Working Capital to Total Asset in Banking Subsector of Finance Sector in IDX 2018-2021?
3. How does Return of Asset Ratio affect the Working Capital to Total Asset in Banking Subsector of Finance Sector in IDX 2018-2021?
4. How does Total Asset Turnover affect the Working Capital to Total Asset in Banking Subsector of Finance Sector in IDX 2018-2021?
5. What is the effect of The Current Ratio, Debt to Asset Ratio, Return of Asset Ratio, and Total Asset Turnover Simultaneously on Working Capital to Total Asset in Banking Subsector of Finance Sector in IDX 2018-2021?

1.3 Research purposes

1. The aim of this research is:
2. To test and analyze whether Current Ratio affect the Working Capital to Total Asset in Banking Subsector of Finance Sector in IDX 2018-2021
3. To test and analyze whether Debt to Asset Ratio affect the Working Capital to Total Asset in Banking Subsector of Finance Sector in IDX 2018-2021
4. To test and analyze whether Return of Asset Ratio affect Working Capital to Total Asset in Banking Subsector of Finance Sector in IDX 2018-2021
5. To test and analyze whether Total Asset Turnover affect the Working Capital to Total Asset in Banking Subsector of Finance Sector in IDX 2018-2021
6. 5.To test and analyze whether Current Ratio, Debt to Asset Ratio, Return of Asset Ratio, and Total Asset Turnover Simultaneously on the Working Capital to Total Asset in Banking Subsector of Finance Sector in IDX 2018-2021.

1.4 Benefits of research

1. Theoretical Benefits

The results of this study are expect to contribute ideas to broaden the concept of the Current Ratio, Debt to Asset Ratio, Return of Asset Ratio, and Total Asset Turnover affecting the Working Capital to Total Asset in Banking Subsector of Finance Sector.

2. Practical Benefits

To expand the knowledge of the public regarding of the Current Ratio, Debt to Asset Ratio, Return of Asset Ratio, and Total Asset Turnover affecting the Working Capital to Total Asset in Banking Subsector of Finance Sector

3. Benefits for Writers

To increase the author's knowledge in the field of Current Ratio, Debt to Asset Ratio, Return of Asset Ratio, and Total Asset Turnover affecting the Working Capital to Total Asset in Banking Subsector of Finance Sector.

1.5 Research Limitation

In this study the authors set research boundaries to clarify the scope of the research, the research limitations used in this study are as follows:

1. This research is taking the data from IDX from 2018 to 2021
2. This research is using Banking Subsector of Finance Sector companies listed in IDX 2018 to 2021
3. This study was conduct to examine and analyze the effect of the Current Ratio, Debt to Asset Ratio, Return of Asset Ratio, and Total Asset Turnover affecting the Working Capital to Total Asset in Banking Subsector of Finance Sector in IDX 2018-2021.
4. Banking subsector of finance sector companies that distribute dividends during the study period

