

**ANALYSIS OF WORKING CAPITAL MANAGEMENT AND PROFITABILITY  
AT PT KALBE FARMA, TBK.**

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**Abstract**

*PT. Kalbe Farma, Tbk is one of the large companies engaged in the pharmaceutical sector in Indonesia. PT Kalbe Farma, Tbk, as a large company that operates continuously and consistently, deserves becomes a reference for other pharmaceutical companies. Both these companies are still young and already growing and improved. This study aimed to analyze the management of working capital and profitability at PT. Kalbe Farma, Tbk, especially in dealing with an unfavorable situation caused by the Covid-19 pandemic. Good working capital management is very necessary for the company to make a profit. In general, inefficient working capital management has a significant effect on the level of profitability (Riyanto, 2011). The level of profitability is not optimal if the working capital turnover in the cash conversion cycle in the company's operational activities is too long. Hence, the profit generated is not optimal. The result of the analysis of working capital management and profitability of PT Kalbe Farma, Tbk, from 2018 to 2021 shows that the ability to manage working capital and profitability is a good category. There was no significant reduction in results despite dealing with an unstable economic situation during the Covid-19 pandemic.*

**Keywords:** *Working Capital; Profitability; Working Capital Management And Profitability*

**INTRODUCTION**

The outbreak of the Covid-19 pandemic, which has shocked the world, has devastated all activities. It shows how little human knowledge about what will happen in the future (Harahap, 2021). The negative impact that arises directly with this pandemic is the decline in the economy of countries around the world, including Indonesia. A significant increase in poverty level illustrates it. The data showed that during the last 3 years, from 2016 to 2019, there was an average reduction in poverty of 1.4%. Then from 2019 to 2020, there was an increase in poverty by 0.9%. And again experienced a decline in the second semester of 2021 by 0.48% (BPS, 2022).

In the beginning, every effort made to reduce a wider spread always has a negative impact that is greater than the positive impact. The existence of social distancing rules, work from home, and lockdown resulted in a drastic decline in economic activity. People are not allowed to meet in person and travel long distances, and the worst thing is that few means of

transportation are allowed to move around. (Setyadi & Lili, 2021) using multiple regression research methods, they use factors that affect the incidence of poverty due to Covid-19 in 34 provinces of Indonesia in 2020. The result showed that the variable number of positive causes of Covid-19 had a positive and significant effect on poverty.

Reducing the burden borne by the community and the state in dealing with the adverse effects of the Covid-19 pandemic, the Ministry of Finance has released three fiscal stimuli to deal with the impact on the economy. First, the stimulus aims to strengthen the domestic economy through accelerating state spending and encouraging labor-intensive spending policies. Second, the stimulus focuses on supporting people's purchasing power and encouraging the ease of export-import. Third, a stimulus focused on public health and social protection, as well as financial system stability (CNNIndonesia, 2020). One area that has benefited from the third part of the stimulus in order to stimulate the economy is PT Kalbe Farma, Tbk. The company that was founded in 1966 has now grown and transformed into a provider of integrated health solutions through its 4 business division groups. Its 4 business divisions are: the Prescription Pharmaceutical Division (23% contribution), Consumer Health Division (17% contribution), Nutritionals Division (30% contribution) and Distribution and Logistic Division (30% contribution) (KalbeFarma, 2022).

It is undeniable that with the outbreak of this extraordinary event, companies engaged in the pharmaceutical sector have the momentum to increase their operational activities. Especially the provisions of drugs that can relieve and overcome the disease caused by the Covid-19 virus. In addition, pharmaceutical companies are also continuously encouraged to improve and develop the production of medicines and medical devices for ever-evolving needs. PT. Kalbe Farma, Tbk captured this momentum by realizing the importance of innovating to support its business growth. One of the efforts made is always to maintain the existence of working capital so that the production carried out can take place smoothly. To find out how fast the pace of pharmaceutical companies in procuring products is, pharmaceutical companies must pay attention to how fast the inventory turnover is in a certain period. In other words, it is not only inventory that gets attention but also how fast pharmaceutical companies' receivables, payables, and cash conversion cycles are. Working capital is one of the important components for the company. If working capital is managed properly, in the sense that it is sufficient, the company will have no difficulty carrying out its activities. Good working capital management will directly affect the company's ability to earn profit. Profitability describes the ability of a company to fulfill all its operational activities with profits derived from sales, cash capital, and others. Profitability ratios are useful for measuring overall management effectiveness as indicated by the size of the level of profits obtained concerning sales and investment (Fahmi, 2016).

### **Working Capital**

Working capital is a fund allocated to finance the company's operations for a maximum period of one year to disburse these funds (Anwar, 2019). The financing in question is financing to support the company's daily activities. The funds issued will go back into the company in a short period from the results of the products sold. So as long as the company operates, the funds

will rotate continuously in each period. (Sujarweni, 2017) explains working capital as a company's investment in the form of cash, securities, receivables, and inventories, less current liabilities used to finance current assets.

The types of working capital according to (Kasmir K. , 2016) such as:

1. Gross Working Capital are all components in current assets as a whole. They are often called working capital, including cash, banks, marketable securities, accounts receivable, inventories, and other current assets.
2. Net Working Capital represents all components of current assets minus total current liabilities, including trade payables, notes payable, short-term bank loans (one year), salaries payable, and other current liabilities.

While the source of working capital comes from:

1. The results of the company's operations.  
The amount of net income that appears in the income statement plus depreciation and amortization shows the amount of working capital originating from the company's operations. It can calculate the amount by analyzing its profit and loss financial statement. If the company does not take the profit, it will become additional capital.
2. Profit from the sale of securities.  
Securities owned by the company for the short term are elements of current assets that can be immediately sold and generate profits for the company.
3. Sales of non-current assets.  
Another source that can increase working capital is the sale of fixed assets, long-term investments, and other non-current assets, which the company no longer needs. Changes from these assets into cash or receivables will increase the amount of working capital as much as the sale proceeds.
4. Sale of stocks or bonds  
Issuing new shares or asking the company owners to increase capital is one way to increase working capital. In addition, companies can also issue bonds or other forms of long-term debt (Munawir, 2014).

Working capital equal to or higher than the industry standard average for companies of comparable size is generally acceptable. In a company, doing good working capital management is one of several aspects that require attention. Every company tries to meet its working capital needs as one way to maximize profit. Working capital should be available in sufficient quantities to enable the company to operate economically and not experience financial difficulties, for example, covering losses and overcoming emergencies without endangering the company's financial situation (Djarwanto, 2011). According to (Munawir, 2014) the importance of working capital can describing as follows:

1. Protect the company against a working capital crisis due to the decline in the value of current assets.
2. It is possible to pay all obligations on time.
3. Ensuring that the company's credit standing is getting bigger and making it possible for the company to face the dangers or financial difficulties that may occur.
4. It is possible to have sufficient inventory to serve its customers.

5. Companies can provide more favorable credit terms to their customers
6. The company can operate more efficiently because there is no difficulty obtaining the goods or services needed.

The working capital turnover ratio is useful for measuring the effectiveness and efficiency of working capital in a certain period, measured by comparing sales with working capital. If the resulting working capital turnover is low, this indicates an excess of working capital. The formula for calculating working capital turnover according to (Kasmir, Analisis Laporan Keuangan, 2012) is as follows:

$$\text{Working capital turnover} = \frac{\text{Sales}}{\text{Current Assets} - \text{Current Liabilities}} \times 1(\text{time})$$

### Profitability

In general, profitability is the ability of a company to generate profits, which is measured by how efficiently the company uses its capital to generate profits. But large profits are not always a benchmark for the company's survival. In other words, the picture of a well-managed company is if its operations are stable in the long term and do not experience difficulties in repaying all of its obligations. According to (Hantono, 2018) a profitability ratio is a ratio that shows the company's ability to make a profit. This ratio has the following objectives and benefits:

1. To measure the company's ability to generate profits during a certain period
2. To assess the company's profit position in the previous year with the current year
3. To assess profit development over time
4. To measure how much it will be generating net profit from each rupiah of funds embedded in total assets
5. To measure how much it will be generating net profit from each rupiah of funds embedded in total equity
6. To measure the gross profit margin on net sales
7. To measure operating profit margin on net sales
8. To measure the net profit margin on net sales (Hery, 2016)

In general, the level of profitability can be assessed by: (Danang & Sunyoto, 2013)

#### a. Profit Margin Ratio.

It is an indicator for monitoring the company's profits from the sales side. If the profit margin increases, the company is doing well from a financial point of view. And vice versa, if the profit margin decreases, the company's ability to generate profits is not good. Both of these indicators influence the value of the company. The formula for calculating profit margin is as follows:

$$\text{Profit Margin} = \frac{\text{Net profit after tax}}{\text{Net sales}} \times 100\%$$

#### b. Return on Total Assets Ratio

It is a company indicator to monitor the profits obtained from the point of view of company resources or total assets owned. In other words, how much profit the company gets by

empowering all its assets. The higher the value of the ratio obtained, the more able the company is to manage all assets owned in obtaining profits. The formula for calculating the total asset return ratio is as follows:

$$\text{Return on Total Assets} = \frac{\text{Net profit after tax}}{\text{Total Assets}} \times 100\%$$

#### c. Return on Equity Ratio

It is a company indicator to monitor the profits obtained from the investment side of the company's shareholders. In other words, how much profit the company gets from the capital invested by the owners, namely common stockholders and preferred stockholders. If the value obtained from the return on equity ratio is large, then the company's reputation will increase, especially for capital market participants. So that the higher the interest of investors from the capital market to invest their funds in the company. The formula for calculating the return on equity ratio is as follows:

$$\text{Return on Equity} = \frac{\text{Net profit after tax}}{\text{Total Assets} - \text{Total Current Liabilities}} \times 100\%$$

### **Relationship of Working Capital to Profitability**

Working capital is a company that must manage properly. The working capital must be sufficient in the sense that it must be able to finance expenses for its daily operations. With sufficient working capital, it will be profitable for the company because, in addition to allowing the company to operate economically and efficiently, the company is not experiencing financial difficulties. (Syamsuddin, 2016) stated that the greater the net working capital, the greater the profit or profitability obtained by the company. From the research of (Marda, 2022), concluded that working capital has a positive and insignificant effect on profitability at PT Astra International, Tbk. Sufficient working capital is better than excessive working capital because excessive working capital indicates that the company cannot use the existing funds properly, so the funds become unproductive. It will impact the company's rate of return on capital or profitability. Likewise, working capital that is less than sufficient will cause the decline/even failure of a company and reduce the level of company profitability.

Networking capital, the difference between current assets and current liabilities, provides a very useful picture in determining short-term financing policies. If networking capital decreases, the company's profits tend to increase, but this increase in profits at the same time also increases the company's liquidity risk. As a result, the company's short-term financing policy impacts net working capital, which involves consideration of risk and rate of return (risk-return trade-off) (Keown, John, J, & David, 2011).

## METHOD

The data used in this study is secondary data in the form of financial reports issued by PT. Kalbe Farma, Tbk. Namely, the data to analyze the existence of working capital and the profitability of PT. Kalbe Farma, Tbk during 2018 to 2021. Data analysis calculating the turnover and ratio of each data according to each year. A qualitative analysis was carried out based on the references used from the results obtained.

## RESULT AND DISCUSSION

Table 1. PT Kalbe Farma, Tbk Consolidated Statement of Financial Positions (expressed in Rupiah)

Financial Datas	2018	2019	2020	2021
Total Assets	18.146.206.145.369	19.593.943.644.192	22.564.300.317.374	24.266.776.390.675
Total Liabilities	2.851.611.349.015	3.458.042.857.031	4.288.218.173.294	4.275.035.066.846
Net Sales	15.678.310.261.629	16.826.807.706.181	17.095.837.856.582	19.098.695.082.934
Gross Profit	7.483.853.294.398	7.763.260.653.460	7.771.347.928.991	8.279.280.963.567
Inc.before Inc.Tax Expenses	2.415.414.769.501	2.574.263.075.725	2.687.769.946.621	2.975.650.750.762
Income for The Periode	1.833.645.938.987	1.945.830.734.915	2.072.224.136.344	2.324.310.806.853

Source: (Kalbe Farma, 2022)

Table 1 shows the consolidated financial statements of PT Kalbe Farma, Tbk, for the period September to December (Q3) each year. This period is taken based on data published until 2021, which is still in that period. Table 1 explains PT Kalbe Farma, Tbk, for four consecutive years, has total assets with an average increase of 10.23%. Likewise, total liabilities increased by 22.64% from 2018 to 2020 and decreased by 0.31%. Net sales, gross profit, and income before income tax expenses also increased for four consecutive years with an average of 6.88%, 3.46%, and 6.57%. And finally, income for the period has increased from 2018 to 2021 with an average of 8.26%.

Table 2. PT Kalbe Farma, Tbk Working Capital Turnover (expressed in Rupiah)

Year	Net Sales	Current Assets	Current Liabilities	Working Capital Turnover (times)
2018	15.678.301.261.829	10.648.288.386.726	2.286.167.471.594	1,87
2019	16.826.807.706.181	11.084.871.211.801	2.551.863.789.452	1,97
2020	17.095.837.856.582	13.075.331.880.715	3.176.726.211.674	1,73
2021	19.098.695.082.934	14.423.154.322.099	3.325.096.534.171	1,73

Source: (Kalbe Farma, 2022)

Table 2 shows the working capital turnover of PT Kalbe Farma, Tbk, from 2018 to 2020. From 2018 to 2019, there was an increase in working capital turnover of 5.34%, from 1.87 times to 1.97 times. In 2020, the turnover speed decreased by 12.18% from 2019, from 1.97 times to 1.73 times. Meanwhile, from 2020 to 2021, there is no change in working capital turnover. With the industry-standard working capital turnover indicator value greater than 6 times, it explains that PT Kalbe Farma, Tbk, from 2018 to 2021 needs more effort. The cash conversion cycle in the company's operational activities is too long to interfere with the ability to earn profits.

Tabel 3. PT Kalbe Farma, Tbk Profit Margin Ratio (expressed in Rupiah)

Year	Net Sales	Net Profit After Tax	Profit Margin Ratio (%)
2018	15.678.301.261.829	1.833.645.938.987	11,70
2019	16.826.807.706.181	1.945.830.734.915	11,56
2020	17.095.837.856.582	2.072.224.136.344	12,12
2021	19.098.695.082.934	2.324.310.806.853	12,17

Source: (Kalbe Farma, 2022)

Table 3 shows the profit margin ratio of PT Kalbe Farma, Tbk, from 2018 to 2021. From 2018 to 2019, there was a decrease in the profit margin ratio of 1.20%, from 11.70% to 11.56%. In 2020 the profit margin ratio increased by 4.84% from 2019, from 11.56% to 12.12%. Meanwhile, from 2020 to 2021, the profit margin ratio increased by 0.41%, from 12.12% to 12.17%. The profit margin ratio value in industry-standard is 20%. It says that PT Kalbe Farma's profits in sales from 2018 to 2021 are still low, even though those 4 years show an upward trend.

Table 4. PT Kalbe Farma Tbk Return on Total Assets (expressed in Rupiah)

Year	Net Profit After Tax	Total Assets	Return on Total Assets Ratio (%)
2018	1.833.645.938.987	18.146.206.145.369	10,10
2019	1.945.830.734.915	19.593.943.644.192	9,93
2020	2.072.224.136.344	22.564.300.317.374	9,18
2021	2.324.310.806.853	24.266.776.390.675	9,57

Source: (Kalbe Farma, 2022)

Table 4 shows the return ratio on total assets of PT Kalbe Farma, Tbk, from 2018 to 2021. From 2018 to 2019, there was a decrease in the return on total assets ratio by 1.68%, from 10.19% to 9.93%. In 2020 the ratio of return on total assets back decreased by 7.56%, from 9.93% to 9.18%. Meanwhile, from 2020 to 2021, the return ratio on total assets has increased by 4.25%, from 9.18% to 9.57%. With the indicator value of the industry-standard total asset return ratio of 10%, it can be said that the benefits obtained by PT Kalbe Farma, Tbk from empowering all assets owned during 2018 to 2021 are appropriate. However, there is a downward trend due to the Covid-19 pandemic since 2020.

Table 5. PT Kalbe Farma Tbk Return on Equity (expressed in Rupiah)

Year	Net Profit After Tax	Total Assets	Current Liabilities	Return on Equity Ratio (%)
2018	1.833.645.938.987	18.146.206.145.369	2.286.167.471.594	11,56
2019	1.945.830.734.915	19.593.943.644.192	2.551.863.789.452	11,42
2020	2.072.224.136.344	22.564.300.317.374	3.176.726.211.674	10,69
2021	2.324.310.806.853	24.266.776.390.675	3.325.096.534.171	11,10

Source: (Kalbe Farma, 2022)

Table 5 shows the return on equity ratio of PT Kalbe Farma, Tbk, from 2018 to 2021. From 2018 to 2019, there was a decrease in the return on equity ratio of 1.21%, from 11.56% to 11.42%. In 2020 the return on equity ratio again decreased by 6.40%, from 11.42% to 10.69%. Meanwhile, from 2020 to 2021, the ratio of return on total assets back increased by

3.84%, from 10.69% to 11.10%. The industry-standard return ratio indicator value of 40% explains PT Kalbe Farma's profits from investments made by shareholders from 2018 to 2021 have not given good results.

## CONCLUSIONS

Based on the research analysis on working capital management and profitability at PT. Kalbe Farma, Tbk during 2018 to 2020 shows:

1. There was a fluctuation in working capital turnover, especially in 2020, which experienced a significant decline compared to 2019.
2. There is an insignificant fluctuation in the profit margin ratio, and it does not meet industry standard indicators.
3. Some fluctuations tend to decrease the return on asset ratio but have met and are approaching industry-standard indicators.
4. There is an insignificant fluctuation in the return on equity ratio, and it does not meet industry standard indicators.

## RECOMMENDATIONS

Based on the analysis results obtained, recommendations to PT Kalbe Farma, Tbk are as follows:

1. Maintaining a steady turnover rate, increasing sales by using new methods, managing assets and equity properly during the Covid-19 pandemic to remain able to obtain profits according to the company's target.
2. The company must be able to calculate the target to be achieved according to the current situation (the Covid-19 pandemic). Because at this time, the regulations that impact the economy are changing very quickly according to the circumstances.
3. As a company engaged in the pharmaceutical sector, PT Kalbe Farma, Tbk, has a great opportunity to meet the pharmaceutical needs of the Indonesian people. For this reason, a method is needed to tap into existing opportunities to stabilize and increase company profits company reputation and help the government maintain public health.

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