Digital revolution: Capital and Sales on the Profitability Ratio of MSMEs in Majene

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Abstrak
Perusahaan berkinerja tinggi untuk mempertahankan investor baru Investor yang sudah ada ingin meningkatkan investasi dalam modal kerja peruntungan saat ini. Laba adalah tujuan penting bagi perusahaan untuk tumbuh Pertumbuhan bisnis. Penelitian ini bertujuan untuk mengkaji kinerja Keuangan (profitabilitas) dalam UMKM yang diukur pada aspek Modal Kerja dan Volume Penjualan. Penelitian ini dilakukan secara kuantitatif menggunakan pendekatan deskriptif. Populasi pada penelitian ini adalah UMKM yang berada di wilayah Kabupaten Majene. Teknik penentuan sampel mengunakan teknik Roscoe sehingga sampel berjumlah 30 UMKM. Teknik analisis data pada penelitian ini menggunakan uji statistik regresi berganda menggunakan SPSS 27. Hasil analisis data menunjukkan bahwa variabel independen modal kerja dan volume penjualan berpengaruh positif dan signifikan secara bersamaan. Variabel modal kerja memiliki pengaruh positif yang tidak signifikan. Hal ini mengambarkan bahwa adanya peningkatan modal kerja yang terjadi pada UMKM Kabupaten Majene belum cukup kuat dalam meningkatkan profitabilitas. Di sisi lain, variabel volume penjualan berpengaruh positif dan signifikan. Hal ini mengambarkan bahwa peningkatan volume penjualan berkontribusi pada peningkatan penjualan. Diharapkan para pelaku UMKM khususnya di Kabupaten Majene dapat memaksimalkan penggunaan modal kerja dan volume penjualan dalam meningkatkan profitabilitas usaha.
Kata Kunci: Modal Kerja, Volume Penjualan, Rasio Profitabilitas, Digitalisasi, UMKM.

Abstract
Companies seek to maximize performance to retain new investors Existing investors want to increase investment in working capital and current fortunes. Profit is an important goal for companies to grow Business growth. This study focuses on the financial performance of MSMEs (Micro, Small, and Medium Enterprises) in the Majene Regency area, specifically looking at working capital and sales volume. A quantitative approach using a descriptive methodology was the research methodology employed. The study collected data from 30 MSMEs through a Roscoe technique. The data was then analyzed using multiple regression statistical tests. According to the findings, when taken into account jointly, working capital and sales volume significantly and favorably impact profitability. However, when considered individually, the increase in working capital was found to have an insignificant positive impact on profitability, while the increase in sales volume was found to have a positive and significant effect. In order to increase firm profitability, the report recommends that MSMEs in the Majene Regency concentrate on growing sales volume and making the most use of working capital.
Keywords: Working Capital, Sales Volume, Profitability Ratio, Digitalization, MSMEs.

INTRODUCTION

Companies are built with the aim of sustainability and getting maximum profits for their owners. The emergence of company profits can be a reflection of company growth or is often referred to as profit. Profit is often a benchmark for a company's financial performance. The company will strive to perform optimally to attract new investors and retain existing investors. Profit is an important goal for companies in business growth. An important aspect in maintaining company growth is helping the company to manage company finances in achieving company goals. To generate company profits, management needs to know the factors that influence profits, including working capital and sales.

The success of Micro, Small, and Medium Enterprises (MSMEs) in running a business can be seen by how well the business's financial performance is MSMEs are the driving force of Indonesia's economic recovery, therefore the government has made many efforts to improve the performance of MSMEs (Anggraini & Indawati, 2020). Working capital and sales volume are indicators of MSMEs' financial performance. Numerous studies have demonstrated the complex link between capital, revenue, and profitability ratios in MSMEs. Based on the results of initial observations carried out by researchers, a phenomenon was found that occurred among MSME actors. The following is a description of the findings.

1. The financial reports of business owners in 2019-2023 were in a state of fluctuation, especially in 2019-2020 due to Covid-19 and a decrease in sales volume of around 50%. This indicates a phenomenon observed in this study, as there was a 10-20% increase in 2022-2023. Which, I obtained from intervews with several SMEs in Majene Regency. The fluctuating sales result have negligible impact on the financial report.

2. The distribution of goods obtained by each MSME actor sometimes experiences delays due to delays because they are based in Makassar City and Pare-Pare City. The actors MSMEs most order goods from Makassar or Pare-Pare city because they said the goods from Makassar city or Pare-pare city more cheap to purchasing large quantities for resale to costumers and distributed goods in Makassar city is bigger compared to pare-pare city.

3. There is a problem with working capital which is not running well because operational financing is outside the operational budgeting of MSMEs, especially during Covid-19 in 2019-2020 and 2021-2023 there was fluctuation. There has been an increase in some MSME players but it is not significant.

It was observed that MSME players faced significant challenges that led to fluctuating financial statements and a substantial drop in sales. Delays in the distribution of goods and working capital issues further complicated their operational capabilities. While there has been a slight recovery for some MSMEs, the overall progress is still not enough to fully mitigate the adverse impacts experienced. Considering the findings of earlier research, there is an interaction between capital structure and sales growth, which emphasizes the significant role of both in influencing the profitability ratio of MSMEs (Rusdianto et al., 2023). In addition, despite good liquidity and activity levels, many MSMEs struggle with profitability, suggesting that having capital and sales growth is not enough without strategic financial management (Mendoza, 2015).

Strategic financing through digitalization is something that should be implemented. Digitalization, especially fintech, is proven to improve MSME profitability by increasing sales volume and business profits, thus positively impacting their profitability ratio (Subkhan et al., 2024). Digitalization is important in carrying out a company's business activities. Digitalization significantly impacts the capital and sales of MSMEs, enhancing their profitability ratios (Hikmahwati & Sahla, 2022). The integration of digital technologies and fintech services has proven to be a catalyst for MSME growth, enabling better access to capital and improved sales performance. This transformation is evident in several key areas. This illustrates that the importance of Digitalization in MSMEs is expected to optimize the use of capital and increase sales. However, in reality, there are still many MSMEs that

have not utilized financial digitization in running their businesses including in the Majene Regency area.

These findings underscore the need for targeted support and strategic interventions to improve the resilience and stability of MSMEs in some areas including Majene District MSMEs. The Department of Cooperatives, SMEs, Trade and Industry recorded an increase in the number of MSMEs by 151 (Majene Regency Government, 2021). In fact, there are still many MSMEs, especially in the Majene district area, that do not take advantage of digitalization in their financial management. Some of the causes include limited financial resources, inadequate digital skills, and reluctance to adopt technological change (Eric et all., 2024; Kallmuenzer et all., 2024; Ngoma et al., 2024). Meanwhile, one of the keys to MSMEs being able to survive and compete is when these MSMEs can implement good management. It has been demonstrated in earlier studies that working capital turnover significantly affects profitability (Machmud et al., 2023). The study by Putri & Kusumawati, (2020) discovered that, in part, because of irregular fluctuations in the study variables, the working capital turnover variable had no discernible impact on the profitability of food and beverage companies listed on the IDX between 2013 and 2017. Therefore, the researcher is interested in conducting tests to evaluate the extent to which the impact of working capital and sales volume on profitability can be considered significant to MSMEs Majene Regency.

One of the main focuses in improving digitalization in financial management. Based on the above phenomenon, the author will research the Role of Working Capital and Sales Volume in Increasing Profitability Ratios in the Era of the Digital Revolution among MSME Players in Majene Regency. Related research is still rarely found, especially in majene district, west sulawesi province. so this research is very important to describe the role of digitalization in increasing profitability ratios in working capital and sales volume.

LITERATURE REVIEW

Economic progress provides the capability for economic growth. One of the contributions to economic growth is the role of MSMEs. Working capital is necessary for any MSMEs operator to do tasks like buying raw materials, paying staff, transporting items, etc. The working capital used is expected to contribute to sales. Financial Management is an important role in planning and budgeting working capital, which is utilized efficiently through the operational activities of MSMEs actors. Financial Management can provide the ability to determine the necessary working capital policy to achieve the expected profit.

Financial Ratios

Financial ratios are important in determining the ratio level obtained by the Company from the results of comparing one financial figure with other financial figures. The results of financial reports, such as the cash flow, profit and loss, change in equity, and balance sheet, are where financial statistics are derived from. The outcomes of financial ratios serve as the foundation for the management performance of the company over a certain time period and evaluate how well management empowers and enhances the performance of human resources going forward. Financial ratios are calculated by dividing one number by another in order to compare statistics in financial reports (Kasmir, 2019).

Benefit financial ratios serve as a tool for evaluating the company's performance and accomplishments, assessing its state so that it can perform better, and estimating the risks that creditors will encounter if they invest in the business. Financial reports serve the function of informing the public about the kinds and quantities of assets (treasures) that the company currently possesses (Kasmir, 2019). The stages in analyzing financial performance are:
1. Reviewing financial reports
2. Calculating analysis of confidence reports

3.   Make a comparison of the results obtained
4.   Interpretation of the problems found
5.   Search for and provide solutions to problems found.

Profitability Ratio

The profitability ratio is one of the calculations to see the profits expected by a company in running a business or company (Kasmir, 2019). This ratio emphasizes calculating company profits by looking at the sustainability of the business being run for the future. This measurement can be known by several types of ratios, namely:

1.   Profit Margin
     A measure of financial success using gross profit margin considers profitability in terms of gross profit generated for each sale. The better the financial situation, the higher the gross profit achieved.
2.   Net Profit Margin
     The company's net income is calculated as part of this assessment. A company's capacity to make profits is enhanced by increasing revenues.
3.   Return on Asset
     An assessment of an organization's ability to make money after taxes from all of its assets. Therefore, when preparing financial accounts, you might show a profit after EBIT/Earnings Before Interest and Tax and before interest.

Working Capital

Working Capital or what is usually called working capital is an important part of a company. Working capital is very necessary to meet the company's daily operational needs. Apart from other crucial elements, such as technology, economics, organization, legality, and human resources. Business capital has a very important role because it is the basis for every business activity that will be or has been carried out. The primary factor in business operations is capital since it is necessary for anyone wishing to launch or manage a firm, and the amount of capital can dictate the kind of business that is conducted. The importance of working capital influences every cost incurred or the company's operations every day. Increased sales volumes, facilitated by effective working capital management, lead to increased profitability ratios (Arifin, 2023). High working capital turnover indicates efficient use of capital, which can increase profitability, although some studies show mixed results (Dewi et al., 2023); Sulbahri, 2022).

Sales Volume

Every sales activity carried out is the main income earned by the Company. Every product or service sales activity if not managed properly will cause losses to the Company. Sales is a common activity in the Company and the gross amount charged to consumers for goods and services. Sales activities consist of a series of activities covering the creation of demand, determining who the buyer is, and conducting negotiations on price and payment terms. Factors that are important in influencing sales are the presence of distribution channels to see every market opportunity so that it can be known that the company is getting maximum profit. The widening chain of distribution channels will have a greater impact on the costs incurred, but what we need to pay attention to is that the growing channels will lead to an increase in sales leading to an increase in sales volume. Costs are the price of the sacrifices made in order to gain goods or services that will be beneficial for more than one annual accounting period or that will be useful in the future. If fixed and variable costs are properly handled, increasing sales volume can result in better profitability (Ilie & Ileana-Sorina, 2017). However, research findings also reveal a complex relationship where higher sales growth can be correlated with increased profitability ratios. This shows that excessive sales growth can cause financial difficulties if not monitored properly (Prapanca & Kumalasari, 2023).

Furthermore, determining the selling price sometimes results in financial problems for the Company which have fatal and detrimental consequences for Company business continuity. The aim of determining the selling price is to increase the sales volume obtained by the Company in each period. If the sales volume in a company is increased, the company's profits will increase. Sales volume is the most important thing in the Company with a set number of units in a certain period. Apart from achieving maximum profits, the Company's survival in the future needs to be a concern. Profit is the difference between income and costs over a certain period. Sales volume states that sales volume is the final result of the company's achievements from the sales of products produced by the company (Kasmir, 2019). Sales volume is not separated by cash or credit but is calculated as a total achieved(Supriyanti et al., 2023). Factors that are very important in influencing sales are as follows:

1. Seller Conditions and Capabilities Due to achieving the expected sales targets, therefore sellers must understand every important issue related to sales including the type and characteristics of the products offered, the price of a product, and the Terms of Sale.
2. Market Conditions: By keeping an eye on the following market conditions, the market is utilized as a group of buyers who are targeted for sales:
    a. Market Type
    b. Buyer groups or international segments
    c. People's purchasing power
    d. Buyer frequency
    e. Look at needs and wants
3. Capital to finance the Company's operational activities so that the Company can run smoothly and quickly.
4. Organizational conditions of the company
5. Additional elements like promotions, product displays, gift-giving, discounts, and so forth.

Research Framework

Micro, Small, and Medium Businesses' (MSMEs') digitalization is essential for improving working capital management and increasing sales. By leveraging digital marketing and financial management tools, MSMEs can optimize their operations and reach broader markets. The following sections outline the key aspects of this transformation. The following is the conceptual framework in this study.
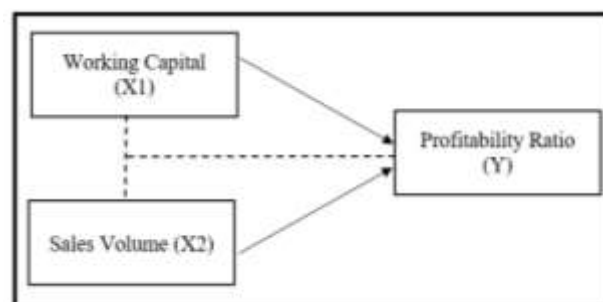

Figure 1. Research framework

The theory explained above states that the measure of financial success using gross profit margin considers the profit in terms of generating gross profit for each sale. The better of financial situation, the higher gross profit achieved. Increased sales volumes, facilitated by effective working capital management, lead to increased profitability ratios (Arifin, 2023). High working capital turnover indicates efficient use of capital, which can increase profitability, although some studies show mixed results (Dewi et al., 2023; Sulbahri, 2022). Sales volume states that sales volume is the final result of the company's achievements from the sales of products produced by the company (Kasmir, 2019). Sales volume is not separated by cash or credit but is calculated as a total achieved (Supriyanti et al.,

2023). Empirical reviews explained that it was shown that working capital turnover has a significant impact on profitability (Machmud et al., 2023). The study by (Putri & Kusumawati, 2020) discovered that because the research variables varied inconsistently, the working capital turnover variable had a minor and non-significant impact on the profitability of food and beverage companies listed on the IDX between 2013 and 2017. Based on the explanation the hypothesis of this research is 1) working capital and sales volume simultaneously has a significant positive effect in increasing profitability ratios in the era of the digital revolution among MSMEs in Majene Regency ; 2) Working capital partially has a significant positive effect in increasing profitability ratios in the era of the digital revolution among MSMEs in Majene Regency. ; 3) Sales volume partially has a significant positive effect in increasing profitability ratios in the era of the digital revolution among MSMEs in Majene Regency.

RESEARCH METHODS

Descriptive quantitative research is the kind of study that was conducted. Using hypotheses, a descriptive technique can give a summary of the variables under study and establish the causal relationship between them. This study looks at a certain group or sample in order to test the hypothesis that has been developed. (Saunders et al., 2009). Secondary data from MSME annual financial reports is used in this study's data collection method. The acquired data is then calculated using the procedure below.

Table 1. Variables and Measurements

Variabel	Measurement	References
Working Capital (X1)	$Working\ Capital = Current\ Assets - Current\ Liabilities$	(Kasmir, 2019; Puspitasari & Ruchjana, 2022)
Sale	$Sale = Total\ Net\ Sales$	(Kasmir, 2019; Puspitasari & Ruchjana, 2022)
Profitabilty Ration	$Return\ on\ Equity = \dfrac{Net\ Profit}{Equity}$	(Kasmir, 2019)

Source: Processed by researchers in 2024.

The calculated data is then analyzed using statistical analysis and processed using the SPSS 27 analysis tool.

Population, Sample, and Sampling Technique

The population in this study was 151 actors in the Majene Regency, West Sulawesi (Majene Regency Government, 2021). The sampling technique is purposive sampling with criteria 1). MSME actors in the Majene Regency area, 2) MSME actors who consistently make and present financial reports for at least 2 years, and 3). MSME actors who utilize digitalization in creating and presenting financial reports. to apply Roscoe's theory to calculate the number of samples that will be used in this investigation. In order for the number of sample members to be at least ten times the variable being studied, Roscoe states that the ideal sample size for research is between thirty and five hundred (Sugiyono, 2022). Accordingly, there were 30 samples in this study (10 samples x 3 variables).

Data Analysis Techniques

Descriptive quantitative research is used in this study's data analysis to explain the traits and evolution of the independent and dependent variables. Statistics that describe the acquired data as it is, without drawing generalizable inferences, are known as descriptive statistics (Smith, 2003). The quantitative description of each variable will be used as the basis for multiple linear regression analysis.

The formula is used to handle secondary data in the form of MSME financial statements (shown in table 1). Following that, the SPSS 27 software analysis tool is used to process the computation findings. The SPSS 27 software is used in this multiple linear analysis to examine if there is a linear relationship between the independent and dependent variables, both partially and simultaneously. To quantify the impact of the independent variable (X) on the dependent variable (Y), multiple linear analysis is employed. The formula for multiple regression analysis is as follows:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + e$$

RESULTS

Data regarding respondents in this study were obtained from the respondents' personal data on the questionnaire sheet. The grouping of respondents' personal data consists of gender, type of business and time of running the business. Data regarding respondents' personal data can be seen in the following table:

Table 2. Respondent Characterictic

No.	Decription	Frequency	Percentage
1.	Gender:		
	a. Man	18	60%
	b. Woman	12	407%
		30	**100%**
2.	Type of Business		
	a. Culinary Business	7	23.3 %
	b. Fashion Business	3	10%
	c. Automotive Business	3	10%
	d. Retail Business	7	23.3%
	e. Others	10	33.4%
		30	**100%**
3.	Long run the business		
	a. ≥ 2 Years	11	36.65%
	b. > 2 Years – 5 Years	8	26.7 %
	c. > 5 Years	11	36.65%
		30	**100%**

Source: Processed by researchers in 2024.

Validity Test

The purpose of this test is to ascertain how well the measuring tool can capture the desired measurement. The purpose of the validity test in this study is to determine whether the provided list of statements and questions can measure the variables you wish to examine. The correlation between each question, statement, or item and the construct score is computed in order to perform the validity test.

Comparing the computed r-value with the r table for the degree of freedom (df) = n – 2, which is the number of samples, is how the significance test is performed (Ghozali, 2016). The size of the df can be computed as 30 – 2 = 28 and the number of samples used in this study (n) = 30. As can be seen in the r table at df = 28 with two test sides, the value of df = 28 and alpha = 0.05 was obtained in the r table = 0.360. The validity test's findings are as follows.

Table 3. Validity Test Results

Research Variables	r count	r critical	Status
Working Capital	0.564	0,360	Valid
Sales Volume	0.564	0,360	Valid
ROE	0.387	0,360	Valid

Source: Processed data, 2024.

Reliability Test

A questionnaire was utilized in this study to collect data. Because questionnaires gave respondents more freedom to answer, researchers decided to employ them. Consequently, the questionnaire that was utilized has an unmeasured degree of consistency. This test is designed to assess the questionnaire's degree of accuracy, stability, or consistency in identifying certain symptoms in a sample of people. Once every instrument used in this study has been deemed legitimate, reliability testing must be done to evaluate the instruments' dependability.

Table 4. Realibility Test Results

Reliability Statistics	
Cronbach's Alpha	N of Items
.733	3

Source: *Output SPSS 27 for windows*, 2024.

This study's reliability test makes use of Cronbach Alpha (a), a statistical test procedure. To determine if a variable or construct is dependable if it yields a value Alpha Cronbach > 0.60 (Ghozali, 2016), The data is deemed credible based on statistical testing utilizing SPSS 27 value results, with Cronbach Alpha totaling 0.733 > 0.60.

Uji Asumsi Klasik
Normality Test

The normality test aims to determine whether a regression model and the variables studied have a normal distribution or not. This research uses parametric statistics, so the data on each variable must be tested for normality. The method that can be used is to look at the values in the test results from *One Sample Kolmogorof* by using *One Sample Kolmogorof Smirnov-Test* (α value = 5%). Election *One Sample Kolmogorof Smirnov-Test* as a normality measuring tool aims to find out the significant value. Significant value from testing *One Sample Kolmogorof Smirnov-Test* more than 0.05 then the data has a normal distribution (Ghozali, 2016). The results can be seen in Table 2 below.

Table 5. Test Results Kolmogorov-Smirnov (KS)

| One Sample Kolmogorov Smirnov Test		
		Unstandardized Residual
N		30
Normal Parameters[,b]	Mean	.0000000
	Std. Deviation	.16433417
Most Extreme Differences	Absolute	.143
	Positive	.143
	Negative	-.143
Kolmogorov-Smirnov Z (test Statistic)		.143
Asymp. Sig. (2-tailed)		.119

Source: *Output SPSS 27 for windows*, 2024.

According to the above table, the results of the normality test indicate that the residual is normally distributed. The uji Kolmogorov-Smirnov value obtained was 0.143, and the Kolmogorov-Smirnov Z value was 0.119, or greater than 0.05.

Heteroscedasticity Test

The test for heteroscedasticity, also known as homoscedasticity, looks for evidence of variance inequality between the residuals of different observations in a regression model. Additionally, it is known as heteroscedasticity if the variances are different. When a regression model is good, heteroscedasticity is not present. In this study, heteroscedasticity was tested by examining the graph scatterplot between the independent variable (SRESID) and the dependent variable (ZPRED) (Ghozali, 2014) based on the premise that:

1. Heteroscedasticity arises when a particular pattern of dots (point-point) produces a regular pattern (wavy, widens, then narrows).
2. Heteroscedasticity does not arise if there is no discernible pattern and dots (point-point) dispersed above and below 0 on the Y axis.
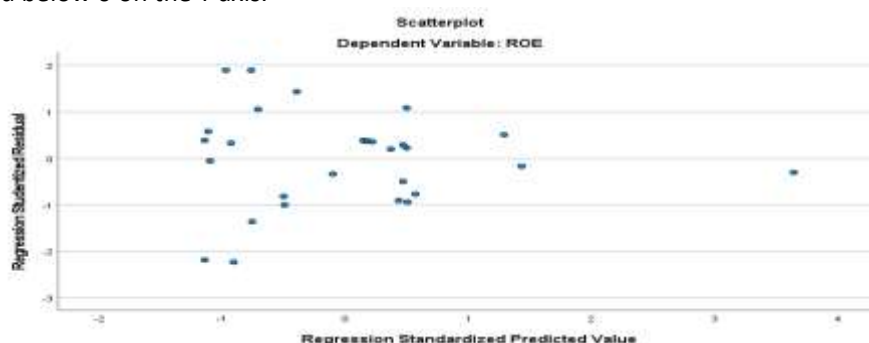
Figure 2 Heteroscedasticity test
Source: Output SPSS 27 for Windows, 2024.

Figure 2 above illustrates how the dots are dispersed at random, both above and below the Y-axis's zero point. This indicates that the regression model is appropriate for usage because it does not contain heteroscedasticity.

Multicorearity Test

In order to assess whether a linear link between independent variables in the regression model exists or not, the multicollinearity test is used to test for multicollinearity symptoms. There must be no signs of multicollinearity in the independent variables, according to the multicollinearity assumption. The variance inflation factor, or VIF, was employed in this study to determine whether or not there is multicollinearity among the independent variables. Based on the output of data analysis using SPSS for Windows version 27, you may view the multicollinearity test results, which display the VIF value for each independent variable, as follows in Table 6:

Table 6. Multicollinearity Test Results

	Coefficients[a]						
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	.604	.066		9.112	.000		
MK	3.332E-10	.000	.405	2.242	.081	.681	1.468
VP	5.006E-10	.000	.630	1.941	.000	.681	1.468

a. Dependent Variable: ROE

Source: Output SPSS 27, 2024

Table 6 above suggests that either there is no association between independent variables or multicollinearity symptoms are not present. The value calculation's outcomes demonstrate this. No independent variable has a value less than 0.10, indicating that tolerance indicates that no independent variable has a value more than 95%. It can be inferred from the value calculation results that there is no multicollinearity among the independent variables in the regression model because not a single independent variable has a Variance Inflation Factor (VIF) value greater than 10.

Autokorelasi Test

The purpose of the autocorrelation test is to determine whether serial conditions between confounding variables exist in the regression equation. (Sugiyono, 2022). Autocorrelation testing in the following study uses the Durbin Watson (DW) test approach. To find out whether the model occurs or there is no serial correlation between error terms is DW> dU or < 4-dU. The results of the autocorrelation test are described as follows.

Table 7. Autocorrelation Test Results

Model Summary				
Model	R	R Square	Adjusted R Square	Durbin-Watson
1	.474ᵃ	.435	.458	1.823

a. Predictors: (Constant), VP, MK
b. Dependent Variable: ROA
Source: Processed by researchers in 2024

Based on table 7 above, the Durbin-Watson value is (d) 1,823. It is known that the upper limit (dU) is 1,650 (N 30, k 3) so that the value (4-dU) is 2.176. Based on this, the Durbin-Watson value lies between dU and (4-dU) or 1,650 < 1,823 < 2,176. It can be concluded that the Durbin-Watson value illustrates the absence of autocorrelation in this study.

Results of Multiple Regression Analysis

Using two or more independent variables as predictor factors, multiple linear regression analysis is used to determine how the dependent variable can be predicted. This study attempts to determine the extent to which working capital and sales volume contribute to raising the profitability ratio for MSMEs in Majene Regency during the digital revolution. Multiple regression results are displayed as follows based on the output of the SPSS for Windows version 27 program:

Table 8. Multiple Regression Calculation Results

No.	Independent Variable	Dependent Variable (Y= Profitability Ratio)		
		Regression Coefficient (B)	t Test Results	Probability (Sig t)
1.	Constanta a	0,604	9,112	0,253
2.	Working Capital	3,332	2,242	0,091
3.	Sales Volume	5.005	1,941	0,000

R   = 0,474 F_{count} = 4.095 Say = 0.020
R *Square*   = 0,435 F_{table} = 3,35
Adjust R Square   = 0,458 t_{table} = 1,703

Source: Processed by researchers in 2024.

Based on the regression coefficient values obtained from the results of the multiple linear regression analysis above, the regression model equation that describes the role of working capital and sales volume on profitability is as follows:

$$Y = 0,604 + 3,332X_1 + 5.005X_2 + e$$

The degree to which the independent variable influences the dependent variable is summarized in the equation above. When both X coefficients (working capital) and X2 (sales volume) are positive, it means that the independent and dependent variables are influenced in only one direction. Here is an explanation of this equation:

1. The constant value (a) of 0.604 indicates that the profitability is 0.604 if the independent variables (X1 and X2) are fixed or remain constant (zero value). The following is the explanation:
   Profitability = 0,604 + 3,332 (0) + 5,005 (0)
   = 0,604

2. Working capital, or X1, has a positive regression coefficient of 3,332. This indicates that profitability will change by -2.728 in the same direction for every unit change in the working capital variable, assuming all other variables remain constant. The following is the mathematical description:
   Profitability = 0,604 + 3,332 (1) + 5,005 (0)
   = 3,936

3. The regression coefficient for X_2 (sales volume) is 5.005 and has a positive sign. This indicates that profitability will change by 0.258 in the same direction for every unit change in the sales volume variable, assuming all other variables remain constant. The following is the mathematical description:
   Profitability = 0,604 + 3,332 (0) + 5,005 (1)
   = 5,609

Determining the degree or amount of closeness of the relationship between each independent variable is the goal of the correlation coefficient (R). 0.474, or 47.4%, was the correlation coefficient (R) value in this study (table 6.6). This indicates that there is a correlation between the independent variables (working capital and sales volume) and the dependent variable (profitability). Working capital variables and sales volume have a somewhat close association with profitability, according to Sugiyono (2020) correlation coefficient interpretation criteria. In simpler terms, Table 4.13 displays it as follows:

Table 9. Interpretation of Correlation Coefficients

Interval Coefficient	Relationship Level
0,000-0,199	Very low
0,200-0,399	Low
0,400-0,599	**Currently**
0,600-0,799	Strong
0,800-1,000	Very strong

Source: Sugiyono, 2022.

The Adjust R square value, which is 0.458, indicates the extent of the independent variables' combined influence. According to this number, the dependent variable is influenced by changes in the two independent variables by 45.8%. Meanwhile, other factors not covered in this study had an impact on the remaining 54.2% (100%-45.8%).

F Test (Simultaneous Test)

To ascertain whether all independent variables (X) concurrently have a meaningful impact on the dependent variable (Y), the F test is utilized. An F value of 4.095 > F_{table} of 3.35 was produced based on the findings of the ANOVA test (Analysis of Varian), and the significance level is lower than the threshold of incredulity (0.020 < 0.05). These findings suggest that working capital and sales volume have a simultaneous impact on profitability, supporting the first study hypothesis, which holds that working capital and sales volume have a simultaneous impact on profitability.

t Test (Partial Test)

Each independent variable's partly significant influence on the dependent variable is assessed using the t-test. Stated differently, the purpose of this test was to determine whether each independent variable alone continued to significantly contribute to the independent variable (Y). The statistical computation of the t-test for the two independent variables included in the regression model shows that:

1. For the working capital variable (X_1) obtained t value $_{counts}$ as big as 2,242 > t_{table} as big as 1.703 with a significance level of 0.091 > 0.05. Thus, this value means that partially the working capital variable (X_1) has an effect but is not significant on profitability (Y). This means that implementation in the use of working capital has a unidirectional relationship to company profitability. Based on these results, the second hypothesis of this research, namely that working capital influences the quality of financial reports, is accepted.

2. For the sales volume variable (X_2) obtained t value $_{count}$ amounting to 1.941 > t_{able} of 1.703 and the significance level is less than the 5% confidence level, namely 0.000 > 0.05. Thus, this value means that partially the sales volume variable (X_2) has a significant and influential effect on profitability. This means that the higher the sales volume, the better the profitability will be. Based on these results, the third hypothesis of this research, where sales volume influences the quality of financial reports, can be accepted.

DISCUSSION

The digitization of working capital and sales volume MSMEs significantly enhances their operational efficiency and financial management. By integrating digital tools, MSMEs can optimize their working capital management, leading to improved liquidity and profitability. This transformation is evident through various initiatives aimed at training and mentoring MSMEs in digital marketing and financial management, which have shown positive outcomes in skill enhancement and business growth. The results of data analysis in this research show that there is an influence of sales volume and profitability ratios on working capital, both partially and simultaneously. Sales volume affects working capital due to the emergence of an increase in sales which tends to require additional capital to support greater production, distribution, and operational activities. Furthermore, the profitability ratio reflects the company's efficiency in generating profits from existing capital. Higher profitability can result in greater cash flow, which in turn can be used to fund working capital more efficiently (Prapanca & Kumalasari, 2023). In general, the test results show that sales volume and profitability simultaneously have a significant effect on working capital, this indicates that an increase in these two variables will encourage an increase in working capital needs.

Working capital directly influences profitability metrics such as ROE. Studies indicate that a well-managed cash conversion cycle (CCC) can lead to increased sales, thereby enhancing ROE. Conversely, excessive investment in working capital can negatively impact profitability if the costs outweigh the benefits of holding inventory or extending credit (Mazanec, 2022). Sales volume plays an important role in determining working capital requirements (Tajdidah et al., 2023). Increasing sales volume usually requires additional working capital to support increased production, stock of goods, and other operational activities. Every increase in sales volume will result in a considerable rise in

working capital requirements, according to the partial test (t-test) results, if the regression coefficient for sales volume on working capital is positive and significant. This makes sense since businesses require more labor, raw materials, and operating expenses to meet rising demand as sales rise, necessitating an increase in working capital.

However, the profitability ratio shows how well the business—in this case, the Majene Regency MSME actors—produces earnings. The way the business uses its income determines how profitability affects working capital to some extent. If working capital is positively impacted by the profitability ratio, then MSMEs employ the majority of their profits to boost working capital in order to support business expansion and improve short-term liquidity. However, if the impact is negligible or negative, it means that the business is not using its profits to increase working capital but rather for other things like dividend payments or investments in long-term assets (Dewi et al., 2023).

This research shows that sales volume has a significant influence on the profitability of MSMEs in Majene Regency while working capital has an influence but is not significant. These results provide a recommendation that increasing sales volume is a key factor in increasing MSME profitability, while working capital remains important, although not dominant in increasing profitability (Dintha & Surachim, 2017; Kristiana & Karnasi, 2024). In line with the findings of this research, MSME actors in Majene Regency Often leave optimization of The Use of Working Capital and Focus on Cash Receipt. This research can provide a basis for developing policies that support increasing MSME profitability, especially in terms of sales management and better access to capital.

CONCLUSION

The following are the conclusions of this research.

The profitability of MSMEs in the Majene Regency is positively impacted by working capital, however this effect is not statistically significant. This demonstrates that while raising working capital can support company operations, it is insufficient to boost profitability directly. This could be brought on by working capital management issues in the MSME sector or by less-than-ideal working capital use. The profitability of MSME's is positively and significantly impacted by sales volume. This indicates that a rise in sales volume directly affects the earnings made by MSMEs. A company's ability to turn a profit is mostly determined by its increased sales. Profitability is significantly impacted by both working capital and sales volume at the same time. Together, these two factors contribute to MSMEs' increased capacity for profit-making, with sales volume being the more important component.

SUGGESTION

The following are suggestions in this research.

1. Theoretical suggestions

   In addition to providing readers with further references and input, this study is anticipated to serve as a further source of financial accounting expertise and information pertaining to working capital, sales, and profitability ratios. In addition to the variables included in this study, future research will be able to add more variables or search for any other aspects that may influence net income.

2. Practice Suggestions

   MSMEs in the Majene Regency need to further optimize the use of working capital to make it more efficient and have a significant impact on profitability. This can be done through training in financial management and better working capital management, including managing cash flow and inventory. Otherwise, Sales volume has a significant effect on profitability, indicating that MSMEs must focus on effective marketing and sales strategies to increase sales volume. MSMEs can take advantage of digital platforms to expand markets, increase access to customers, and introduce products to a wider market. Besides that, to increase the profitability of MSMEs, they

need to consider diversifying the products or services they offer. This can help increase income and reduce dependence on one particular type of product or service.

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