



The Effect of Working Capital Turnover, Cash Turnover and Current Ratio, on Capital Structure, Through the Net Profit Margin of Basic and Chemical Industry Companies Listed on the Indonesia Stock Exchange in the 2017-2019 Period

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Abstract

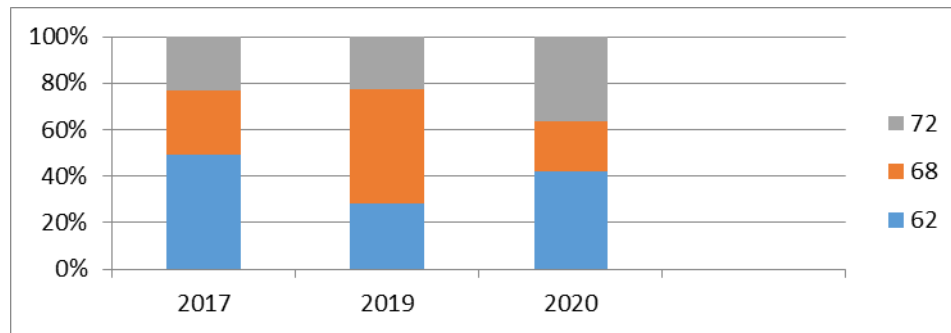
This study aims to examine and analyze the capital structure of the sub-sector of basic and chemical industrial companies listed on the Indonesia Stock Exchange. The variables tested include Working Capital Turnover, Cash Turnover, Current Ratio and Capital Structure with Net Profit Margin as the intervening variable. This study involved the sub-sector of basic and chemical industry companies listed on the Indonesia Stock Exchange during the period 2017 - 2019. The sample selection was carried out using the purposive sampling method. The data used is external data, which is obtained from the website www.idx.co.id. The data analysis process is carried out by calculating the PLS Algorithm using SmartPLS and then testing the hypothesis. The results showed that Working Capital Turnover and Current Ratio had an effect on the direction of a positive relationship to Capital Structure, Cash Turnover had no effect on Capital Structure, Net Profit Margin was able to mediate the effect of Working Capital Turnover and Current Ratio on Capital Structure. Net Profit Margin is not able to mediate the effect of Cash Turnover on Capital Structure.

Keywords: *Working Capital Turnover; Cash Turnover; Current Ratio; Capital Structure and Net Profit Margin*

Introduction

The basic industrial and chemical sectors represent elements used in everyday life. Almost all products of daily life are products of basic and chemical industrial companies. Cultivation of plants and animals requires chemical fertilizers such as feed (pet food), insecticides and pesticides. Various building materials and equipment construction materials are the result of chemical processing, such as metals, cement, lime, ceramics, plastics and paints. Clothing materials use synthetic fibers and dyes. Transportation depends on the availability of gasoline and similar fuels. Written communication uses paper and printing ink, while electronic communication requires chemically treated insulating and conductor materials. Public health is maintained and maintained with drugs and pharmaceutical materials,

The Indonesia Stock Exchange consists of 9 industrial sectors, 193 manufacturing companies from the many industrial sectors on the Indonesia Stock Exchange, manufacturing is the largest company on the Indonesia Stock Exchange. The basic and chemical industry sectors were selected as samples of manufacturing companies to be studied. Companies or issuers included in the Basic and Chemical Industry Sector are: (1) cement sub-sector, (2) ceramic, porcelain, and glass sub-sector, (3) metal and similar sub-sector, (4) sub-sector chemical, (5) plastic and packaging sub-sector, (6) animal feed sub-sector, (7) wood and processing sub-sector, and (8) pulp and paper sub-sector. From each sub-sector, each has different industry criteria. The Basic and Chemical Industry Sub-Sector is a sector that produces products needed by other industries that are components of daily life. The following is the development of the Basic and Chemical Industry Sub-Sectors listed on the Indonesia Stock Exchange for the period 2017-2019.



“Graph of the Development of the Number of Companies in the Basic and Chemical Industry Sub-Sector on the Indonesia Stock Exchange for the 2017-2019 Period”

In the current global economic situation, companies are required to be able to compete tightly. This causes companies in the Basic and Chemical Industry Sub-Sector to try to survive. Not only that, even every company needs to consistently produce effectively and efficiently and must also have a good competitive advantage in the fields of technology, product production and human resources.

Based on the company's development, the Basic and Chemical Industry Sub-Sector has increased every year. This increase proves that the Basic and Chemical Industry Sub-Sector is one of the sectors that supports the country's economic growth. Capital Structure Policy is the company's policy in selecting sources of funds, both internal and external. The company's internal sources of funds come from retained earnings while external sources of funds come from debt and share issuance. The importance of capital structure is due to the relationship between firm value and the cost of capital issued. In connection with the presentation of financial statements to external parties such as investors and creditors, every company must have a good capital structure.

Capital structure itself is the proportion of use between debt and equity. Management as the manager of the company must of course be able to balance the use of debt and equity to achieve an optimal capital structure. Own capital is not sufficient for the entire Capital Structure, the company requires debt or foreign capital to meet the increase in Capital Structure. Each source of funds has a different level of risk and rate of return. Funding through debt causes a trade-off between the level of risk and the rate of return. The addition of debt can increase the risk of the company so that it can reduce the value of the company which will also make shareholders think twice about continuing to invest.

Capital structure is also referred to as a comparison between the working capital turnover ratio owned by a company and the working capital turnover obtained from outside the company. Capital Structure talks about financial participation in supporting operational activities, this accuracy in choosing Working Capital Turnover will be able to produce an optimal Capital Structure that is a balance between

Cash Turnover risk and Cash Turnover return so as to maximize net profit. Capital structure can have a direct influence on the amount of risk borne by shareholders and also the expected rate of return or profit. Thus it can be said that the Capital Structure is an important issue in making corporate funding decisions. So therefore, a financial manager must be smart in making decisions and determining the right composition of the Capital Structure. Capital Structure Policy is the company's policy in selecting sources of funds, both internal and external. Capital structure is a measure of the financial performance of a company that shows the presentation of the provision of funds by shareholders to investors. A company that is good in the field of capital if most of the capital used for investment and operations comes from internal funds but limited internal funding sources, owned by the company must also look for alternative funding sourced from the company's external funds. Capital Structure Policy is the company's policy in selecting sources of funds, both internal and external. Capital structure is a measure of the financial performance of a company that shows the presentation of the provision of funds by shareholders to investors. A company that is good in the field of capital if most of the capital used for investment and operations comes from internal funds but limited internal funding sources, owned by the company must also look for alternative funding sourced from the company's external funds. Capital Structure Policy is the company's policy in selecting sources of funds, both internal and external. Capital structure is a measure of the financial performance of a company that shows the presentation of the provision of funds by shareholders to investors. A company that is good in the field of capital if most of the capital used for investment and operations comes from internal funds but limited internal funding sources, owned by the company must also look for alternative funding sourced from the company's external funds. Capital structure is a measure of the financial performance of a company that shows the presentation of the provision of funds by shareholders to investors. A company that is good in the field of capital if most of the capital used for investment and operations comes from internal funds but limited internal funding sources, owned by the company must also look for alternative funding sourced from the company's external funds. Capital structure is a measure of the financial performance of a company that shows the presentation of the provision of funds by shareholders to investors. A company that is good in the field of capital if most of the capital used for investment and operations comes from internal funds but limited internal funding sources, owned by the company must also look for alternative funding sourced from the company's external funds.

The problem of working capital turnover is an endless problem, as long as the company provides the necessary funding for the company's activities. Having a good Working Capital Turnover will allow the company to carry out its activities without encountering difficulties and obstacles. Excessive working capital turnover indicates insufficient productive capital, which results in losses because the available funds are not used for the company's activities. The Working Capital Turnover period starts from the cash invested in the working capital components until they turn back into cash associated with the Cash Turnover itself.

Given the importance of working capital turnover, companies must plan cash turnover to generate as much money or capital as possible so that the company can run in the future and grow well. One of the important things that must be considered is the decision on Capital Structure. Capital structure is a balance between debt and capital owned by the company in order to achieve a good Net Profit Margin within the company. As for the acquisition of Working Capital Turnover obtained by the company from within the company, namely the working capital of the owner of the company itself, while from outside it comes from shares and creditors, in this case the company will be better off if the company takes working capital turnover from investors, because if the company experiences a good increase, the dividends received by employees will also be more and more, but if you make a loan from a creditor, the company will also pay the loan along with the interest. The greater the Working Capital Turnover owned by the company that comes from the owner, the better it will be than that obtained from outside parties because it will reduce the cost of dividends and interest costs within one accounting period.

Cash turnover has the ability to generate income, so it can be seen how many times cash flows in one period. Because the higher the cash turnover rate, the faster cash flows into the company, smoother cash will improve the company's finances. This ratio is a ratio that serves to measure the level of adequacy of the company's Working Capital Turnover, it is desired to pay bills and sales, in other words Cash turnover talks about how the ability of cash to generate higher income and how the company if the company makes a Working Capital Turnover to make a product and will as soon as possible get a good Cash Turnover,

Current Ratio or current ratio is current assets divided by current liabilities, if the Current Ratio is high then the company's capital structure will be better, because when the current ratio also increases, the company's loans will decrease.

Net Profit Margin or net profit is one of the components that can be used as material for the company's financial analysis. This is because the figures from the Net Profit Margin can show the company's ability to earn profit (profit) from earnings. The higher the Net Profit Margin or net profit obtained by the company, the higher the cost of dividends that will be distributed to financial managers in a company. And if the Net Profit Margin or net profit is high, the capital owned by the company will be higher than the capital obtained from outside parties.

The capital structure determined by the manager is often in conflict with the shareholders due to differences of opinion among the shareholders, resulting in slow growth and low profits in the company itself and therefore the Working Capital Turnover is not processed properly which results in the Cash Turnover being neglected and The current ratio cannot be fulfilled so that the net profit is not as expected by the company.

Based on the background and phenomena, the authors are interested in re-examining the Capital Structure and several factors that influence it with independent variables, namely Working Capital Turnover, Cash Turnover, and Current Ratio, which is one of the simple analyzes that can be done, especially for beginner company investors to see business continuity. where they will invest capital, then with the three analyzes it is felt that it is in line with the condition of the basic materials and chemical sub-sector companies which have many components in it. In addition, the thing that distinguishes this research from previous research is the use of Net Profit Margin as the intervening variable on Capital Structure as the dependent variable. Therefore, researchers are interested in conducting a study with the title

"The Influence of Working Capital Turnover, Cash Turnover, and Current Ratio on Capital Structure and Net Profit Margin as Intervening Variables in Manufacturing Companies in the Basic and Chemical Industry Sector Listed on the IDX in the 2017-2019 period".

The hypotheses of this study are:

H1: Working Capital Turnover has an effect on the Capital Structure of the Sub-Sector of Basic and Chemical Industry Companies listed on the Indonesia Stock Exchange for the 2014-2019 Period.

H2: Cash Turnover has an effect on the Capital Structure of the Sub-Sector of Basic and Chemical Industry Companies listed on the Indonesia Stock Exchange for the 2014-2019 Period.

H3: Current Ratio has an effect on Capital Structure in the Sub-Sector of Basic and Chemical Industry Companies listed on the Indonesia Stock Exchange for the 2014-2019 Period.

H4: Working Capital Turnover has an effect on Capital Structure through Net Profit Margin as an Intervening variable in the Sub-Sector of Basic and Chemical Industry Companies listed on the Indonesia Stock Exchange for the 2014-2019 Period.

H5: Cash Turnover has an effect on Capital Structure through Net Profit Margin as an Intervening variable in the Sub-Sector of Basic and Chemical Industry Companies listed on the Indonesia Stock Exchange for the 2014-2019 Period.

H6: Current Ratio has an effect on Capital Structure through Net Profit Margin as an Intervening variable in the Sub-Sector of Basic and Chemical Industry Companies listed on the Indonesia Stock Exchange for the 2014-2019 Period.

Method

The sampling technique in this study used purposive sampling method. According to Sugiyono (2012), purposive sampling is a sampling technique of data sources with certain considerations. The sampling criteria in this study are as follows:

1. In the Sub-Sector of Basic Industry and Chemical Companies listed on the Indonesia Stock Exchange for the 2014-2019 Period.
2. Sub-Sector of Basic Industry and Chemical Companies that did not earn negative profits during the observation period. This requirement is set because it is to find out the value of the capital structure and net profit margin in a state of profit.
3. Sub-Sector Company Basic and Chemical Industry Companies that publish financial reports during the observation period.

Based on the sample selection criteria above, the research sample of companies in the Basic and Chemical Industry Sub-Sector with the scope of data studied for 3 years becomes 144. Purposive sampling is part of non-probability sampling where the sample studied can be generalized to companies that meet the criteria. which has been set.

Population Sugiyono (2012) defines population as a generalization area consisting of objects and subjects that have certain qualities and characteristics determined by researchers to study and then draw conclusions. The population in this study is the sub-sector of basic and chemical industrial companies listed on the Indonesia Stock Exchange for the 2017-2019 period, with a total of 74 companies.

No	Information	Amount
	Total population of basic and chemical company sub-sector	75
1.	Sub-sector of basic and chemical industry companies not listed on the IDX during the observation period	(1)
2.	Sub-sector of basic and chemical industry companies earn negative profit during the observation period	(24)
3.	Sub-sector of basic and chemical industry companies does not publish its financial statements during the observation period	(2)
	Number of sub-sectors of basic and chemical industry companies sampled	48
	Number of samples x 3 years	144

Hypothesis testing is done by statistical t test (t-test). if the p-value obtained for this test is < 0.05 ($\alpha = 5\%$), which means the test is significant. And vice versa, if the p-value is > 0.05 ($\alpha = 5\%$), then it is not significant. When the results of hypothesis testing for the external model are significant, indicating that the metric is seen as a tool for measuring latent variables. At the same time, if the test results of the internal model are significant, it can be interpreted as having a significant influence on one latent variable to another latent variable.

In this study, the structural model analyzed meets the reflective model with all indicators of three exogenous variables, namely: Working Capital Turnover (X1), Cash Turnover (X2) and Current Ratio (X3). The formative construct assumes that the indicator affects the latent construct/variable (direction of causality from indicator to construct). In this study, the structural model analyzed meets the formative model with all indicators of endogenous variables, namely: Capital Structure (Y).

The PLS evaluation model based on further explanation is on predictive measurements that have non-parametric properties. Therefore, the PLS evaluation model is carried out by assessing the outer model and inner model. The first stage in the evaluation of the model, namely the evaluation of the measurement model (outer model). In PLS-SEM this stage is known as construct validity test. The construct validity test in PLS-SEM consists of convergent validity and discriminant validity. According to Jogiyanto (2011: 70), the strong correlation between the construct and the question items and the weak relationship with other variables is one way to test construct validity. Construct validity consists of convergent validity and discriminant validity. The evaluation of the outer model is also called the evaluation of the measurement model which is carried out to assess the validity and reliability of the model. Outer models with reflective indicators are evaluated through convergent and discriminant validity for indicators forming latent constructs, as well as through composite reliability and Cronbach alpha for indicator blocks. Convergent validity relates to the principle that the measurement (manifest variable) of a construct should be highly correlated. The convergent validity test of reflective indicators can be seen from the loading factor value for each construct, where the recommended loading factor value must be greater than 0.7 for confirmatory research and the loading factor value between 0.6 to 0.7 for research. which are explanatory are still acceptable, and the average variance extracted (AVE) value must be greater than 0.5. Discriminant validity relates to the principle that different constructs should not be correlated with height. The way to test discriminant validity with reflective indicators is to look at the cross loading value for each variable that must be > 0.70 . Another way that can be used to test discriminant validity is to compare the square root of the AVE for each construct with the correlation value between constructs in the model. Good discriminant validity shown from the square root of AVE for each construct is greater than the correlation between constructs in the model. Discriminant validity relates to the principle that different constructs should not be correlated with height. The way to test discriminant validity with reflective indicators is to look at the cross loading value for each variable that must be > 0.70 . Another way that can be used to test discriminant validity is to compare the square root of the AVE for each construct with the correlation value between constructs in the model. Good discriminant validity shown from the square root of AVE for each construct is greater than the correlation between constructs in the model. Discriminant validity relates to the principle that different constructs should not be correlated with height. The way to test discriminant validity with reflective indicators is to look at the cross loading value for each variable that must be > 0.70 . Another way that can be used to test discriminant validity is to compare the square root of the AVE for each construct with the correlation value between constructs in the model. Good discriminant validity shown from the square root of AVE for each construct is greater than the correlation between constructs in the model. Another way that can be used to test discriminant validity is to compare the square root of the AVE for each construct with the correlation value between constructs in the model. Good discriminant validity shown from the square root of AVE for each construct is greater than the correlation between constructs in the model. Another way that can be used to test discriminant validity is to compare the square root of the AVE for each construct with the correlation value between constructs in the model. Good discriminant validity shown from the square root of AVE for each construct is greater than the correlation between constructs in the model. Another way that can be used to test discriminant validity is to compare the square root of the AVE for each construct with the correlation value between constructs in the model. Good discriminant validity shown from the square root of AVE for each construct is greater than the correlation between constructs in the model.

Results and Discussion

Data Analysis Results

A. Evaluation of the Measurement Model (Outer Model)

Name	R-Square	R,Square Adjusted
Net Profit Margin (Z)	0.336	0.322
Capital Structure (Y)	0.978	0.978

Source: Secondary data processing, 2022

SM (Capital Structure) Value of R, Square Adjusted variable SM is 0.978. This shows that X1 (PMK), X2 (PK), X3 (CR) and Z (NPM) can explain SM (Y) by 97.8% and the remaining 2.2% will be explained by other variables outside of the research. researchers are currently doing.

NPM (Net Profit Margin) R value, Square Adjusted NPM variable is 0.322. This shows that X1 (PMK), X2 (PK), X3 (CR) can explain Z (NPM) by 32.2% and the remaining 67.8% will be explained by other variables outside the current research conducted by researchers.

B. Hypothesis Test Results

Name	Original Sample (O)	T, Statistics	V, Value
CR(X3) -> NPM(Z)	0.762	6,362	0.000
CR(X3) -> SM(Y)	0.699	8,449	0.000
NPM(Z) -> SM(Y)	0.281	3,586	0.000
PK(X2) -> NPM(Z)	-0.017	0.320	0.749
PK(X2) -> SM(Y)	0.001	0.108	0.914
PMK (X1) -> NPM (Z)	-0.246	3,251	0.001
PMK (X1) -> SM (Y)	0.129	1,987	0.047

Source: Processed data, 2022

It can be seen that the effect of Current Ratio (CR) on Net Profit Margin (NPM) and Current Ratio (CR) of Capital Structure (SM) has a P-Value <0.05, T-Statistics > 1.96 and Original Sample (O) < 0 which means it has an effect on the direction of a positive relationship, the effect of Cash Turnover (PK) on Net Profit Margin (NPM) and Working Capital Turnover (PMK) on Capital Structure (SM) has a P-Value <0.05, T-Statistics > 1.96 and Original Sample (O) < 0 which means it has an effect on the direction of a positive relationship. While the influence of Net Profit Margin (NPM) on Capital Structure (SM), Cash Turnover (PK) on Capital Structure (SM), Working Capital Turnover (PMK) on Capital Structure (SM) has a P-Value > 0.05 and T - Statistics < 1.96 which means no effect.

C. Table of Total Indirect Effects

Name	Original Sample(O)	T,Statistics	V, Value
X3 (CR) → Z (NPM) → Y (SM)	0.214	2,835	0.005
X3 (PK) → Z (NPM) → Y (SM)	-0.005	0.351	0.726
X1(NPM) → Z (NPM) → Y (SM)	-0.069	2,143	0.033

Source: Processed data, 2022

It can be seen the effect of Current Ratio (CR) on Capital Structure (SM) through Net Profit Margin (NPM), Cash Turnover (PK) on Capital Structure (SM) through Net Profit Margin (NPM) and Working Capital Turnover (PMK) on Capital Structure (SM) through Net Profit Margin (NPM) has a P-Value > 0.05 and T-Statistics < 1.96 which means that Net Profit Margin (NPM) is not able to mediate the effect of Working Capital Turnover (PMK), Cash Turnover (PK) and Current Ratio (CR) to Capital Structure (SM).

Hypothesis Testing:

H1. Hypothesis Test

Based on the results of the analysis in table 4.9 above, it can be seen that the path coefficient test results between Working Capital Turnover and Capital Structure have a parameter coefficient value of 0.129 with a significance value of T-Statistics $1.987 > 1.96$ and a P-Values value of $0.047 < 0.05$. This shows that Working Capital Turnover has an effect on the Capital Structure of the Sub-Sector of Basic and Chemical Industry Companies listed on the Indonesia Stock Exchange for the period 2017-2019. The first hypothesis is accepted.

H2. Hypothesis Testing

Based on the results of the analysis in table 4.9 above, it can be seen that the results of the path test Coefficient between Cash Turnover and Capital Structure have a parameter coefficient value of -0.001 with a significant T-Statistics value of $0.108 < 1.96$ and a P-Values value of $0.914 > 0.05$. This shows that Cash Turnover has no effect on the Capital Structure of the Sub-Sector of Basic and Chemical Industry Companies listed on the Indonesia Stock Exchange for the period 2017-2019. The second hypothesis is rejected.

H3. Hypothesis Testing

Based on the results of the analysis in table 4.9 above, it can be seen that the path coefficient test results between Current Ratio and Capital Structure have a parameter coefficient value of 0.699 with a T-Statistics significance value of $8.449 > 1.96$ and a P-Values value of $0.000 < 0.05$. This shows that the Current Ratio has an effect on the direction of a positive relationship to the Capital Structure in the Sub-Sector of Basic and Chemical Industry Companies listed on the Indonesia Stock Exchange for the period 2017-2019. The third hypothesis is accepted.

Hypothesis Test H4

Based on the results of the analysis in table 4.9 above, it can be seen the results of the path test Coefficient between Working Capital Turnover and Capital Structure through Net Profit Margin (NPM) has a parameter coefficient value of -0.069 with a significance value of T-Statistics $2.143 > 1.96$ and a P value -Values are $0.033 < 0.05$. This shows that Working Capital Turnover has an effect on Capital Structure through Net Profit Margin in the Sub-Sector of Basic and Chemical Industry Companies listed on the Indonesia Stock Exchange for the period 2017-2019. The fourth hypothesis is accepted.

H5. Hypothesis Testing

Based on the results of the analysis in table 4.9 above, it can be seen the results of the path test Coefficient between Cash Turnover and Capital Structure through Net Profit Margin (NPM) has a parameter coefficient value of -0.005 with a significance value of T-Statistics $0.351 < 1.96$ and a P-value Values are $0.726 > 0.05$. This shows that Cash Turnover has no effect on Capital Structure through Net Profit Margin in the Sub-Sector of Basic and Chemical Industry Companies listed on the Indonesia Stock Exchange for the period 2017-2019. The fifth hypothesis is rejected.

H6. Hypothesis Test

Based on the results of the analysis in table 4.9 above, it can be seen that the path test results Coefficient between Current Ratio and Capital Structure through Net Profit Margin (NPM) has a parameter coefficient value of 0.214 with a significance value of T-Statistics $2.835 > 1.96$ and a P-Values value. ie $0.005 < 0.05$. This shows that the Current Ratio affects the Capital Structure through the Net Profit Margin in the Sub-Sector of Basic and Chemical Industry Companies listed on the Indonesia Stock Exchange for the period 2017-2019. The sixth hypothesis is accepted.

Discussion of Research Results

❖ Effect of Working Capital Turnover on Capital Structure

The results show that Working Capital Turnover has an effect on the Capital Structure of the Sub-Sector of Basic and Chemical Industry Companies listed on the Indonesia Stock Exchange for the 2017-2019 period. This means that high working capital turnover has a very good impact on improving the company's capital structure. The results of this study are supported by research conducted by Setiawan et al. (2021) which states that working capital turnover has an effect on firm value. However, this study has a difference where in the research of Setiawan et al. (2021) examined the 2014-2018 period and the variables used were Working Capital Turnover on Company Size, while in this study used the 2017-2019 period and the variable Working Capital Turnover on Capital Structure and Setiawan et al. (2021) examined the Property and Real Estate Companies listed on the Indonesia Stock Exchange, but in this study the researchers used the Sub-Sector of Basic and Chemical Industry Companies listed on the Indonesia Stock Exchange. The difference in these sectors will certainly cause differences in research results due to different variables and company names.

The results of Tanri, J. et al (2020) research do not support this study which states that Sales Stability does not affect Capital Structure and what distinguishes this research from Tanri, J. et al (2020) research is in different variables where this researcher uses variables Sales Stability of Capital Structure, the year of research is 2014-2017. While in this study using the 2017-2019 period.

❖ Effect of Cash Turnover on Capital Structure

The results show that Cash Turnover has no effect on the Capital Structure of the Basic and Chemical Industry Sub-Sector Companies listed on the Indonesia Stock Exchange for the 2017-2019 period. This means that high or low Cash Turnover has no impact on the Capital Structure. Cash Turnover in this company is used for Cash Turnover is a comparison between sales with the average amount of cash and shows the ability of cash to generate income so that it can be seen how many times the cash rotates in a certain period. The thing that causes Cash Turnover to be less effective to improve the Capital Structure is because Cash Turnover is no longer able to generate income or cash in the company, causing the company to have to look for foreign capital to serve as company capital in order to carry out the company. From the research data, it was also found that there were only 5 out of 48 companies that had an average cash turnover value below 10,000, which indicates that foreign ownership of companies is also low among the Sub-Sector of Basic and Chemical Industry Companies. Based on research data, it can also be seen that the average value of the Cash Turnover of the Basic and Chemical Industry Sub-Sectors is quite low, which is only in the range of 2.9534. From the research data, it was also found that there were only 5 out of 48 companies that had an average cash turnover value below 10,000, which indicates that foreign ownership of companies is also low among the Sub-Sector of Basic and Chemical Industry Companies. Based on research data, it can also be seen that the average value of the Cash Turnover of the Basic and Chemical Industry Sub-Sectors is quite low, which is only in the range of 2.9534. From the research data, it was also found that there were only 5 out of 48 companies that had an average cash turnover value

below 10,000, which indicates that foreign ownership of companies is also low among the Sub-Sector of Basic and Chemical Industry Companies. Based on research data, it can also be seen that the average value of the Cash Turnover of the Basic and Chemical Industry Sub-Sectors is quite low, which is only in the range of 2.9534.

The results of this study are not supported by research conducted by Susila, G, PAJ (2020) which states that cash turnover has an effect on profitability. The difference in the results of this study is caused by a different analysis period, in which Susila, G, PAJ's research (2020) examines the variables of the influence of Cash Turnover on Profitability from the 2016-2018 period, while in this study the 2017-2019 period and this study uses Cash Turnover variable on Capital Structure. Then the differences in the companies studied, where Susila, G, PAJ (2020) researched the Village Credit Institution (LPD), but in this study the researchers used the Sub-Sector of Basic and Chemical Industry Companies listed on the Indonesia Stock Exchange.

❖ **Effect of Current Ratio on Capital Structure**

The results show that the Current Ratio has a positive effect on the Capital Structure of the Basic and Chemical Industry Sub-Sector Companies listed on the Indonesia Stock Exchange for the 2017-2019 period. This means that the high Current Ratio can have a good influence on the Capital Structure. The results of this study are supported by research conducted by Tanri et al. (2020) and Yubagyo et al (2021) who state that the Current Ratio has a positive effect on Capital Structure. The equation of this research is in the same variable, where in the study of Tanri et al. (2020) examines the influence of the Current Ratio on Capital Structure from the 2014-2017 period and also examines the Basic and Chemical Industry Sector listed on the Indonesia Stock Exchange for the 2014-2017 period, while in this study the 2017-2019 period.

In contrast to the research of Jalil, M. (2018) which does not support this study which states that the Asset Structure has no effect on the Capital Structure and what distinguishes this study from the research of Jalil, M. (2018), there are different variables where this researcher uses the Structure variable. Assets to Capital Structure, the year of his research was in 2016-2018 and his company researched Food and Beverage Companies Listed on the Bei. while in this study using the 2017-2019 period and the place of research in the Basic and Chemical Industry Sector Companies.

❖ **Effect of Working Capital Turnover on Capital Structure through Net Profit Margin as an Intervening Variable**

The results of the study indicate that the working mode turnover has a positive relationship with the direction of capital structure through the net profit margin in the sub-sector of basic and chemical industry companies listed on the Indonesia Stock Exchange for the 2017-2019 period. This means that the higher the level of Net Profit Margin of a company will have an impact on the effect of working capital turnover on the company's capital structure which is increasing as well. The results of this study are in accordance with the theory put forward by Munawir (2014: 80) which states that Working Capital Turnover is a ratio that has a function to be able to analyze working capital conditions. This turnover also provides an assessment in measuring the effectiveness of Working Capital Turnover that can be used by the company.

The results of this study support the research conducted by Setiawan et al (2021) which states that working capital turnover has an effect on the direction of a positive relationship to firm size through firm value. While the research of Tanri, J. et all (2020) does not support this study which states that Sales Stability does not affect Capital Structure and what distinguishes this research from the research of Tanri, J. et all (2020) is in different variables where this researcher uses variables Sales Stability of Capital Structure, the year of research is 2014-2017. While in this study using the 2017-2019 period.

❖ Effect of Cash Turnover on Capital Structure through Net Profit Margin as an Intervening Variable

The results show that Cash Turnover has no effect on Capital Structure through Net Profit Margin in the Sub-Sector of Basic and Chemical Industrial Companies listed on the Indonesia Stock Exchange for the 2017-2019 period. This means that the higher the Net Profit Margin level of a company is not able to have an impact on the effect of Cash Turnover on the Capital Structure in a company.

The results of this study are not in accordance with the theory put forward by Firman, D. 2018 which states how the ability of cash to generate an income can be seen so that it can be seen how many times cash rotates in a certain period, this cash turnover rate is able to show the speed of change back in current assets itself. into cash through sales. The cash turnover used by the company is useful for analyzing the condition of the cash generated and rotated by the company so that it is able to generate good income and capital that continues to run within the company. The results of this study do not support the research conducted by Susila, G, PAJ (2020) which states that Cash Turnover has an effect on the direction of a positive relationship to the Number of Credit Customers through Profitability. And research Silitonga, DJ

❖ Effect of Current Ratio on Capital Structure through Net Profit Margin as an Intervening Variable

The results show that the Current Ratio has an effect on the direction of a positive relationship to the Capital Structure through the Net Profit Margin in the Sub-Sector of Basic and Chemical Industry Companies listed on the Indonesia Stock Exchange for the 2017-2019 period. This means that the higher the Net Profit Margin level of a company will have an impact on the effect of the Current Ratio on the company's capital structure which is increasing as well.

The results of this study are in accordance with the theory put forward by According to (Hantono 2018:9) saying that: "Current Ratio is a matter of showing the number of current liabilities guaranteed payment by current assets". The current ratio used by the company is useful for guaranteeing the payment of debts made by the company so that current assets are able to cover current liabilities in the company. The results of this study support the research conducted by Tanri et al. (2020), Yubagyo et al (2021), Aini et al (2020) which states that the Current Ratio has an effect on the direction of a positive relationship to the Total Capital Structure through Return Assets. While research Khotimah, S.

Conclusion

From this research, it can be concluded that: (1) Working Capital Turnover has an effect on the Capital Structure in the Sub-Sector of Basic and Chemical Industry Companies listed on the Indonesia Stock Exchange for the 2017-2019 period. (2) Cash Turnover has no effect on the Capital Structure of the Sub-Sector of Basic and Chemical Industry Companies listed on the Indonesia Stock Exchange for the 2017-2019 period. (3) The Current Ratio has an effect on the Capital Structure of the Sub-Sector of Basic and Chemical Industry Companies listed on the Indonesia Stock Exchange for the 2017-2019 period. (4) Working Capital Turnover has an effect on Capital Structure through Net Profit Margin in the Sub-Sector of Basic and Chemical Industry Companies listed on the Indonesia Stock Exchange for the period 2017-2019.

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