The International Journal of Social Sciences World
TIJOSSW is Available Online at:
https://www.growingscholar.org/journal/index.php/TIJOSSW
Vol. 6 No. 1, January – June 2024, pages: 238-249
DOI: https://doi.org/10.5281/zenodo.12742430
ISSN **2690-5167**
Growingscholar Publisher

Analysis of the Influence of the Combined Stock Price Index (IHSG), Total Daily Transaction Value and Adjusted Net Working Capital (MKBD) on the Profitability of Securities Companies

Devy Arveida[1*], Harjum Muharam[2]

Article history:
Received: May 19, 2024; Accepted: June 30. 2024; Displayed Online: June 30, 2024; Published: June 30, 2024

Keywords

The Combined Stock Price Index (IHSG);

Profitability of Securities Companies;

Daily Transaction Value, Adjusted Net Working Capital (MKBD);

Abstract

This research aims to analyze the influence of Composite Stock Price Index (IHSG), total daily transaction values, and Adjusted Net Working Capital (MKBD) on the profitability of securities companies in Indonesia. The data used in this research is secondary data obtained from financial reports and other reporting data received by the Financial Service Authority (OJK). Using regression of panel data set from 90 securities companies during 2017 – 2022 period, we find that Composite Stock Price Index, total daily transaction values, and Adjusted Net Working Capital have significant evidence to increase the profitability of securities companies in Indonesia. Moreover, this research also provides recommendations for regulators and capital market practitioners to strengthen policies and performance of securities companies.

1. Introduction

MarketCapital is a financial transaction that facilitates trading in securities or financial tools, namely shares, bonds and derivative instruments. The capital market has a significant role in a country's economy and is one of the main components in the financial ecosystem. Securities companies, also known as securities companies or brokerage companies, play an important role in running capital market operations.

Securities companies play a significant role in capital market transactions. They carry out transactions that connect investors and the capital market, providing various services related to

[1,2] *Universitas Diponegoro, Semarang, Indonesia, Email*: devyarveida@students.undip.ac.id

investment and securities trading. Securities companies play a role in ensuring liquidity, efficiency and transparency in the capital market. They also help connect investors with investment opportunities, provide services needed for securities trading, and provide advice and information that can be used to make intelligent investment decisions.

Based on(Government of the Republic of Indonesia, 1995)Capital Market Law No. 8 of 1995 concerning Capital Markets, "Securities companies are parties that carry out business activities as Securities Underwriters, Securities Brokers, and/or Investment Managers. The Underwriter is the party who makes a contract with the issuer to carry out a public offering for the issuer's interests with or without the obligation to purchase the remaining unsold securities. Securities Dealer Intermediaries are parties who carry out securities buying and selling business activities for their own interests or those of other parties" (Capital Market Law No. 8 of 1995, article 30).

Securities companies are responsible to their owners, namely generating profits and increasing profits. And it is necessary to pay attention to the impact of the Composite Stock Price Index (IHSG), the total daily transaction value and Adjusted Net Working Capital (MKBD) which can affect the profitability of securities companies. Securities company profitability is a term that refers to a securities company's efforts to create more profits or results from its operations. Profitability is a key indicator for analyzing the performance of a securities company and can provide an idea of how well the company manages its operations.

The Capital Markets industry, which includes the stock market, bonds and other financial instrument markets, is highly dependent on the effectiveness of risk management. Risk management is an identification activity, assessment technique, and risk control effort faced by a company or industry. By regulating, managing and mitigating risks related to indices, daily transaction values and capital, securities companies can maintain healthy financial performance, build customer trust and achieve the securities company's long-term goals.

Securities companies consist of "Exchange Member Securities Companies" (hereinafter referred to as PEAB) and "Non Exchange Member Securities Companies" (PENAB). PEAB is a securities company that can transact directly on the Indonesia Stock Exchange (PT BEI), totaling 92 PEABs. PENAB became PEAB's partner in marketing or getting customers, as many as 33 PENABs. As of December 31 2022, the total number of securities companies was 124 companies.

Furthermore, of the 92 PEABs, there are 62 PEABs that have received approval from PT BEI to provide financing for the settlement of securities purchase transactions to customers or better known as Margin Trading. Apart from that, there are 67 PEABs that can provide online transaction services either via mobile applications (direct orders via customer devices), web bases, and/or remote trading transactions (via marketing personnel at Securities Company offices). Of the sixty-seven PE ABs, there are 25 PEABs that already have online securities account opening services.

Based on the Capital Markets Law No. 8 of 1995, in order to become a securities company, the Company must obtain a business license from the OJK, and must meet the requirements to have qualifications and fulfill the requirements set out as written in the OJK Regulations, one of which is "Minimum Paid-in Capital IDR 30,000,000,000 and value”Adjusted Net Working Capital (MKBD)”minimum daily amount of IDR 25,000,000,000,- or 6.25% of the higher value between”total liabilities without subordinated debt and debt in the context of a Public Offering/Limited Public Offering plus Ranking Liabilities.”” (POJK 20-2016 Securities Company Licensing, nd).

Apart from the requirements based on OJK regulations, PT BEI also makes requirements to become a Stock Exchange Member ranging from capital, corporate governance, internal control to the readiness of trading infrastructure.“International Organization of Securities Commissions (IOSCO)(OICD-IOSCO, 2012)”as an international organization that supervises Capital Markets from various countries, it has also established 4 (four) principles for market intermediaries, one of which is: "There should be initial and ongoing capital and other prudential requirements for market intermediaries that reflect the risks that the intermediaries undertake"

According to(OJK, 2021b)POJK Number 6 /POJK.04/2021 concerning the Implementation of Risk Management for Securities Companies Carrying Out Business Activities as Underwriters and Securities Brokers Who Are Members of the Stock Exchange: "Risk Management is a series of methodologies and procedures used to identify, measure, monitor , and control the risks arising from all Securities Company business activities."

Based on Profit and Loss data from Securities Companies from 2017 to 2022, there are 124 Securities Companies but only 90 Securities Companies can be tabulated, as illustrated in the table below.

Table 1. Securities Company Profit and Loss Data 2017-2022 (in billions of rupiah)

PE CODE	2017 Profit and Loss	2018 Profit and Loss	2019 Profit and Loss	2020 Profit and Loss	2021 Profit and Loss	Profit and Loss 2022	More profit	Losing more and more
1	3957754	0.041554	6155823	1240186	2229314	-445711		1
2					1287541			1
3	-0.13308	3761909	-547911	8778749	1719609	1220829		1
4	1425704	0.038452	0.117991	4808301	2694696	2565564		1
5	-323433	679476	0.49665	9643152	1130091	1577006	1	
6	-318977	1011642	5817691		6066231		1	
7	5748783	1395717	165532	2227675	-14046	0.587077		1
8		1085651	-220725	1948897	-176128			1
9		0.163629	8418432		6785494			1
10	1254245	1789213					1	
11	1250187	-0.90266	-225662	-793497	0.936002	2985957	1	
12	8605027	3420534	1109283	-0.97924	1789993	148425		1
13	-294468		6790728	0.023181	-726732	-108446		1
14	-0.1364	1808707	-403523	7344021	-134506	-748859		1
15	-183865	184398	-198124	-12881	0.11522	-0.095		1
16	4688599	7148611	5210909	-276967				1
17	1793759	-320363	-181378	-846947	2765823	305.65		1
18	1437564	2635166	0.238897	8401965	3256838	2802794		1
19	137556	7255573	-929976	1368938	-414787			1
20	2430346	-930417	3972372	134995	169647			1
21	6193012	6826058	-825342	-205885	-442084	0.480474		1
22		9557024	-213067	1436844	2003221		1	
23	0.131216	8980032	7568418	9737827	-476967	-13174		1
24	-256118	2418338	0.386987	-458929	9956482	7503494		1
25		-141671	1697315	0.805633	3713407		1	
26			-113539	5956818	-108727	-530025		1
27	1000931	2110505	139868	-320971	1971282	1229795		1
28	2931408		2197794	-349129	-253035			1
29	-195522	134796	1480583				1	
30	7712355	-499285	2337701	-501005	-327118	-408299		1

PE CODE	2017 Profit and Loss	2018 Profit and Loss	2019 Profit and Loss	2020 Profit and Loss	2021 Profit and Loss	Profit and Loss 2022	More profit	Losing more and more
31	6118531	-256967	0.704232	-248854	-157421	0.123311	1	
32	1723333	2628967	-102339	7635718	6271765	3836492		1
33	2561677	-312945	-15931	-0.57548	-180468	2028607	1	
34		-0.37647	4496861	5365674	1007051			1
35	2890698	1033143	3808107	-662615	2822925	-102467		1
36			1066485	-702708	3536369	944884		1
37	0.122987	-176079	2243009	-121525	4919321	1597136		1
38	427061	8654581	3311743	-456991	-0.80368	3433728	1	
39		-167344	62339	-667567	1781518		1	
40	1587931	42537	7535245	-740907	1638438	0.882037		1
41	-0.91747	1407345	-366645	1750873	3931676	1148058		1
42	-304367	1188005	2751381	8549969	4628561	4596737		1
43	1028542	-237679	-0.00609	4464219	7302864	5695539		1
44	0.096412		2155344	-152324	1616948	6740873	1	
45	107393	7468727	102102	1137933	2712393	2374162		1
46		2218547	-309736	0.08892	7211776		1	
47	1820832	134418	-489289	44.6	5722823	5814536	1	
48	-0.15413	5876495	-0.96489	-602571	5381087	1850771		1
49			158.06	3490799	-112502			1
50	-659751	0.177294	1305404	0.007074	2896899	1327515		1
51			-159418	4588415	4261917			1
52	4499482	4016419	-420885	-138591	-304775			1
53	0.024539	5442307	0.032064	-450521	1000234		1	
54	2846797	1326591	-752392	3951629	-528577	-491815		1
55	-119052	6772604	-629156	2011431	8936939	6643077		1
56	-615069	-110726	2757779	-247823	1143955	8075669	1	
57	-946076	7944338	65702	5445117	1331437	2442731	1	
58					2731623			1
59	1330066	22566	-793198	-453967				1
60	7073437		0.007944		3189533			1
61	1356614	-493818	1923165	-184338	1377222	4406427	1	
62		1008921	-445258	-538389	2747766		1	
63		7859649	9705836	3114392	9303292		1	
64	2027257	2519953	-877854	-219997	266103	1476579	1	
65		-177214	4636686	-190352	0.744769		1	
66			-201699					1
67	-489373	3357878	238122	-108.91	-488614	-666589		1
68	2920181	3751844	0.305622	-239775	7014167	8617867	1	

PE CODE	2017 Profit and Loss	2018 Profit and Loss	2019 Profit and Loss	2020 Profit and Loss	2021 Profit and Loss	Profit and Loss 2022	More profit	Losing more and more
69		5494714	1712762	-136897	0.051058		1	
70	6090331	-115354	-0.96632	-556805	2325872		1	
71	1184918	-0.93259	-0.42017	5636649	613597	6336838	1	
72	3236655	0.300941	-0.08093	-449346	3364963	-509532		1
73			0.543534	2164475	-145059	-0.72246		1
74		-127088	5089097	82088	-836058	4534507	1	
75	2426501	-116656	0.443344	-626497	-397251	-126796	1	
76	555856	3357474	2758854	9004992	137741	1419987	1	
77	-0.18387	5158425	7004333	0.018052	-109292	1346082	1	
78	-0.08368	9340192	6821611	-17181	2574893	-186855		1
79	5283063	2015543	1075438					1
80	4164882	-0.74014	8437949	3095664	7532714	6826407	1	
81	-280776	2339126	1077615	-99966				1
82	2914095	187307	-58452	847336	-303904	-683032		1
83	220247	2406826	-154965	0.594725	3808281	4098843	1	
84	3066744	2561002	2493564	1385082	5887809	-164614		1
85			-283933	-712105	1429606	5196448	1	
86	1363335	35494	0.32184	2880825	2708376	1058943		1
87			2029549	-878611	761256	5857318	1	
88	5967383	4597488	3052825	445259	1141664	1326087	1	
89	-475719	2529063	-116719	7462997	103838	1344033	1	
90	1243317	8760969	-362033	1634987	-185471	-0.37553		1

In connection with the previous description, it can be concluded that there is a phenomenon in securities companies in the form of a gap in Profit and Loss between securities companies from 2017 to 2022. There are 60% (a total of 54 securities companies) of 90 securities companies that experienced loss transactions from 2017 to 2022. There are 40% (a total of 36 securities companies) of 90 securities companies experienced profit growth from 2017 to 2022.

From the 2017-2022 Financial Report data, it can be seen that more and more securities companies are experiencing business losses. And this is an interesting phenomenon to use as the background for this thesis research.

Securities company risk analysis is an identification technique, assessment effort, and risk management method carried out by securities companies. The purpose of carrying out risk analysis is to identify potential risks that can affect the company's profitability and take appropriate steps to manage them.

Securities company risks can take various forms and are related to factors such as the company's business model, market conditions and applicable regulations. It is important for securities companies to be able to manage risks well through appropriate policies and procedures, strict supervision, effective risk management, and compliance with applicable regulations.

Securities companies are the parties that play the most important role in the capital markets industry (Priguna, 2019). A securities company is a financial institution that plays an important role in the economic life of a country and the results of a securities company's work influence profits or losses from investment transactions in the capital market.(Adrian et al., 2011).

This means that the success of securities companies is important for the sustainability of the capital markets industry in Indonesia. Indonesian securities companies that have good performance and are growing better can be expected to see better growth in the Indonesian capital market.

A company's ability to survive in the face of current business competition is to always evaluate potential risks of loss. Companies can estimate profits, but there is uncertainty about the company's profits being fully realized in the future, or there is a possibility that the company will face losses. However, the company will always strive to make a profit and avoid losses.

Company performance analysis is an ongoing process, and needs to be carried out regularly to ensure that the company continues to develop and adapt to changes in the business environment. Research regarding company performance analysis has been carried out by previous researchers, including,(Priguna, 2019)which states that there are contradictory factors that influence the performance achievements of securities companies in Indonesia. Mastery of market structure in capital market transactions does not have an important influence on the profitability of Indonesian securities companies. So in the securities company industry in Indonesia, traditional hypothesis analysis cannot be applied; other researchers (Lisa Lee PAMELYN WITTEMAN et al., 2023) stated that there was disruption of profitability in United States automotive insurance agency companies during the pandemic and that there was the use of financial strategies to increase profitability.

During the period of innovative disruption and pandemic interruption; as well as research on the financial performance of BPDs throughout Indonesia conducted by(Dayana et al., 2019)by stating that simultaneously credit risk, operational risk, market risk and capital adequacy have an important influence on the financial performance (ROA) of BPD throughout Indonesia in 2012-2017.

(Lukić, 2023) states thatTo achieve financial performance targets, it is necessary to manage working capital as efficiently as possible, namely by analyzing the dynamics of the size and impact of net working capital on trade profitability in Serbia. As for one strategy to increase profits according to (Mehzabin et al., 2023)is through increasing the total debt ratio as supported by agency cost theory, which states that debt financing increases company profitability. In addition, the findings show that reducing operational costs and effective cost management strategies can improve bank profitability for the better.

2. Materials and Methods

The type of data used in this research is secondary data obtained from securities company financial reports reported to the OJK. Securities company data is a population of Stock Exchange Member Securities Companies totaling 90 companies in the 2017-2022-time period.

The population used in this research is data from all 90 Stock Exchange Member Securities Companies by looking at the complete available financial report data. Research data collection was carried out using the purposive sampling method, namely a data collection technique with certain criteria and considerations. The data used is secondary data, originating from Financial Report data and OJK and PT Bursa Efek Indonesia data collection applications.

Research data

The research data used is a population of securities company financial reports reported to the OJK. totaling 90 companies in 2017-2022. Not all securities companies have Composite Stock Price

Index (IHSG), Total Daily Transaction Value (TRAD), and Adjusted Net Working Capital (MKBD) values in all data years, so the data panel type is unbalanced panel.

Descriptive statistics

Table 2. shows a descriptive statistics table for the variables used. It can be seen that all variables have a mean value that is higher than the median value. This shows that there are a small number of securities companies that have a higher value than most other companies.

Table 2: Descriptive Statistics Table of dependent and independent variables

	Number of Observations	***Mean***	***Median***	***Std***	***Min***	***Max***
Net Profit/Loss (PROF) in billions of rupiah	455	20,457	3,836	68,682	-303,904	761,256
Composite Stock Price Index (IHSG)	1457	6097,539	6110.229	606.8765	3937.632	7318.016
Total Daily Transaction Value (TRAD) in billions of rupiah	497	37770.1	12111.6	69914.97	2,791	591194.3
Adjusted Net Working Capital (MKBD) in billions of rupiah	498	215,297	106,937	245,249	0.617	1727.417

Multicollinearity Test

Table 3. below show the results of the correlation coefficient of the variables used in the research. There is one high correlation coefficient value, namely the correlation between the TRAD and MKBD variables, with the absolute value being 0.6975 or higher than 0.4 (threshold limit). Therefore, the TRAD and MKBD variables will not be included in the same regression model.

Table 3.: Correlation Coefficient Table

	PROF	IHSG	TRAD	MKBD
PROF	1			
IHSG	0.1139	1		
TRAD	0.2609	0.1098	1	
MKBD	0.2553	0.0651	**0.6975**	1

Based on the mapping of correlation coefficient values above, the logistic regression equation model in chapter 3 must be split into two models as follows:

Model 1:

$$PROF_{it} = \alpha_1 + \beta_1 IHSG_t + \beta_2 TRAD_{it} + v_i + \varepsilon_{it}$$

Model 2:

$$PROF_{it} = \alpha_2 + \beta_3 IHSG_t + \beta_4 MKBD_{it} + v_i + \varepsilon_{it}$$

Next, the two regression models above will be estimated respectively along with statistical tests such as poolability test, LM / Lagrange Multiplier test, Hausman test, heteroscedasticity test, simultaneous test / Wald test, and partial test / t-test.

Poolability Test

Table 4. shows the results of the poolability test from model 1 and model 2. Both models have a p-value above 0.1, which indicates that the null hypothesis in this test cannot be rejected. Thus, the pool regression model (OLS) is preferred over the panel data model.

Table 4.: Table of Poolability Test Results

	Model 1	**Model 2**
F-statistics	0.86	0.87
Prob > chi2	0.7981	0.7867

LM test / Lagrange Multiplier test

Table 4.4 shows the results of the LM / Lagrange Multiplier test from model 1 and model 2. Both models have a p-value above 0.1, which indicates that the null hypothesis in this test cannot be rejected. Thus, the pool regression model (OLS) is preferred over the panel data random effect (RE) model.

Table 5.: Table of LM Test Results / Lagrange Multiplier test

	Model 1	**Model 2**
Wald's chi2	0.00	0.00
Prob > chi2	1,0000	1,0000

Hausman test

The results of the poolability test and LM / Lagrange Multiplier test show that the pool model (OLS) is the chosen regression model. Therefore, there is no need for a Hausman test to determine whether to use a fixed effect (FE) or random effect (RE) panel data model.

Heteroscedasticity test / Breusch–Pagan/Cook–Weisberg test

Table 4.5 shows the results of the Heteroscedasticity test / Breusch–Pagan/Cook–Weisberg test from model 1 and model 2. Both models have a p-value below 0.01, which indicates that the null hypothesis in this test is rejected at (significance ** *). Thus, model 1 and model 2 have heteroscedasticity and both models will be estimated with robust standard errors. α=0.01

Table 6.: Table of Heteroscedasticity Test Results / Breusch–Pagan/Cook–Weisberg test

	Model 1	**Model 2**
Wald's chi2	49.14	42.43
Prob > chi2	0.0000	0.0000

Simultaneous Test / Wald test

Table 7 shows the results of the Wald test from model 1 and model 2. Both models have a p-value below 0.01, which indicates that the null hypothesis in this test is rejected at (significance ***). Thus, there is at least one independent variable in model 1 and model 2 that is significant. The next stage is the partial test / t-test to find out which variables are significant. α=0.01.

Table 7: Simultaneous Test Results Table / Wald test

	Model 1	**Model 2**
Wald's chi2	8.77	10.65
Prob > chi2	0.0003	0.0001

Partial Test / t-test

Table 8. below show the results of the partial test (t-test) from model 1 and model 2. This test is used to see the significance of each independent variable. The test results display the estimated coefficient value, p-value (value in brackets), and also R2 from the two models.

From the results of Table 4.7, all independent variables significantly influence the PROF variable both in model 1 and model 2. The level of significance of these results is quite high, especially the TRAD and MKBD variables which have significance with α=0.01 (significance ***).

The coefficient values of the variables are also consistent (there is no significant difference in values) in the two models, especially the IHSG variable which appears in model 1 and model 2.

Table 8.: Partial Test Results Table /t-test

	Model 1	**Model 2**
(Intercept)	-59,806*	-74,964**
	(0.092)	(0.038)
Composite Stock Price Index (IHSG)	0.0117*	0.0133**
	(0.052)	(0.027)
Total Daily Transaction Value (TRAD)	0.000251***	
	(0.002)	
Adjusted Net Working Capital (MKBD)		0.0695***
		(0.000)
Number of Observations	454	455
R2	0.0754	0.0748

Information:
* Statistically significant at the 10% level

** Statistically significant at the 5% level
*** Statistically significant at the 1% level

The sign results for the IHSG, TRAD and MKBD variables are positive, this is in accordance with the expected sign shown in chapter 2.

3. Results and Discussion

Based on the results of research using the linear regression method, the following is a discussion of each hypothesis

IHSG has a significant positive effect on net profit (loss) of securities companies

The Composite Stock Price Index (IHSG) reflects the level of capital market capitalization in Indonesia. A stronger JCI index will have a positive impact on investors entering the market. This will of course indirectly increase the average daily transaction value at securities companies that facilitate the transaction process. Thus, the profitability value of securities companies is expected to increase. Berggrun, et. al, (2020) stated that good market conditions will encourage the firm's core business to be better, which in the end can increase profitability. Sun, Wei, and Xie (2014) also added that market volatility has a positive effect on the return / profitability of a company.

Furthermore, the coefficient value of the IHSG variable is 0.0117 for model 1 and 0.0133 for model 2, which indicates that the increase in the IHSG value consistently and significantly increases the profitability value of securities companies. These results add to similar findings in developed countries noted by Hou, Xue, and Zhang (2015) and Novy-Marx, R., (2013).

The significance level of the IHSG variable is only atα=0.1 (*), or in other words the significance of the IHSG is weak. This is likely due to the characteristics of the IHSG variable itself. IHSG is a variable that represents the Indonesian market, not a company-specific variable. Killins, (2020) states that this can certainly reduce the significance level of the model considering that the other two variables, namely the total transaction value and NAWC are specific variables for securities companies.

The total daily transaction value has a significant positive effect on the net profit (loss) of Securities Companies

The variable total transaction value (TRAD) reflects the level of activity of a securities company's core business, so this variable is firm specific. Every transaction processed by a securities company certainly results in revenue, so increasing this variable will of course also increase profitability.

This variable is estimated separately from the MKBD variable due to its high correlation value, namely 0.6975. Therefore, the value of a securities company's total transactions is closely related to the company's net working capital capacity. The results in Table 4.7 show that the two variables have the same sign and level of significance, and confirm this relationship/correlation.

The coefficient value of the TRAD variable is 0.000251, which indicates that an increase in the TRAD value significantly increases the profitability value of securities companies. Furthermore, the coefficient of this variable has significanceα=0.01 (***), where the TRAD variable is one of the main drivers in the construction of net profit/loss of a securities company.

These results are reinforced by Aramonte and Szerszen, (2020) who state that increasing liquidity, one of which is represented by the transaction value variable, has a significant effect on increasing profitability in the form of Return on Assets (ROA) from securities companies. The same thing was also stated by Adrian and Shin, (2010), where liquidity and market volatility had a significant influence in increasing the net profit of securities companies.

MKBD has a significant positive effect on net profit (loss) of Securities Companies

The final variable is Adjusted Net Working Capital (MKBD), where this variable reflects the smooth level of business of a securities company. The greater the MKBD, the greater the transaction activities that can be facilitated by securities companies. As a result, the average daily transaction value at securities companies will also increase, which in turn also increases the profitability value of securities companies.

The coefficient value of the NAWC variable is 0.0695 with a significance level of α=0.01 (***), this indicates that an increase in the NAWC value significantly increases the profitability value of securities companies and the significance level of this variable is comparable to the TRAD variable. Therefore, NAWC and TRAD are firm specific variables that can be used as predictors for the level of profitability of securities companies.

This significance result is also strengthened by Engvist, Graham, and Nikkinen, (2014) who state that the NAWC variable can be used to see the growth of a company's profitability. Chiou et al., (2006) also emphasized the relationship between market index conditions and this variable which is also related to company profitability.

Key Findings

Based on the results of research hypothesis testing and the discussion in the previous subchapter, there are several main findings, namely as follows:

1. The NAWC and TRAD variables are firm specific variables from securities companies and have a strong correlation and relationship.
2. The independent variables used in this research are IHSG, TRAD. and MKBD, all three of which significantly increase the profitability of securities companies in Indonesia.
3. The TRAD and MKBD variables have a significance level of α=0.01 (***), higher than the IHSG variable which only has a significance level of α=0.1 (*).
4. VariableTRAD and MKBD can be used to predict the level of profitability of securities companies.

4. Conclusion

The conclusions from this research are as follows:

1. The Composite Stock Price Index (IHSG) has a significant effect on increasing the profitability of securities companies.
2. Daily Transaction Value (TRAD) has a significant effect on increasing the profitability of securities companies.
3. Adjusted Net Working Capital (MKBD) has a significant effect on increasing the profitability of securities companies.

Acknowledgments

The authors wish to express their sincere gratitude to the publisher of TIJOSSW, who gave permission and a great opportunity for the Authors to publish their writings. The next appreciation is given to the TIJOSSW publisher reviewers who have spent more time making valuable corrections dealing with technical writing styles or ideas about this manuscript.

References

Adrian, T., Etula, E., Muir, T., Eisfeldt, A., Franzoni, F., Kim, T., Krishnamurthy, A., Jagannathan, R., Vissing-Jorgensen, A., Parker, J ., Papanikolaou, D., Nagel, S., Dewachter, H., & Lemke, W. (2011). Broker-Dealer Leverage and the Cross-Section of Stock Returns.

Adrian, T., & Shin, HS Liquidity and leverage. Journal of Financial Intermediation, 19 (3):418–437, 2010.

Aramonte, S., & Szerszeń, P. J. (2020). Cross-market liquidity and dealer profitability: Evidence from the bond and CDS markets. In Journal of Financial Markets (Vol. 51, p. 100559). Elsevier BV. https://doi.org/10.1016/j.finmar.2020.100559.

Hou, K., Xue, C., Zhang, L., 2015. Digesting Anomalies: An Investment Approach. Review of
Financial Studies 28, 650-705.

Lisa Lee PAMELYN WITTEMAN, by, Mentor, F., Annette Craven, C., Member FREDA TURNER, C., & Member Jennifer Straub, CA (2023). STRATEGIES OF PROFITABILITY FOR AUTOMOTIVE INSURANCE AGENCY OWNERS.

Lukić, R. (2023). Influence of Net Working Capital on Trade Profitability in Serbia. European Journal of Interdisciplinary Studies, 15(1), 48–67. https://doi.org/10.24818/ejis.2023.04

Mehzabin, S., Shahriar, A., Hoque, M.N., Wanke, P., & Azad, Md. AK (2023). The effect of capital structure, operating efficiency and non-interest income on bank profitability: new evidence from Asia. Asian Journal of Economics and Banking, 7(1), 25–44. https://doi.org/10.1108/ajeb-03-2022-0036

Novy-Marx, R.,(2013). The other side of value: The gross profitability premium. J. Financ. Econ. 108(1), 1–28.

Priguna, B. (2019). Analysis of Factors Affecting the Performance of Securities Company Members of the Investor Protection Fund. Journal of Capital Markets and Business, 1(2), 205–220. https://doi.org/10.37194/jpmb.v1i2.31