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THE EFFECT OF CASH TURNOVER, INVENTORY TURNOVER AND RECEIVABLES TURNOVER ON PROFITABILITYAT A FOOD AND BEVERAGES COMPANY ON THE INDONESIAN STOCK EXCHANGE

Ristati[1], Sri Wahyuni[2], Chairil Akhyar[3], Halida Bahri[4]
[1,2]Faculty of Economics and Business, Universitas Malikussaleh
Corresponding Author: ristati@unimal.ac.id

Abstract

This study aims to examine the Influence of Cash Turnover, Inventory Turnover, and Accounts Receivable Turnover on Profitability in Food and Beverage Companies listed on the Indonesia Stock Exchange. The data used in this study is secondary data from 18 companies over six years. The method used to analyze the relationship between independent variables and dependent variables is the multiple linear regression analysis method. The results show that Cash Turnover has a positive and significant influence on profitability in Food and Beverage Companies listed on the Indonesia Stock Exchange, Inventory Turnover has a positive and significant influence on profitability in Food and Beverage Companies listed on the Indonesia Stock Exchange, and Accounts Receivable Turnover has a positive and significant influence on profitability in Food and Beverage Companies listed on the Indonesia Stock Exchange.

Keywords: ***CashTurnover, Inventory Turnover, Accounts Receivable Turnover, Profitability***

Introduction

The current development of the business world requires every company to be able to maintain its survival. In facing increasingly fierce competition, companies need to manage the company's resources effectively and efficiently. In order to achieve company goals in the future. The company's most important goal is to obtain optimal profits in running its business. The company's ability to earn profits can be seen through the company's level of profitability. Companies must pay more attention to profitability and companies must be able to create useful strategies to optimize and manage company operations in order to produce high company profitability. To measure the level of company effectiveness, it can be seen from various aspects, including the aspect of working capital turnover. There are three components of working capital, namely cash, receivables and inventory. These three components of working capital can be managed in different ways to maximize profitability or to increase company growth (Lazaridis and Tryfonidis, 2019).

Husnan (2015) states that cash is the most liquid form of asset, which can be used immediately to fulfill the company's financial obligations. Cash turnover shows the ability of cash to generate income, so it can be seen how many times cash turns over in a certain period. The higher the cash turnover, the better, which means the higher the efficiency of cash use and the greater the profits obtained. In carrying out its operations, a company requires very large funds, both for production and investment. This funding need cannot be fully met using capital. A company that has a greater current ratio shows the greater the company's ability to meet its short-term obligations. The results of research conducted by Muslih (2019), Makatutu and Arsyad (2021) previously found that cash turnover had a positive and significant effect on profitability. Meanwhile, research conducted by Rinofah and Sari (2022) shows that cash turnover has a negative effect on profitability. However, the results of research conducted by Nurmawardi and Lubis (2019), Fuady and Rahmawati (2018) and Rahman et al., (2021) found that cash turnover had no effect on profitability.

Apart from cash, in carrying out its activities the company is always directly related to inventory. Management policies regarding inventory can directly provide support for the activities carried out by the company in an effort to achieve maximum profits (Wild, et al. 2014). A company must have sufficient inventory to meet customer demand and operational needs. However, at the same time, excess inventory can reduce solvency due to the accumulation of funds in inventory. Excess inventory can also increase insurance costs, property taxes, storage costs, and other related expenses. Furthermore, these burdens will reduce funds used for other things such as improving company operations (Warren, et al, 2014).

The higher the inventory turnover of goods moving out of the company, the higher the costs that can be reduced so that the greater the company's profit. Conversely, if the slower the inventory turnover, the smaller the profit (Horngren, 2013). To achieve a high level of inventory turnover, companies must be able to manage inventory effectively and efficiently, improve the quality of goods, and fulfill consumer desires. High inventory turnover causes the company to make sales more quickly so that the company increases the amount of cash or receivables more quickly, so that it will increase operating profits which will ultimately increase profits. In relation to previous research on inventory turnover, the results of research conducted by Fuady and Rahmawti (2018), Bangun et al., (2018), Makatutu and Arsyad (2021) and Rahman et al., (2021) show that inventory turnover has a positive effect and significant to profitability. Meanwhile, research conducted by Nafi'ah et al., (2022) found that inventory turnover had a negative and significant effect on profitability. However, the research results of Sri et al., (2020) show that inventory turnover has no effect on profitability.

Apart from cash and inventory turnover, profitability is also influenced by accounts receivable turnover.Receivables need to receive serious attention and handling so that the risks that arise can be avoided as little as possible. Receivables management is vital to every company's day-to-day operations. By having proper receivables management, the company can minimize uncollectible receivables. A high receivables turnover means the condition of existing capital will be higher and the company is said to be profitable. On the other hand, companies must always monitor the amount of receivable turnover because they remember that there will be receivables that cannot be collected. The receivables turnover rate can be used as an illustration of effectiveness receivables management, because the higher the receivables turnover rate the company means the better its receivables management. The turnover rate receivables can be increased by tightening sales policies credit, for example by shortening the payment period. If The higher the receivables turnover rate, the faster the receivables become cash and can be used to finance short-term liabilities. So The higher the receivables turnover, the greater the company's liquidity tall.

Previous research conducted by Nurmawandi and Lubis (2019), Epi and Pratiwi (2021) and Sari et al., (2020) found that receivables turnover has a positive and significant effect on profitability. However, the research results of Bangun et al., (2018) found that receivables turnover has a negative and significant effect on profitability. Meanwhile, research conducted by Fuady and Rahmawati (2018) and Rahman et al., (2021) shows that receivables turnover has no effect on profitability. The main problem that we want to examine in this research is related to the profitability of Food and Beverages companies on the Indonesian Stock Exchange which experienced a decline in profitability in 2020, and many companies actually experienced losses in 2020 due to the effects of the pandemic. Based on the company's financial reports, net profitICBPdecreased 26.5% from IDR 640.03 billion to IDR 479.03 billion in the first semester of 2020. The decline in ICBP's net profit occurred after the revenue of the issuer producing the Tiga Roda brand cement also decreased. Recorded,ICBPposted revenue of IDR 6.17 trillion, down 11.5% from the realization in the same period the previous year which reached IDR 6.98 trillion. INDF reported that its financial performance throughout the first semester of 2020 declined. The company lost up to IDR 138 billion. The company's performance contracted quite deeply compared to the same period last year, where the company still recorded a net profit of IDR 8 billion

MGNA was not able to achieve a blue report card until the third quarter of this year. The depreciation of the rupiah exchange rate and the increase in raw material prices eroded the company's net profit. Examining the company's financial reports up to September 30 2018, MGNA's revenue was recorded to have increased 14% year on year (yoy) to IDR 3.26 trillion. ROTI recorded an annual increase in revenue of more than 2,000% to IDR 57.21 billion during the first 9 months of this year. Even though revenue soared, the company still posted a net loss of IDR 58.23 billion, from a previous profit of IDR 40.95 billion. The increase in revenue was supported by the hotel sector which was acquired at the end of last year. Revenue from hotels was recorded at IDR 55.85 billion, while income from ceramic sales was IDR 1.36 billion. The company managed to pocket a gross profit of IDR 44.82 billion, from previously recording a gross loss of IDR 147.69 million in the same period last year. This gross profit was contributed from the hotel business which was acquired at the end of 2018 and is starting to be reflected in the company's profit and loss performance. SKLT swelled in the first quarter of 2018 compared to the same period last year. KIAS recorded a net loss of IDR 26.19 billion, 49% greater than the net loss in the first quarter of 2017 of IDR 17.25 billion. Throughout the first quarter of 2018, the company has cut operating expenses by 12% year on year (yoy) to IDR 22.8 billion. However, declining sales figures were the reason why SKLT's performance was not brilliant in the first three months of this year. SKLT sales as of March 2018 amounted to IDR 212.9 billion, down 4% compared to the first quarter of 2017 which reached IDR 220.8 billion

LITERATURE REVIEW

Cash Turnover

Rahma (2017) states that cash turnover shows the ability of cash to generate income, so it can be seen how many times cash rotates in a certain period. The higher the cash turnover, the better, which means the higher the efficiency of cash use and the greater the profits obtained (Riyanto, 2018). The results of research conducted by Muslih (2019), Makatutu and Arsyad (2021) previously found that cash turnover had a positive and significant effect on profitability. Meanwhile, research conducted by Rinofah and Sari (2022) shows that cash turnover has a negative effect on profitability. However, the results of research conducted by Nurmawardi and Lubis (2019), Fuady and Rahmawati (2018) and Rahman et al., (2021) found that cash turnover had no effect on profitability.

Inventory turnover

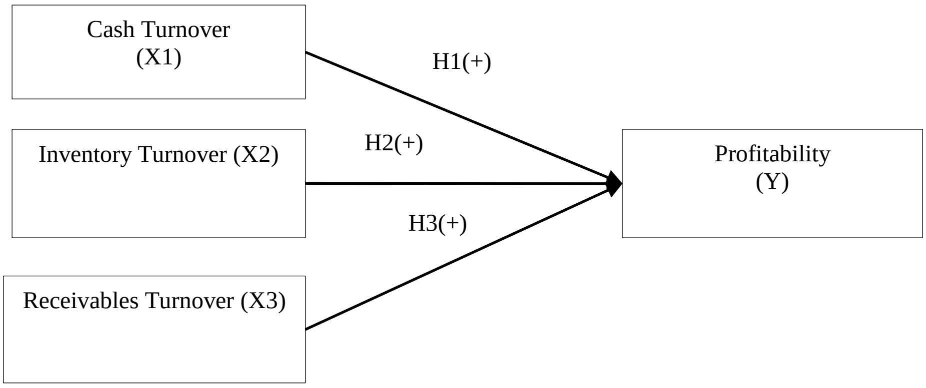
The higher the inventory turnover of goods moving out of the company, the higher the costs that can be reduced so that the greater the profit earned by a company Horngren et.al., (2013). On the other hand, if the slower the inventory turnover, the smaller the profit will be. Inventory turnover rate measures the rate at which a company turns over its merchandise and shows the relationship between items needed to support or offset a specified level of sales. A high inventory turnover rate means the risk of loss and costs of inventory can be minimized. Too much inventory exposes companies to storage costs, insurance and property taxes (Warren, et. al., 2014). In relation to previous research on inventory turnover, the results of research conducted by Fuady and Rahmawti (2018), Bangun et al., (2018), Makatutu and Arsyad (2021) and Rahman et al., (2021) show that inventory turnover has a positive effect and significant to profitability. Meanwhile, research conducted by Nafi'ah et al., (2022) found that inventory turnover had a negative and significant effect on profitability. However, the research results of Sri et al., (2020) show that inventory turnover has no effect on profitability.

Receivables Turnover

Receivables turnover in general greatly influences the level of profitability that will be generated by the company. The faster the receivables are turned over, the higher the efficiency of the capital embedded in the receivables, and the higher the receivables turnover, the shorter the receivables collection time, Hanafi (2018). This means that the receivables turn over quickly, so the receivables will become cash more quickly so they can be reused for company operations. Muslich (2013) states "the company's policies that influence the amount of receivables ultimately affect the company's profitability". Previous research conducted by Nurmawandi and Lubis (2019), Epi and Pratiwi (2021) and Sari et al., (2020) found that receivables turnover has a positive and significant effect on profitability. However, the research results of Bangun et al., (2018) found that receivables turnover has a negative and significant effect on profitability. Meanwhile, research conducted by Fuady and Rahmawati (2018) and Rahman et al., (2021) shows that receivables turnover has no effect on profitability.

Conceptual Framework

A conceptual framework is a model that explains how a theory relates to important factors that are known in a particular problem (Sugiyono, 2016). The conceptual framework in this research can be seen below.



Hypothesis

A hypothesis is a proportion formulated with the intention of being tested empirically. Based on the problem formulation, objectives, theory, previous research, relationships between variables, and conceptual framework, the hypothesis in this research is:

H1 = Cash turnover has a positive and significant effect on company profitability*Food and Beverages*on the Indonesian Stock Exchange.

H2 = Inventory turnover has a positive and significant effect on company profitability*Food and Beverages*on the Indonesian Stock Exchange.

H3 = Receivables turnover has a positive and significant effect on company profitability*Food and Beverages*on the Indonesian Stock Exchange.

METHODS

This research uses quantitative data. The population used in this research is all Food and Beverages companies listed on the Indonesia Stock Exchange in the 2016-2021 period, namely 26 companies. In this research, samples were taken using a purposive sampling method, namely determining samples based on certain criteria. The number of companies that meet the criteria is 18 companies. The method used is panel data analysis consisting of the Common Effect Model (CEM), Fixed Effect Model (FEM) and Random Effect Model (REM). To select the best model between CEM, FEM and REM in the research, several model selection tests were carried out, namely the Chow test and Hausmant tests.

RESULTS

The models used in panel data regression are the Common Effect Model (CEM), Fixed Effect Model (FEM), Random Effect Model (REM). The first test to be carried out is the Chow Test. The Chow test is a test that compares the CEM model and the FEM model. The Chow Test table in this research is as follows:

Table 1 Chow Test Results

Effects Test	Statistics	Df	Prob.
Cross-section F	5.126156	(17.87)	0.0000
Chi-square cross-section	74.949639	17	0.0000

Based on table 1 above, it shows that the value*probability*The Chi Square line in the Chow test is 0.0000. This value is below 0.05. If the chi square probability value is smaller than 0.05 then the best model is the fixed effect model. Based on the Chow test, the best model in this research is the Fixed Effect Model (FEM) so testing needs to be carried out to see between the Fixed Effect Model (FEM) and the Random Effect Model. The test that can be carried out to compare the Fixed Effect Model (FEM) and the Random Effect Model is the Hausman Test. The results of the Hausman Test in this research are as follows:

Table 2 Hausman Test Results

Test Summary	Chi-Sq. Statistics	Chi-Sq. df	Prob.
Random cross-section	1.741909	3	0.6277

Based on table 4.2 above, it can be seen that the probability value is 0.6277. This value is significantly above 0.05. Based on*Hausman Test,*The best model in this research is the Random Effect Model (REM). So this research uses the Random Effect Model. Based on the model selection in this research, the selected model is the Random Effect Model. The reason for choosing the random effect model is because based on the Chow test the significant value is smaller than 0.05 and the Hausman test the significant value is greater than 0.05. The results of the Random Effect Model panel data regression are as follows:

Table 3. Panel Data Regression Equation (Random Effect Model)

Variables	Coefficient	t-Statistics	Prob.
C	-36.81082	-2.872600	0.0049
PK	0.384945	5.191793	0.0000
PPP	4.032356	2.748649	0.0071
PPT	0.973151	3.973163	0.0001
R-squared	0.412431		
Adjusted R-squared	0.395482		
F-statistic	24.33353		
Prob(F-statistic)	0.000000		
Durbin-Watson stat	1.528916		

Based on table 3 above, the regression equation that can be prepared in this research is as follows:

PROF = -36.81 + 0.38 PK + 4.03 PPP + 0.97 PPT +eit

Based on the equation above, it can be explained that:

1. Constanta is -36.81, meaning that if PK, PPP and PPT are considered constant (value 0), then profitability has a constant value of -36.81.
2. The cash turnover regression coefficient value of 0.38 indicates a positive (unidirectional) relationship which means that every 1% increase in cash turnover causes profitability to increase by 0.38%.
3. The inventory turnover regression coefficient value of 4.03 indicates a positive (unidirectional) relationship which means that every 1% increase in inventory turnover causes profitability to increase by 4.03%.
4. The regression coefficient value of receivables turnover is 0.97, indicating a positive (unidirectional) relationship, which means that every 1% increase in receivables turnover causes profitability to increase by 0.97%.

Hypothesis test

This research uses the t test as hypothesis testing. The t test is used to see the influence of the independent variable on the dependent variable partially. The decision making criteria are by looking at the calculated t value by comparing it with the t table value and then also looking at the significance value. The t table value can be obtained using the formula df (nk) or (108 – 4 = 104) at a significant 5% of 1,659. The results of hypothesis testing in this research are as follows:

1. Partially, cash turnover has a positive and significant effect on profitability in food and beverages companies on the Indonesia Stock Exchange. This shows that statistically the calculated t value > t table is 5.191 > 1.659 and the significant value is 0.00 < 0.05. (Hypothesis H1 is accepted)
2. Partially, inventory turnover has a positive and significant effect on profitability in food and beverages companies on the Indonesia Stock Exchange. This shows that statistically the calculated t value > t table is 2,748 > 1.659 and the significant value is 0.00 < 0.05. (Hypothesis H2 is accepted)
3. Partially, receivables turnover has a positive and significant effect on profitability in food and beverages companies on the Indonesia Stock Exchange. This shows that statistically the calculated t value > t table is 3.973 > 1.659 and the significant value is 0.00 < 0.05. (Hypothesis H3 is accepted)
4. The coefficient of determination using panel data regression seen from the Adjusted R-Squared is 0.3954 or 39.54%. These results show that the influence of the PK, PPP and PPT variables on profitability is 39.54%, while that which is influenced by other variables outside this model is 60.46.

Discussion

The Effect of Cash Turnover on the Profitability of Food and Beverages Companies on the Indonesian Stock Exchange

The results of this research show that cash turnover has a positive and significant effect on profitability. This is shown by the results of the calculated t value > t table, namely5,191> 1.659 and a significant value of 0.000 < 0.05. Thus, it can be concluded that H1 is accepted and it can be interpreted that partially cash turnover has an effect on profitability in cement companies listed on the Indonesia Stock Exchange. The higher the cash turnover, the better, because this shows more efficiency in the use of cash. Excessive cash circulation with too little available working capital will result in less ability to meet the company's needs. This is how it should be, with cash the lower cash turnover results in a lot of unproductive cash which will reduce the company's probability. Rahma (2017) states that cash turnover shows the ability of cash to generate income, so it can be seen how many times cash rotates in a certain period. The higher the cash turnover, the better, which means the higher the efficiency of cash use and the greater the profits obtained (Riyanto, 2018). The research results are in line with research conducted by Muslih (2019), Makatutu and Arsyad (2021) who previously found that cash turnover has a positive and significant effect on profitability.

The Effect of Inventory Turnover on ProfitabilityIn Food and Beverages Companies Listed on the Indonesian Stock Exchange.

The results of this research show that inventory turnover has a positive and significant effect on profitability. This is shown by the results of the calculated t value > t table, namely2,748> 1.659 and a significant value of 0.007 < 0.05. Thus, this research accepts H2, which means that the inventory turnover variable influences the profitability of cement companies listed on the Indonesian Stock Exchange. The higher the inventory turnover of goods moving out of the company, the higher the costs that can be reduced so that the greater the profit earned by a company Horngren et.al., (2013). On the other hand, if the slower the inventory turnover, the smaller the profit will be. Inventory turnover rate measures the rate at which a company turns over its merchandise and shows the relationship between items needed to support or offset a specified level of sales. A high inventory turnover rate means the risk of loss and costs of inventory can be minimized. Too much inventory exposes companies to storage costs, insurance and property taxes (Warren, et. al., 2014). The research results are in line with research conducted by Fuady and Rahmawti (2018), Bangun et al., (2018), Makatutu and Arsyad (2021) and Rahman et al., (2021) showing that inventory turnover has a positive and significant effect on profitability.

The Effect of Receivables Turnover on the Profitability of Food and Beverages Companies on the Indonesian Stock Exchange

The results of this research show that receivables turnover has a positive and significant effect on profitability. This is shown by the results of the calculated t value > t table, namely3,973> 1.659 and a significant value of 0.000 < 0.05. Thus, this research accepts H3, which means that the receivables turnover variable influences the profitability of cement companies listed on the Indonesian Stock Exchange. Receivables turnover in general greatly influences the level of profitability that will be generated by the company. The faster the receivables are turned over, the higher the efficiency of the capital embedded in the receivables, and the higher the receivables turnover, the shorter the receivables collection time, Hanafi (2018). This means that the receivables turn over quickly, so the receivables will become cash more quickly so they can be reused for company operations. Muslich (2013) states "companies' policies that influence the amount of receivables ultimately affect the company's profitability. The receivables turnover rate can be used as an illustration of effectiveness receivables management, because the higher the receivables turnover rate the company means the better its receivables management. The turnover rate receivables can be increased by tightening sales policies credit, for example by shortening the payment period. If The higher the receivables turnover rate, the faster the receivables become cash and can be used to finance short-term liabilities. So The higher the receivables turnover, the greater the company's liquidity tall.
The research results are in line with research conducted by Nurmawandi and Lubis (2019), Epi and Pratiwi (2021) and Sari et al., (2020) who found that receivables turnover has a positive and significant effect on profitability.

CONCLUSION

The research results show that cash turnover, inventory turnover and receivables turnover have a positive and significant effect on the dependent variable. From this regression model it can be concluded that cash turnover, inventory turnover and receivables turnover have a positive and significant effect on profitability in Food and Beverages companies on the Indonesia Stock Exchange. This shows that the greater the cash turnover, inventory turnover and receivables turnover, the higher the company's ability to earn profits.

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