**The Impact Of Cash Turnover, Receivable Turnover, Inventory Turnover, Current Ratio And Debt To Equity Ratio On Profitability**

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**Abstract**

The purpose of this research is to analyze the impact of Cash Turnover, Receivable Turnover, Inventory Turnover, Current Ratio and Debt to Equity Ratio to Profitability. The sample in this study is the Basic Chemical Industry Sector at the Indonesia Stock Exchange in 2013-2017. Population of the research is the Basic Chemical Industry Sector on IDX financial report which is taken with certain criteria. The number of samples in this study was determined based on Purposive Sampling method, and determined the number of samples as much as 8 company. Based on the results and data analysis using step regression (helped by software SPSS.16 for windows) shows that Cash Turnover has no impact to Profitability, Receivable Turnover has no impact to Profitability, Inventory Turnover has no impact to Profitability, Current Ratio has a positive and signification impact to Profitability, Debt to Equity Ratio has no impact to Profitability.

**Keywords**

Cash Turnover, Receivable Turnover, Inventory Turnover, Current Ratio and Debt to Equity Ratio (DER), Return On Assets (ROA)

**INTRODUCTION**

Corporate financial performance is one indicator for investors as a consideration for making decisions about the company and is one way to see the condition of a company. The purpose of measuring the company's financial performance is to find out the level of profitability (profitability) of the company (Munawir, 2002: 31). Good corporate financial performance will also increase the value of the company. For this reason, the company's financial performance needs to be considered by company management to see whether the company managed is in good or bad condition. One way to assess whether the company is in good or bad condition, management can calculate various financial ratios, the data can be taken from the company's financial statements. Financial reports form the basis for evaluating company performance (Ujiyantho and Pramuka, 2007).

Financial ratios that are often used in measuring a company's financial performance are using profitability ratios. Profitability ratio shows the ability of a company to get a certain profit by maximizing the use of assets and capital owned. To increase profitability ratios over time, a company needs to increase profits. This condition is not easy, given that competition between companies is increasingly tight, and the company's resources are increasingly limited. Companies must continue to have a competitive advantage in any situation to keep attracting the interest of stakeholders in using products and services produced by the company in order to maintain profitability. The profitability of the company is also influenced by the efficiency of managing working capital and other factors such as the scale of measurement, capital structure, and products produced (Munawir, 2004: 80). The higher the profitability, the better the condition of a company. This condition means that with the increase in profits generated and the good condition of the company it will attract the attention of investors to invest (Larasati, 2011 in Tania Iskandar, Emrinaldi, Edfan Darlis, 2014). Profitability in this study is proxied by return on assets (ROA). Return on assets is used to see the extent to which the investment that has been invested is able to provide a return on profits following what is expected based on assets owned (Brigham and Houston, 2010: 148).
Working capital management has an interest in investment decisions on current assets and current debt, especially regarding how to use and composition both will affect risk. Working capital is needed by the company to finance the company’s operations (Sartono, 2010: 385 in Made Sri Utami and Made Rusmala Dewi S, 2016). Working capital management used in this study is cash turnover, accounts receivable turnover, and inventory turnover. Capital structure is measured and expressed based on the number of various sources of capital. Regarding the number and composition of each type of capital source required by each company, there are currently no definite rules because the capital structure is influenced by the nature, type, and condition and cost of capital for each component of the capital source. The capital structure must be formed in such a way that it can guarantee financial stability so that the company can produce the desired benefits. Therefore the company must establish an optimal capital structure. Liquidity is an indicator of the company’s ability to pay all short-term financial liabilities at maturity using available current assets. Liquidity is not only concerned with the overall financing of the company but also relates to the ability to convert current assets into cash. (Tunggal 1995, in Elfianto 2011) If the company decides to set a large amount of working capital, the level of liquidity will likely be maintained, but the opportunity to obtain a significant profit will decrease which ultimately results in a decrease in profitability. Conversely, if the company wants to maximize profitability, it might affect the level of company liquidity. The basic and chemical industry is a manufacturing company engaged in the manufacture of products and then sold and used for the production processes of other companies, and experiencing rapid development, using large capital, increasingly fierce competition or the most significant increase to achieve large profits. The advantages of basic and chemical industries are due to the high growth of the basic industrial and chemical sectors supported by stocks from several sub-sectors, including the pulp and paper sub-sector, animal feed sub-sector and chemical sub-sector.

LITERATURE REVIEW AND HYPOTHESES

Cross-Cultural Communication

Financial Analysis

Financial analysis is the process of determining the financial characteristics and operations of a company obtained from accounting data and other financial reports. The purpose of this analysis is to determine the condition and achievements of the company, which are described through notes and financial reports. Through financial analysis, researchers can measure the level of liquidity, profitability, or other indicators that indicate whether the company is run rationally and orderly.

Profitability ratio

Profitability is the ability of a company to earn profits through all available capabilities and sources such as sales activities, cash, capital, number of employees, and number of branches. (Harahap 2008: 304). A high level of profitability in the company will make competitiveness between companies. Profitability is essential for companies because to sustain a company’s life without profit will be difficult for the company to attract outside investors. In this study, profitability was measured using ROA.

Current Ratio

Current Ratio is usually used to measure a company’s ability to fulfill its obligations. The lower the value of CR, it will indicate the inability of the company to fulfill its short-term obligations, so that this can affect the level of profitability of the company, where companies that are not able to fulfill their obligations will be subject to an additional burden on their obligations. Munawir (2007) states that the Current Ratio of 200% is sometimes satisfying for a company, but the amount of working capital and the size of the ratio depends on several factors, a common standard or ratio cannot be determined for the entire company. Suntoyo (2013) states that if the high ratio level shows a better guarantee of short-term debt if it is too high, it will result in improper working capital.

Cash Turnover

Cash turnover is a comparison between sales and the average cash amount. Cash turnover rate is a measure of the efficiency of cash use carried out by the company. If the amount of cash is relatively small, it means
high cash turnover so that the company is bankrupt (Kasmir, 2012: 141 in Made Sri Utami and Made Rusmala Dewi, 2016). (Martono and Harjito 2002: 80) state that cash turnover is a cash turnover to be cash back. Cash turnover is a measure of the efficiency of cash used by companies because the cash turnover rate describes the speed of return of cash invested in working capital (Riyanto, 2011: 95 in Made Sri Utami and Made Rusmala Dewi, 2016).

Accounts Receivable Turnover

Account receivable turnover is the relationship between net sales and receivables, calculated by dividing net sales by net receivables on average (Warren et al., 2014: 464). The higher the accounts receivable turnover, the better, but vice versa, the slower the receivable turnover, the worse. The receivable turnover rate depends on the payment terms provided by the company.

Inventory Turnover

Inventory turnover is an increase in inventory caused by an increase in activity, or because of changes in inventory policy. If there is an increase in inventory that is not proportional to the increase in activity, then it means there is a waste in managing inventory management (Husnan and Pudjiastuti, 2012: 77 in Made Sri Utami and Made Rusmala Dewi, 2016). The higher the level of inventory turnover, the higher the profits obtained (Syamsuddin 2002: 236 in Made Sri Utami and Made Rusmala Dewi, 2016).

Debt to Equity Ratio

DER is one of the leverage ratios that shows a comparison between total debt and own capital (Kasmir, 2008: 157-158 in Mochammad Syarib, 2016)). This ratio is used to determine the number of funds provided by creditors with the owner of the company so that this ratio serves to find out every rupiah of its capital which is used as collateral for the debt. The higher this ratio indicates the higher the failure ratio that may occur in the company, and vice versa if the lower the ratio, the lower the risk of failure that might occur to the company.

Formulation of Hypotheses and Research Models

The results of the study (Mojtahedzadeh, Rahma 2011, Putra 2012, Putri, Musmini 2013, Santhi, Dewi 2014 in Made Sri Utami and Made Rusmala Dewi, 2016) stated that cash turnover had a positive and significant effect on profitability. Based on the theory and previous research, the hypothesis of this study are as follows:

H1: Cash turnover has a positive effect on profitability

The results of research by Charitou et al. (2010), Wijaya (2012), Agha, Prakoso (2014), Putri and Sudiartha (2015) in Made Sri Utami and Made Rusmala Dewi, 2016) stated that the accounts receivable turnover have a positive and significant effect on profitability. Based on the theory and previous research, the hypothesis of this study are as follows:

H2: Accounts turnover has a positive effect on profitability

The results of the study (Khan et al. 2011, Sufiana and Purnawati 2013, and Agha 2014 in Made Sri Utami and Made Rusmala Dewi, 2016) stated that inventory turnover has a positive and significant effect on profitability. Based on the theory and previous research, the hypothesis of this study are as follows:

H3: Inventory turnover has a positive effect on profitability

From the research conducted (Setiani 2010, Ima 2007 and Siwi 2005 in Tania Iskandar, Emrinaldi, and Edfan, 2014) concluded that Liquidity (CR) did not significantly influence profitability. Whereas (Dani 2003 in Tania Iskandar, Emrinaldi, and Edfan, 2014) concluded that the current ratio has a significant effect on profitability. So the research hypothesis is as follows:

H4: Current Ratio has a positive effect on profitability

From the research conducted by (Wahyuni 2009 and Hellen 2008 in Tania Iskandar, Emrinaldi, and Edfan, 2014) concluded that the capital structure has an effect on profitability, while research conducted by (Arioctafianti 2007 and Iis Larasati 2011 Tania Iskandar, Emrinaldi, and Edfan, 2014) states that capital structure does not affect profitability. Based on the theoretical foundation regarding the structure and profitability developed and the results of previous studies, the authors want to test whether the capital structure with Debt to Equity Ratio affects profitability. So the research hypothesis is as follows:

H5: Debt to Equity Ratio has a positive effect on profitability
METHODS
Determination of the sample was determined using the purposive sampling method. According to Suliyanto (2008), this technique is a sample determination based on specific criteria that can provide maximum information. Based on data from (www.idx.com), it is known that the population of Basic and Chemical Industry is 49 companies. After using the purposive sampling method, 8 companies were obtained. The analysis technique uses multiple linear regression methods, with the previous classical assumption test required in the model. Hypothesis testing is done using the test of the coefficient of determination (R-square), partial test (t-test), and simultaneous test (Test F).

RESULTS AND DISCUSSION
Analysis of Multiple Linear Regression
From the results of the analysis using SPSS, the following multiple linear regression equations were obtained:
Profitability = -0.327 - 0.017 Cash Turnover + 0.110 Receivable Turnover + 0.728 Inventory Turnover + 0.025 Current Ratio - 0.027 Capital Structure + e

Classical Assumption Test for Multiple Linear Regression
Test for Normality of Multiple Linear Regression
Based on calculation, the significance value is 0.943 > 0.05 (α). Therefore it can be concluded that the data is normally distributed.

Multicollinearity Test of Multiple Linear Regression
Based on calculation, the VIF value of all variables is not more than 10 and the tolerance value is greater than 0.10, so the model is declared not to have a multicollinearity problem.

3. Heteroscedasticity test
Based on calculation, all variables have a significance value > 0.05 (α), it can be concluded that the model does not occur symptoms of heteroscedasticity.

4. Autocorrelation Test
Based on calculation the Durbin-Watson test results obtained a value of 1.974. This value is compared with the Durbin-Watson value of the table with n = 40, k = 5 and α = 0.05, so that the value of dL = 1.230 and dU = 1.786, so the values of 4-dU = 2.214 and 4-dL = 2.77

Simultaneous Testing (Test F)
Based on calculation, the value of F count (12.476) > F table (2.494). Significance value of 0.000 < 0.05. So that it can be concluded that the independent variables are Cash Turnover, Receivable Turnover, Inventory Turnover, Current Ratio, Capital Structure together (simultaneous) has a significant influence on the dependent variable namely Profitability, or it can be stated that the regression model is formed right or suitable.

Adjustable Determination Coefficient (Adjusted R2)
Based on calculation the adjusted R2 value of 0.595. This result shows that the strength between the dependent variables is Profitability with independent variables namely Cash Turnover, Receivable Turnover, Inventory Turnover, Current Ratio, Capital Structure is 59.5% and the remaining 40.5% is explained by other variables outside of this study.

Partial Testing (T-Test)
Based on the calculation, the influence of each independent variable on the dependent variable, namely as follows:

a. Effect of Cash Turnover on Profitability.
Based on the calculation, the value of t count is -0.346 for the Cash Turnover variable while the value of t table is -1.691. From the regression results, it can be seen that the value of t count is -0.346 > t table -1.691 and at the significance level of 0.731 > α (0.05). It can be concluded that Cash Turnover partially has a negative and not significant effect on Profitability. So that the first hypothesis, which states that Cash Turnover has a positive effect on Profitability, is rejected.

b. Effect of Accounts Receivable Turnover on Profitability
Based on the calculation the value of t arithmetic is 0.699 for the variable receivable, while the value of t table is 1.691. From the regression results, it can be seen that the value of t arithmetic is 0.699 < t table 1.691 and at the significance level of 0.490 > α (0.05). It can be concluded that Accounts Receivable Turnover partially has a positive but not significant effect on Profitability. So the second hypothesis, which states that Accounts Receivable Turnover has a positive effect on Profitability, is rejected.

c. Effect of Inventory Turnover on Profitability
Based on the calculation obtained value of t count 1.262 for Inventory Turnover variable, while the value of t table is 1.691. From the regression results, it can be seen that the
value of t count 1.262 < t table 1.691 and at the significance level of 0.215 > α (0.05). It can be concluded that Inventory Turnover does not affect Profitability. So the third hypothesis, which states that Inventory Turnover has a positive effect on Profitability, is rejected.

d. Effect of Current Ratio (CR) on Profitability
Based on the calculation obtained value of 4,480 t count for the CR variable while the t table value is 1.691. From the regression results, it can be seen that the value of t count is 4,480 > t table 1.691 and at the significance level of 0.000 < α (0.05). It can be concluded that CR partially has a positive and significant effect on profitability. So that the fourth hypothesis, which states that CR has a positive effect on profitability, is accepted.

e. Effect of Debt to Equity Ratio on Profitability
Based on calculation, the value of t count -1.276 is obtained for the Capital Structure variable, while the value of t table is 1.691. From the regression results, it can be seen that the value of t count -1.276 > t table -1.691 and at the significance level of 0.211 > α (0.05). It can be concluded that the Capital Structure partially has a positive but not significant effect on profitability. So the fourth hypothesis, which states that the Capital Structure has a positive effect on profitability, is rejected.

**DISCUSSION**

Effect of Cash Turnover on Profitability.
According to the theory, Cash Turnover has a positive effect on Profitability. From the test results obtained the value of t count -0.346 < t table 1.691 and at the significance level of 0.731 > α (0.05). It can be concluded that Cash Turnover partially has a negative and not significant effect on Profitability. So that the first hypothesis, which states that Cash Turnover has a positive effect on Profitability, is rejected.

Cash turnover is a cash turnaround owned by the company to finance operational activities, pay company obligations also to hold new investments in the form of fixed assets or company development. This can indicate that cash turnover can affect the achievement of company profitability. Profitability can be increased if the company can optimize its cash usage. Based on the results of this study cash turnover does not have a significant effect on profitability. This can occur because of fluctuating cash development every year. Besides, the existence of uncollectible accounts can also result in the company having to cover the losses from the uncollectible accounts. The company also uses cash to purchase raw materials. It is thus resulting in cash turnover that does not generate profits in a fast time. Cash is the element of working capital that has the highest level of liquidity, if cash turnover is higher, the faster the cash inflows to the company. However, if the cash turnover becomes lower, the slower cash goes to the company. This positively can affect the company's revenue.

The results of this study are in line with the research conducted by Hendro (2015), which states that cash turnover does not have a significant effect on profitability. This research is not in line with the research conducted by Mohammad Tejo Suminar (2014), which states that cash turnover has a negative and significant effect on profitability.

b. Effect of Accounts Receivable Turnover on Profitability.
According to the theory, accounts receivable turnover has a positive effect on profitability. From the test results, it was found that the value of t arithmetic 0.699 < t table 1.691 and at the significance level of 0.490 > α (0.05). It can be concluded that Accounts Receivable Turnover partially has a positive but not significant effect on Profitability. From the results in this study, it can be seen that the accounts receivable turnover variable does not have a significant effect on profitability. Companies must continue to increase accounts receivable turnover because the faster funds invested in accounts receivable can be billed into cash or show low embedded working capital. Thus, the profitability of the company is higher.

In theory, accounts receivable turnover is a comparison of the results of income or sales with the average accounts receivable for a specified period. The higher the level of accounts receivable turnover shows the working capital invested in low accounts receivable. With the higher accounts receivable turnover, the profits generated by the company are getting better The results of this study support the research conducted by Nina Sufiana and Ni Ketut Purnawati (2013) with the results of this study, which shows that accounts receivable turnover does not significantly influence profitability.

c. Effect of Inventory Turnover on Profitability.
According to the theory, inventory turnover has a positive effect on profitability. From the test results, it was found that the value of t count 1.262 < table 1.691 and at the significance level of 0.215 > α (0.05). It can be concluded that inventory turnover has a positive but not significant effect on profitability.

Based on the test results, it is known that inventory turnover does not affect profitability. This is because of the amount of capital that is bound in inventory. The short length of the inventory turnover period has a direct effect on the size of the capital invested in inventory. Low inventory turnover will result in small company profits. This is supported by the statement of Munawir (2008) that the lower the inventory turnover rate will increase the risk of losses caused by price increases or because of changes in consumer tastes, besides that, it will increase the cost of storing and maintaining the inventory. The inventory turnover period must be paid more attention to the company to find out how long the company needs time to spend inventory in its production process. The longer the inventory turnover period, the more inventory will accumulate so that the costs incurred to keep the inventory in the warehouse remain in good condition. This will reduce the profits obtained by the company because profit is the result of total income minus costs. The results of this study support the research conducted by Lisnawati Dewi (2016), Yuliastuti Rahayu (2016) stating that inventory turnover does not affect profitability.

d. Effect of Current Ratio (CR) on Profitability.

According to the theory, Current Ratio has a positive effect on profitability. From the test results, the value of t count 4.480 > t table 1.691 and at the significance level of 0.000 <α (0.05). It can be concluded that the Current Ratio partially has a positive and significant effect on Profitability.

Companies that have a higher current ratio, it shows the greater the company's ability to fulfill its short-term obligations. This shows that the company carries out large fund placements on the side of current assets. Funding that is too large on the asset side has two very different effects. On the one hand, the company's liquidity is getting better. However, on the other hand, the company lost the opportunity to get additional profits, because the funds that should have been used for investments that benefit the company were reserved for meeting liquidity. The higher the ratio, the greater the company's liquidity. The results of this study support the research conducted by Dani (2003), who concluded that the current ratio has a significant effect on profitability. The higher the company's liquidity ratio, the higher the profitability ratio of the company. This condition can increase the amount of profit generated and ultimately can have a positive influence on profitability ratios. The results of this study support the research conducted by Sophia and Ikhwon (2007), who found that the Current Ratio has a positive and significant effect on Return On Assets.

Effect of Debt to Equity Ratio (DER) on Profitability.

According to the theory, the Capital Structure has a positive effect on Profitability. From the test results, the value of t count -1.276 < t table 1.691 and at the significance level of 0.211 > α (0.05). It can be concluded that the Capital Structure partially has a negative and not significant effect on profitability. The increase in debt to equity ratio will result in a decrease in the company's profitability. Debt has an adverse impact on the performance of the company because the higher level of debt means the interest burden will be h, which means reducing profits. The higher the debt to equity ratio (DER) shows, the higher the company's burden on external parties, this is possible to reduce the company's performance. (Brigham & Houston, 2001).

The results of this study support the research conducted by Tohir (2012), where the debt to equity ratio (DER) does not affect profitability and the results of this study conflict with the results of the Cipta (2016) study, where the debt to equity ratio (DER) has a positive and significant effect towards profitability.

From the results of the above research, there are several implications to be used as input and useful considerations for interested parties. First, it is expected that the company can increase its profitability because the company's profitability is something that can attract investors to invest their capital. Cash is a working capital that is very important for the company; cash should be available in sufficient quantities so that the company can operate adequately. Companies should pay more attention to cash management so that the cash held can be used so that it can increase the achievement of profits.

Second, accounts receivable has a positive but not significant effect on profitability, companies must continue to increase accounts receivable turnover because the
faster the funds invested in accounts receivable can be billed into cash or show low embedded working capital. Thus, the profitability of the company is higher.

Third, one other component also always in a rotating state is inventory. Inventory management is a difficult job; errors in determining inventory levels can be fatal. The amount of inventory can be increased as long as there are savings. The balance between savings and costs incurred dramatically depends on the additional cost of saving and efficient inventory control.

Fourth, companies in decision-making to increase return on assets need to pay attention to the current ratio because the current ratio of Basic Chemical Industry Companies is too high, this can be due to a large number of unemployed current assets, or the presence of congestion and reduce external debt. Companies should, as much as possible, be able to increase the value of their current assets, such as by increasing their sales in order to increase revenue, either in the form of cash or short-term business receivables so that the current asset value can increase.

Fifth, in basic chemical industry companies, debt policy (DER) does not affect profitability. Thus, this research is expected to provide usefulness for the management of Chemical Base Industry companies to pay more attention to debt policy in carrying out internal control, funding decision making, and investment decisions in order to develop their business. For creditors and investors, they will better understand the profitability of chemical industry companies so that they can help with investment decision-making policies.

This study only uses data in the form of financial statements and annual reports of Basic and Chemical Industry companies listed on the Indonesia Stock Exchange for five years of observation, namely the period 2013-2017. The variables studied are still limited, namely only Cash Turnover, Receivable Turnover, Inventory Turnover, Current Ratio, and Capital Structure. The number of samples studied is still limited, namely eight companies so that they have not been able to generalize research. For further researchers to be able to do testing using other variables that might have a more significant influence on profitability such as company size, dividend policy on other objects.

REFERENCES


