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Research Paper

Effect of Receivable Turnover, Inventory Turnover on Company Profitability with Return on Assets As Moderation Variables

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ABSTRACT
This study aims to determine the effect of simultaneous and partial receivable turnover, inventory turnover, on return on assets in six cable sub-sector issuers listed on the IDX for the period 2013-2017. This research's company objects are six companies listed on the Indonesian Stock Exchange for the 2013-2017 period. Data in the form of consolidated financial statements from 2013-2017. The data available in manufacturing companies is selected based on its derivatives, namely various industrial sectors. Based on various industrial sectors, the sub-sectors of companies with healthy financial statements are selected and can be used as research. The data collection technique used was purposive sampling—data analysis using regression. The results showed that simultaneous receivable turnover and inventory turnover did not affect profitability. Accounts receivable turnover does not affect profitability because this is due to a large number of receivables from cable issuers listed on the Indonesia Stock Exchange if we compare it to sales, resulting in low receivables turnover impacting the company's low profitability. This condition occurs because the inventory requirements of the cable issuing companies listed on the IDX are different. Some companies need raw materials that expire faster so that the inventory stock is small, faster in inventory. However, some require raw materials that have a longer expiration date so that the inventory stock can be large, and the inventory turnover rate is much longer.
KEYWORDS:*receivable turnover, inventory turnover, profitability, return on assets*

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I. INTRODUCTION

The Indonesian economy is currently growing rapidly, supported by several sectors, the national corporate sector. Therefore, competition between companies in a profit orientation has almost no gap. For entrepreneurs, to see how a managed company can develop and even compete is by looking at the company's performance in various factors, one of which is primarily financial performance. Financial performance, in general, can be seen in the financial statements. Financial statements are, in principle, financial information produced by an accounting process. Financial reports consist of income statements, balance sheets, reports of changes in capital & cash flow reports. A good financial report is a report in the process of recording by an accounting process following the following procedures & financial accounting standards (SAK) that are neat & clear to read. Financial statements, which are financial information, can provide complete financial information & serve as guidelines & references by entrepreneurs to measure financial performance. At first, financial reports were limited to a testing tool for the bookkeeping work. Then financial reports were used as a means of measuring financial performance.

A successful company's financial performance can be seen from the manager's success in managing the company to achieve the maximum profit that has been targeted and even exceeds what has been targeted. It is not enough to stop there, and company managers must also maintain the profits that have been achieved to remain sustainable & increase for each subsequent period. The periodic financial performance that continues to increase makes a company seen as reaching its peak, succeeding perfectly & being able to compete on a national scale. Company managers, especially financial managers, about financial performance observation, reaching the peak of success, can analyze through financial reports using financial ratios. One of the ratios used according to the analysis of company profits is the profitability ratio. A national-scale company is generally a large, advanced & well-known company. In the beginning, a small company going to a national scale that is large in scope and based on financial performance, which shows that its profit rate increases periodically, will certainly not be

satisfied with its profit results alone. The owner of the company will undoubtedly develop & expand his business. To get to that process requires high costs or capital that is not enough to rely solely on profits. Working capital is a short term investment such as cash, marketable securities, accounts receivable & inventory, or all current assets.

Receivables are an important account that shows working capital. The company bills these receivables to other parties or customers based on creditable sales transactions of goods or services. Management of these accounts receivable is important because the turnover of accounts receivable is a condition of the company's ability to invest in the company's operating assets to generate profits or profits for the company. Also, effective credit analysis & receivables monitoring by managers and internal users of financial reports can show a good financial performance report where the analysis of high accounts receivable turnover shows an increase in the company's profitability because the number of uncollectible accounts is getting smaller.

But on the other hand, high accounts receivable turnover can also indicate a decrease in profitability because the capital embedded in the receivables is too small, which means that the volume of credit sales is also too small, so profitability also decreases. Inventory is one of the components included in working capital. Like accounts receivable, inventory is an important account in which the arrangement requires accuracy to calculate company profits correctly. Where the higher the level of inventory turnover, the greater the profit earned. Conversely, if the inventory turnover is low, the company's profit will be smaller. Inventory in a company consists of raw material inventory, work in process & finished goods inventory.

The Indonesia Stock Exchange is a market that deals with the sale & purchase of listed company securities; after this, the Indonesia Stock Exchange will be referred to as (BEI). The stock exchange, together with the money market, is a source of external capital for listed companies. There are several companies listed on the IDX list as companies whose capital sources are published. In other words, companies that have gone public are owned by the public because the source of the company's capital comes from other interested parties, as for several sectors & sub-sectors of companies listed on the IDX, including the main sector representing the agriculture sub-sector & mining sub-sector, the second or manufacturing sector representing the basic & chemical industry sub-sector, various industries sub-sector & consumer goods industry sub-sector, the third sector or services representing the property, real estate & building construction sub-sector, infrastructure sub-sector, utilities & transportation, financial sub-sector, trade, services & investment sub-sector.

II. LITERATURE REVIEW

Liquidity Ratio

Liquidity is an indicator of a company's ability to pay all short-term financial liabilities at maturity using available current assets. Liquidity is related to the company's overall financial condition and its ability to convert certain current assets into cash (Syamsuddin, 2009). Liquidity refers to a company's ability to meet its short-term obligations. Lack of liquidity reduces companies to take advantage of discounts or opportunities to make profits (Subramanyam & Wild, 2010). Liquidity is defined as the company's ability to repay a short-term amount of money, generally less than 1 (one) year. The liquidity concept includes the current ratio, quick ratio, cash ratio, and networking capital to total asset ratio. The concept of liquidity reflects management performance measures in terms of the extent to which management can manage working capital funded from current debt & company cash balances (Harmono, 2017); (Larasati, C., & Rivai, A, 2020). Liquidity ratio, which is the ratio that shows the relationship between company cash & other current assets and current debt. The liquidity ratio is used to measure the company's ability to meet its financial obligations that must be fulfilled immediately or short-term obligations (Martono & Harjito, 2013).

In conducting financial analysis, there are two types of comparison, namely:

1. It compares current ratios with past ratios or with ratios estimated for the future from the same company. In this way, it can be seen the change in the ratio from year to year.
2. It compares the ratios of a company with similar ratios of other similar companies or industries for the same period. Thus, the company in the financial aspect is above average, below average, or average.

Current Ratio

The current ratio is the ratio between total current assets and current debt. This ratio shows the extent to which current assets cover current liabilities. The greater the ratio of current assets to current debt, the higher its ability to cover its short-term liabilities. This ratio also shows that the value of current wealth (which can be used as money) is several times the short-term debt & shows the level of security (margin of safety) of short-term creditors or the company's ability to pay these debts. A low current ratio is usually considered to indicate problems in liquidity. On the other hand, a company whose current ratio is too high is also not good because it shows the large number of idle funds, which can reduce the company's earning ability (Sawir, 2012).

Quick Ratio

This ratio is often referred to as the quick ratio, which is the ratio between current assets and current debt. This ratio is a measure of the company's ability to meet its obligations without taking inventory into account. Inventory tends to take a long time to be turned into cash & assumes that receivables can be realized as cash immediately even though inventories are more liquid than receivables.

If we measure the level of liquidity by using the "current ratio" as a measuring tool, the level of liquidity of a company can be increased by the following:

1. With certain current liabilities, efforts will be made to increase current assets.
2. With certain current assets, efforts will be made to reduce the amount of current debt.
3. By reducing current debt together with reducing current assets.

Activity Ratio

The activity ratio, also known as the efficiency ratio, is a ratio that measures the efficiency of a company is using its assets. This means measuring the company's ability to manage raw material inventory, goods in process & finished goods, and management policies in managing other assets & marketing policies. This ratio is measured in terms of the turnover of asset elements associated with sales (Martono & Harjito, 2013). This ratio will measure the company's effectiveness by using its assets and describe the activities that the company carries out in carrying out its operations both in sales, purchases & other activities. This ratio is focused on the company's effectiveness in managing specific assets, namely accounts receivable, inventories, and total assets as a whole.

Receivable Turnover

This RTO provides insight into the quality of the company's receivables (accounts receivable) & the company's success in collecting these accounts receivable. This ratio shows how fast the receivables are collected. The bigger, the better because accounts receivable collection is done quickly. Turnover owned by a company has a close relationship with the volume of credit sales. The receivables' position from the estimated time of collection can be assessed by calculating the RTO rate, that is, by dividing total net credit sales by the average receivables. Inventory Turnover This ratio shows how fast the inventory turns around in a normal production cycle. The bigger this ratio, the better because it is assumed that sales activities are running fast. This ratio measures the efficiency of inventory management & is a fairly popular indication to assess operational efficiency, which shows how well management controls the capital in inventory. ITO is the ratio between the total cost of goods sold and the average value of the company's inventories. This turnover shows the number of times the merchandise inventory is replaced in 1 (one) year (sold or replaced). The company's ITO level measures the company in rotating its merchandise & shows the relationship between the goods needed to support or balance the predetermined level of sales.

Profitability Ratio

Profitability is the company's ability to profit concerning sales, total assets, and its capital. Thus, long-term investors will be very interested in this profitability analysis (Sartono, 2011). There are several measures of the company's profitability where each measurement is related to sales volume, total assets & own capital. Overall, these three measurements will allow an analyst to evaluate the level of earnings about sales volume, total assets & certain investments of company owners. Without profit, it will be very difficult for companies to attract outside capital (Syamsuddin, 2009); (Zulkifli, D., R., Rivai & Suharto, 2020). Attention is emphasized on profitability because to carry out its life, and a company must be in a profitable state (profitable). Without profit, it will be very difficult for companies to invest from outside. Creditors, owners of capital, will try to increase these profits because they are well aware of the importance of profits for the company's future. Gross Profit Margin Gross Profit Margin is the percentage of the gross profit (sales cost of goods sold) compared to sales. The greater the gross profit margin, the better the operating condition because it shows that the cost of goods sold is relatively lower than sales. Likewise, on the contrary, the lower the gross profit margin, the less good the company's operations. Gross Profit Margin can be calculated using: Operating Profit Margin This ratio represents what is usually called the "pure profit" received on every dollar of sales made. Operating profit is pure because it is the amount obtained from the results of the company's operations by ignoring the financial obligations in the form of interest and the government's obligation in the form of tax payments.

Net Profit Margin

Net Profit Margin is the ratio between net profit (net profit), namely sales after deducting all expenses, including taxes, compared to sales. The higher the net profit margin, the more operating the company will be.

Total Asset Turnover

Total asset turnover shows the level of efficiency in using all company assets in producing a certain sales volume. The higher the total asset turnover ratio, the more efficient the use of all assets is in generating sales. In other words, the same number of assets can increase sales volume if the total asset turnover is increased or enlarged. The calculation of total assets turnover is carried out as follows:

Return on Asset (ROA)

ROA, which is often referred to as "return on total assets," is a measurement of the company's overall ability to generate profits with the total number of assets available in the company. The higher this ratio, the better the condition of a company (Syamsuddin, 2009). ROA or ROI can also be found by multiplying the Net Profit Margin with Turnover. In this case, Net Profit Margin is profit after tax divided by sales & asset turnover is sales divided by total assets (Husnan & Pudjiastuti, 2006).

III. RESEARCH METHODS

Research Design

The research design is a research design used as a guide in conducting the research process, which is useful for all parties involved in the research process because the steps in conducting research refer to the research design that has been made (Cresswell, 2015). This research uses explanatory research (level of explanation). Explanatory research is used to find & explain the relationship between variables through hypothesis testing. Based on the research design, the type of this research is associative research. Associative research is a type of research that aims to determine the relationship between 2 (two) or more variables. With the above statement, the researcher wants to know the relationship between 2 (two) independent variables, namely RTO (), ITO (), & 1 (one) dependent variable, namely ROA (Y).

This study's company objects are 6 (six) cable sub-sector issuers listed on the IDX for the 2013-2017 period. Data in the form of consolidated financial statements from 2013-2017. The data collection technique used was purposive sampling, where data sampling is limited to certain subjects who can provide the desired information. By trying to get a precise description of the effect of RTO & ITO on ROA (return on total assets) as a moderating variable, the profitability of 6 (six) cable sub-listed companies listed on the IDX for the 2013-2017 period and tries to describe precisely which factors are most dominant.

Population and Sample

The population is the research subject. According to (Sugiyono 2017), population is a generalization area consisting of objects/subjects with certain qualities & characteristics determined by researchers to be studied and then draw conclusions. So the population is not only people but also objects & other natural objects. The population is also not just the number in the object/subject being studied but includes all the characteristics/properties possessed by that subject or object. The population taken in this study is the Indonesia Stock Exchange. According to (Sugiyono 2017), the sample is part of the population's number & characteristics. If the researcher researches a large population, while the researcher wants to research this population & the researcher has limited funds, energy & time, the researcher uses a sampling technique to generalize to the population studied. The meaning is that the sample taken can represent or represent the population—the method of determining the sample in this study using a purposive sampling method. Purposive sampling is a sampling method using specified criteria (Tika, 2010). This study's sample was 6 (six) cable sub-sector issuers listed on the IDX for the 2013-2017 period.

Table 1. Profiles of 6 Public Cable Companies (Issuers) Listed on the IDX 2013-2017 period

No.	Code	Company Name	Date of IPO	Sub Sector
1.	IKBI	PT Sumi Indo Kabel Tbk	21 Januari 1991	Cable
2.	JECC	PT Jumbo Cable Company Tbk	18 November 1992	Cable
3.	KB	PT KMI Wire and Cable Tbk	06 Juli 1992	Cable
4.	KBLM	PT Kabelindo Murni Tbk	01 Juni 1992	Cable
5.	SCCO	PT Supreme Cable Manufacturing and Commerce Tbk	20 Juli 1982	Cable
6.	VOKS	PT Voksel Electric Tbk	20 December 1990	Cable

Source: Processed Research from www.IDX.co.id, 2019

The criteria referred to in this study are as follows:

1. In this study, the companies sampled are the second sector companies (manufacturing), which are still listed on the IDX during the 2013-2017 period. As for manufacturing companies that started IPOs or listed their companies after 2012, they were not included in the research sample. Vice versa, if a manufacturing company ends its listing as a company listed on the IDX, then that company is not included in the research sample.

2. The data available in manufacturing companies are selected based on their derivatives, namely various industrial sectors. Based on various industrial sectors, the sub-sectors of companies with healthy financial statements are selected and can be used as research.

Types & Sources of Data

A data source is anything that can provide information about data. Based on the source, the data can be divided into two, namely primary data & secondary data. The type of data used in this research is quantitative data. In contrast, for qualitative data, includes a brief history of the establishment, vision & mission, and organizational structure of 6 (six) cable sub-listed companies listed on the IDX for the 2013-2017 period.

IV. RESEARCH RESULT

1. The Effect of Accounts Receivable Turnover on Profitability

The test results of the receivables turnover variable have a positive t value of 0.215, greater than the t table value of -2.052 (t count> t table), and have a significant value> 0.05 (0.832> 0.05), so Ho accepted, so it can be concluded that accounts receivable turnover do not affect the return on assets. Meanwhile, the first hypothesis (H1) or provisional assumption from this study shows that it is suspected that Accounts Receivable Turnover affects the Return On Asset (ROA) of cable sub-sector companies listed on the Indonesia Stock Exchange for the period 2013-2017. In other words, hypothesis testing shows that H1 can be rejected. This means that the high and low rate of accounts receivable turnover does not affect profitability because this is because the amount of receivables from cable issuers listed on the Indonesia Stock Exchange is quite large if we compare it to sales, resulting in low receivables turnover, which will have an impact on the low profitability of the company. Thus it can be concluded that partially or individually, the turnover of accounts receivable has no significant & effect on the company's profitability. The factors that affect the amount of receivables are as follows the volume of credit sales, payment of credit sales, terms of credit restrictions, policies for collecting accounts receivable, and paying habits of customers (debtors).

2. Effect of Inventory Turnover on Profitability

The test results of the accounts receivable turnover variable have a negative t value of -1.358, greater than the t table value of -2.052 (t count> t table). They have a significant value> 0.05 (0.186> 0.05). Ho is accepted, so it can be concluded that inventory turnover does not affect profitability (ROA). In contrast, the Second Hypothesis (H2) or provisional assumptions from this study shows that it is suspected that ITO affects the ROA of cable sub-sector companies listed on the IDX for the period 2013-2017. In other words, hypothesis testing shows that H2 can be rejected. This condition occurs because the inventory requirements of the cable issuing companies listed on the IDX are different. There are companies that need raw materials that expire quickly, so that the inventory stock is small, so it is faster in inventory. However, some require raw materials that have a longer expiration date so that the inventory stock can be large & the ITO level is much longer. Thus, this study's inventory turnover cannot be used as a reference in the company's profitability.

3. Effect of Accounts Receivable Turnover & Inventory Turnover on Profitability

The results of testing the independent variables RTO & ITO variables on the dependent variable profitability (ROA) that the F value count <F table (2,100 <3,354) & significance> 0.05 (0.142> 0.05) then Ho is accepted, so it can be concluded that RTO & Simultaneously ITO does not affect profitability (ROA). In comparison, the third hypothesis (H3) or provisional assumptions from this study indicate that it is suspected that RTO & ITO affect profitability (ROA) of cable sub-sector companies listed on the IDX for the 2013-2017 period. In other words, hypothesis testing shows that H3 is rejected.

V. CONCLUSIONS AND SUGGESTIONS

Conclusion

The conclusions from the results of these variables are as follows:

1. Development of accounts receivable turnover (RTO), inventory turnover (ITO) in 6 cable sub-sector issuers listed on the IDX for 2013-2017. Based on statistical calculations, the following data were obtained:
   a. The development of accounts receivable turnover (RTO) obtained data with the highest accounts receivable turnover (RTO) occurred in 2014 of 18.15 times at PT Sumi Indo Kabel Tbk. This means that the company's total receivables were turned back into cash by 18.15 times during 2014. Meanwhile, the lowest receivables turnover occurred in 2016 at one time at PT Jumbo Cable Company Tbk. This means that the total receivables in the company are turned back into cash one time during 2016.
   b. The development of inventory turnover (ITO) obtained data with the highest inventory turnover rate occurred in 2015 & 2016 amounting to 0.32 times at PT Jumbo Cable Company Tbk and PT Voksel

Electric Tbk. This means that the company's total inventory rotates to generate sales of 0.32 times during 2015 & 2016. Meanwhile, the lowest inventory turnover occurred in 2013 at 0.06 times at PT Supreme Cable Manufacturing and Commerce Tbk. This means that the company's total inventory turns back to generate sales of 0.06 times during 2013.

2. The development of company profit (ROA) in 6 cable sub-sector issuers listed on the IDX for the period 2013-2017. Based on statistical calculations, the following data were obtained:
   a. The development of company profit (ROA) obtained data with the highest ROA level occurred in 2015, amounting to 335.13 or 335.13% at PT Jumbo Cable Company Tbk. This means that the total assets in the company rotate to generate profits of 335.13% during 2015. Meanwhile, the lowest ROA level occurred in 2017 of 3.77 or 3.77% at PT Jumbo Cable Company Tbk. This means that the company's total assets rotate to generate a profit of 3.77% during 2017.
3. The magnitude of the receivable turnover effect, inventory turnover on return on assets simultaneously & partially in 6 cable sub-sector issuers listed on the Indonesia Stock Exchange for the period 2013-2017. Based on statistical calculations, the following data were obtained:
   a. The test results of the coefficient of determination produce a value of 13.5%, which means that the variable receivable turnover (RTO) & inventory turnover (ITO) is only able to explain the profitability variable (ROA) of 13.5%. In comparison, the remaining 86.5% is explained by other factors that are not included in research models, such as market share, leverage ratio, capital intensity ratio, sales growth & total assets.
   b. Simultaneous test results show that accounts receivable turnover (RTO) & inventory turnover (ITO) do not simultaneously have a significant effect on company profitability (ROA). The variable (ROA) has an F count of 2.100 and an F table of 3.354 and a significance test> 0.05 (0.142> 0.05), then the value of F count <F table & significance test> 0.05, so Ho is accepted with the formulation of the hypothesis Ho: RTO & ITO simultaneously do not affect ROA.
   c. The partial test results concluded that the independent variable, namely RTO, did not significantly influence the dependent variable, namely the profitability of the company (Y) because the receivable turnover variable had a value of t count> t table (0.215> -2.052) & significance test> 0.05 (0.832> 0.05) so that the formulation of the hypothesis Ho accepts Ho: RTO partially does not affect ROA. The t value is positive, meaning that if Accounts Receivable Turnover (ITO) increases, then the Company Profitability (ROA) will also increase.
   d. The results of the partial test concluded that the independent variable, namely ITO, did not significantly influence the dependent variable, namely the profitability of the company (Y) because the value of t count> t table (-1.358> -2.052) & significance> 0.05 (0.186> 0.05) so that the formulation of the hypothesis Ho accepts Ho: ITO partially does not affect ROA. The t count value is negative, meaning that if Inventory Turnover (ITO) decreases, then the Company Profitability (ROA) is not significantly affected.

Suggestion

Based on the results of this study, the researcher hopes to provide advice to potential investors who want to invest in the capital market, so that it is necessary to make other independent variables such as market share, leverage ratio, capital intensity ratio, sales growth and total assets outside the independent variables a thorough researcher, namely accounts receivable turnover & inventory turnover as a reference in making investment decisions. The two independent variables partially do not significantly affect the six cable sub-sector companies listed on the IDX for the 2013-2017 period. Further researchers are expected to increase the research period & population of companies from various industries listed on the IDX to get more accurate & varied results and are expected to add other independent variables that may affect ROA.

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