

## THE EFFECT OF CASH TURNOVER AND RECEIVABLE TURNOVER ON PROFITABILITY IN TRANSPORTATION AND LOGISTICS COMPANIES IN 2018–2022

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### ABSTRACT

Abstract. This study aims to examine the effect of cash turnover and accounts receivable turnover on profitability. This research uses a descriptive quantitative type. This study uses a population of transportation and logistics companies listed on the Indonesia Stock Exchange (IDX) in 2018- 2022. The sampling technique in this study was purposive sampling and a sample of 7 companies was obtained. This study uses secondary data, namely annual financial reports obtained from the official website of the Indonesian Stock Exchange (IDX). The analytical method used is multiple linear regression with SPSS version 26.0. The results of this study indicate that cash turnover has no effect on profitability. Receivable turnover has a positive effect on profitability. Cash turnover and accounts receivable turnover simultaneously influence profitability..

**Keywords** : Cash Turnover, Receivable Turnover, Profitability

### Introduction

Every company has the same goal, namely making a profit or profit. The profits obtained can be used as a measuring tool to see the company's capabilities. The company's ability or performance to generate profits is called profitability. The higher the level of profitability ratio, the better the company's performance, so that it can illustrate the high level of company profit achievement. In carrying out its operational activities, every company will need resources, such as capital, either in the form of cash, receivables, and inventory or fixed capital such as fixed assets (Fuady & Rahmawati, 2018).

Sufficient resources will affect the company's profitability. The profitability of a company can be measured through profits or profits obtained from the company's main activities with the wealth or assets owned to generate company profits (operating assets) (Pradnyanita Sukmayanti & Triaryati, 2018). The importance of profitability in a company can determine whether or not the company is worth financing and buying its shares by potential investors. Profitability cannot stand alone because this profitability is influenced by several factors, including company size, company age and cash ratio (Juliana & Melisa, 2019).

One of the industrial sectors that experienced a decline and increase in profitability was the transportation and logistics (warehousing) sector. After experiencing a sharp decline during the Covid-19 pandemic in 2020, this sector began to experience an increase in 2021. This can be seen in Figure 1 below, illustrating GDP growth in the transportation and logistics (warehousing) sector in Indonesia from year to year.

## The Effect Of Cash Turnover And Receivable Turnover On Profitability In Transportation ...

Melisa Indah Lestari, Fika Aryani

The Coordinating Ministry for the Economy predicts that conditions of improvement in the transportation and warehousing sector will continue in 2022 in line with various reductions in travel regulations both at the national and international levels, so it is projected that the transportation and warehousing sector will experience growth progress with an achievement in 2022 of 10.8% (yoy).

Many variables influence profitability, in this research the first variable is cash turnover. Cash turnover can show the speed of conversion of current assets back into cash through sales. The size of cash or high or low cash turnover can illustrate how a company can be efficient in using cash in its company. The more cash a company has, the less effective the cash the company has. This can also have an impact on the company's profitability. Because the higher the cash turnover, the greater the company's opportunity to generate profits (Judin et al., 2020). This means that the company has a high ability to fulfill its obligations.

But the greater the cash, the more money is not used, which will reduce profitability. So companies must try to keep their cash circulating (Fuady & Rahmawati, 2018). Cash turnover can also show the ability of cash to earn income so that cash can be seen in a certain period. Consideration of causal factors in choosing cash turnover is based on the results of research that has been debated between one researcher and another (Karamina & Soekotjo, 2018).

This research will focus on the transportation and logistics sector. This is reinforced by the phenomenon reported on CNBC Indonesia which states that the Central Statistics Agency has released the results of Indonesia's economic growth for the first quarter of 2023. The Indonesian economy in the first quarter of 2023 against the first quarter of 2022 (y-on-y) grew by 5.03%. The most significant growth occurred in transportation and warehousing at 15.93%. Then followed by the provision of accommodation and food and drink at 11.55%, other services at 8.90%, information and communication at 7.19%, and corporate services at 6.37%. Meanwhile, the processing industry which has a dominant role grew by 4.43%. Several issuers in the transportation and logistics sector also experienced an increase in performance in the first quarter of 2023.

The increase in profits was supported by increasing demand for transportation ahead of Eid and increasing Indonesian exports which supported logistics. According to a report by the Central Statistics Agency (BPS), Indonesia's export value during the first quarter of 2023 reached USD 67.2 billion, an increase of 1.6% compared to the first quarter of last year. Meanwhile, the import value for the first quarter of 2023 reached USD 54.95 billion, down 3.28% compared to the first quarter of the previous year.

The profitability of companies in the transportation and logistics sub-sector fluctuates from 2018 to 2022. The decline in profitability decreased very drastically in 2020, this was due to the Covid-19 pandemic which caused problems with the transportation and distribution process, thus affecting the amount of income received by the Company. Therefore, cash turnover and accounts receivable turnover really need to be paid attention to by company management so that the company's operational activities can continue to run and generate income.

It can be concluded from the explanation above that the cash turnover and receivables turnover variables that will be studied can help company management and users of financial information to be able to measure the effectiveness and efficiency of cash turnover and receivables turnover used in the company's operational activities so that this can influence the size of the level of profit obtained by the company. Because cash turnover can show the ability of cash to earn income so that cash can be seen in a certain period. If cash flow is positive and the amount of cash is too large, it indicates that the company is not using much of the cash to manage it. The same thing with receivables turnover, if the amount of investment embedded in receivables is too high, it will result in low working capital turnover, resulting in a smaller company's ability to increase sales volume. This reduced sales volume will result in reduced profits that the company will earn.

## Accountancy

Accounting plays an important role in an entity because accounting produces information that explains the entity's financial performance in a certain period and the entity's financial condition on a certain date. In general, accounting can be interpreted as an information system that provides reports to stakeholders regarding economic activities and company conditions. According to Sasongko (2016 : 2–4) states that accounting is a process or activity that analyzes, records and classifies, summarizes, reports and interprets financial information for the benefit of its users. And the accounting process is a system that measures a company's business activities.

## Business

According to Thompson et al., (2014: 121) Business strategy is related to management's game planning to compete successfully, namely specific efforts to serve customers, strengthen market positions, face maneuvers from competitors, respond to movements in market conditions, and to achieve certain types of strength.

According to IAI (2015 : 1–2) in an entity there are business and non-business activities. Business activities are activities that can be measured in units of money, while non-business activities are activities that cannot be measured in units of money. In presenting financial information, the focus is more on business activities. Technically, accounting is a collection of procedures for recording, classifying, summarizing and reporting in the form of financial reports.

## Agency Theory

Agency theory is used by companies for the process of running their business by looking at the relationship between management and capital owners (Jensen & Meckling, 1976).

According to Wahyuni (2017), the concept of agency theory which looks at the relationship between owners and managers of companies operating in Indonesia, merely as a business relationship, is not appropriate. This research is present to criticize the empty space that has been overlooked by accounting researchers who use agency theory as the theoretical basis for research that has been carried out and published so far. Apart from criticizing, this research is also an effort to close this empty space so that the theories used in accounting research are more relevant and reliable in the future.

Agency theory can explain why earnings management occurs. Agency theory emphasizes the relationship between management and investors or shareholders. Management that has the trust of investors in managing the company certainly has fairly complete information, in contrast to shareholders who have limited information. This information imbalance can trigger conflict between parties. Differences in interests make parties try to find loopholes to gain benefits for each of them (Nainggolan & Karunia, 2022).

## Financial statements

According to PSAK 1 (Indonesia, 2017) financial reports are a structured presentation of the financial position and financial performance of an entity. According to Subramanyam (2014), financial reports are the result of a financial reporting process that is in accordance with accounting, managerial rules and standards and is based on the company's implementation and supervision processes.

Apart from that, the meaning of Financial Reports is also contained in PSAK No. 1 of 2015 concerning the Presentation of Financial Reports which states that: Financial reports are a structured presentation of the financial position and financial performance of an entity. The purpose of financial reports is to provide information about the company's financial position, financial performance and cash flow which is useful for users of financial reports in making economic decisions.

According to Donald E. Kieso, Jerry J. Weygandt (2018), companies prepare five financial reports from accounting data that has been summarized (summarizing), namely profit and loss report, comprehensive income statement, financial position report, retained earnings report, and current report. cash. In general, the types of financial reports prepared by the same company only have different names and are adjusted to the type of business run by the company. Based on PSAK Number 1 of 2015 concerning Presentation of Financial Reports, a complete financial report consists of a balance sheet, profit and loss report, report on changes in financial position, notes and other reports as well as explanatory material which is part of the financial report.

### Cash Turnover

Cash is something that can be used to make payments. Cash can also be in the form of a checking account at a bank, and cash in the company. Usually, for cash in the company, the company can form petty cash (Petty Cash), as stated by Effendi (2016: 191). There are two methods for managing petty cash funds according to Mulyadi (2016: 425). The two methods are fixed fund and non-fixed fund methods.

### Receivables Turnover

According to Hery (2013: 161) trade receivables are the amount that will be collected from customers as a result of selling products or services on credit. There are so many transactions that companies carry out in their daily activities. Starting from the activity of purchasing the assets needed, paying the various expenses required in order to obtain benefits, to the activity of producing and selling company products to consumers. Based on the theory above, it can be concluded that receivables are bills given to customers or customers who make purchase transactions with the company.

According to Kasmir (2015: 176) Receivables Turnover is a ratio used to measure how long it takes to collect receivables during one period or how many times the funds invested in receivables are turned over in one period. According to Irham (2013: 155), in the concept of receivables (receivable concept), the higher the turnover, the better, but vice versa, the slower the turnover of receivables, the worse it is. The receivables turnover rate depends on the payment terms provided by the company. The longer the payment terms, the longer the funds or capital are tied up in the receivables, which means the lower the receivables turnover rate.

### Profitability

Every company hopes to get maximum profit from sales. Profit is a measure of the success of a company. Profitability ratios are ratios in the form of comparisons of financial accounts so that financial information becomes useful according to Samryn (2015: 424).

Profitability ratios are ratios to assess a company's ability to make a profit. The profitability ratio provides a benchmark regarding the level of effectiveness of a company's management according to Kasmir (2018:196). Profitability has an important role in the company as a reflection of the company's future and has good prospects in the future (Makarim, Rosyid, & Kulsum, 2018). The profitability ratio is used to measure the level of earnings compared to sales or assets, and also measures the size of the company's capability to gain profits in relation to sales, assets, profits and own capital according to Sujarweni (2017: 64).

The profitability variable in this research is proxied by return on assets (ROA). According to Kasmir (2018: 202) Return on Assets (ROA) is a ratio that shows the results on the number of assets used in the company. Return on Assets (ROA) is the level of measurement of returns from a business on all existing assets. This ratio shows the efficiency of the funds used in the company.

**The Effect of Partial Cash Turnover on Profitability in Transportation and Logistics Companies Listed on the Indonesia Stock Exchange in 2018-2022.**

Hypothesis 1 states that cash turnover has no significant effect on profitability. Based on the table above, the Unstandardized Beta Coefficients value is -0.296 and it is known that Cash Turnover has a significance level of 0.074 which is greater than the significance level (0.05), so it can be concluded that cash turnover has no effect on profitability.

The cash turnover significance value is greater than the expected significance (0.05), indicating that the cash turnover variable has no effect on profitability in transportation and logistics companies listed on the Indonesia Stock Exchange in 2018-2022. So the first hypothesis is rejected. The results of this research are in line with research conducted by Defia (2022) and Fuady & Rahmawati (2018) which states that cash turnover has no effect on profitability.

The research results illustrate that the company's cash turnover in achieving profits cannot explain the level of return on the company's cash that will be received by investors. This proves that parties within the company are less efficient in managing cash. If a company can manage cash effectively and efficiently, then cash turnover will be high. So that sales and profitability will increase and the company's financial condition will not be disturbed.

This shows that cash turnover is not able to increase profitability in the company. The reason cash turnover is unable to increase profitability in transportation and logistics companies is because the company's cash cannot be managed optimally in each period, resulting in too much cash being held and not used and therefore unable to increase its profitability.

**The Effect of Partial Receivables Turnover on Profitability in Transportation and Logistics Companies Listed on the Indonesia Stock Exchange in 2018-2022.**

Hypothesis 2 states that receivables turnover has a significant effect on profitability. Based on the table above, the Unstandardized Beta Coefficients value is 0.373 and it is known that receivables turnover has a significance level of 0.027, which is smaller than the significance level (0.05), so it can be concluded that receivables turnover has a positive effect on profitability.

The significance value of receivables turnover is smaller than the expected significance (0.05), indicating that the receivables turnover variable influences profitability in transportation and logistics companies listed on the Indonesia Stock Exchange in 2018-2022. So the second hypothesis is accepted. The results of this research are in line with research conducted by Pratiwi & Ardini (2019) and Karamina & Soekotjo (2018) who conducted a study on the LQ45 company stating that receivables turnover affects profitability.

Credit sales will benefit the company because it attracts more potential buyers so that sales volume increases, which means increasing company profits. Large amounts of receivables will result in the risk of bad debts which can be detrimental to the company. So it can be concluded that low receivable turnover will cause the company's level of profitability to also be low. This shows that the turnover of receivables has been running well and smoothly so that it is quickly turned into cash. The higher the turnover rate, the higher the profitability achieved.

**The Effect of Simultaneous Cash Turnover and Receivables Turnover on Profitability in Transportation and Logistics Companies listed on the Indonesia Stock Exchange in 2018-2022.**

Hypothesis 3 states that cash turnover and receivables turnover have a significant simultaneous effect on profitability. Based on the table above, a significance value of 0.031 is obtained, which is smaller than the significance level (0.05), so it can be concluded that cash turnover and receivables turnover have a positive effect simultaneously on profitability.

The significance value of cash turnover and receivables turnover is smaller than the expected significance (0.05), indicating that the cash turnover and receivables turnover variables simultaneously influence profitability in transportation and logistics companies listed on the Indonesia Stock Exchange in 2018-2022. So the third hypothesis is accepted. The results of this research are in line with research conducted by Anggarini et al. (2022) and Fuady & Rahmawati (2018) who conducted a study on health sector manufacturing companies in 2016-2022 stated that cash turnover and receivables turnover had a simultaneous effect on profitability.

This means that if cash turnover and receivables turnover move simultaneously or together, it will have a significant influence on profitability. Therefore, if the company can manage cash and receivables better, it is likely that the company's profitability will continue to increase.

### Suggestion

Cash turnover has no significant effect on profitability in transportation and logistics companies listed on the Indonesia Stock Exchange for the 2018-2022 period with a significance value of 0.074 which is greater than 0.05. This shows that cash turnover is not able to increase profitability because the company's cash cannot be managed optimally in each period, causing too much cash to be held and not used, therefore it is unable to increase its profitability.

Receivables turnover affects profitability in transportation and logistics companies listed on the Indonesia Stock Exchange for the 2018-2022 period with a significance value of 0.027, which is smaller than 0.05. This shows that the faster a company's receivables turnover, the better the company's financial condition and level of profitability. On the other hand, the slower the turnover of receivables, the worse the company's financial condition will be because the longer it takes for the receivables to become cash.

Cash turnover and receivables turnover simultaneously influence profitability in transportation and logistics companies listed on the Indonesia Stock Exchange for the 2018-2022 period with a significance value of 0.031, which is smaller than 0.05. This shows that if cash turnover and receivables turnover move simultaneously or together, it will have a significant influence on profitability.

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## The Effect Of Cash Turnover And Receivable Turnover On Profitability In Transportation ...

Melisa Indah Lestari, Fika Aryani

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