

THE EFFECT OF RECEIVABLES TURNOVER AND CASH TURNOVER ON RETURN ON ASSETS (ROA) AT THE COMPANY PT. SKF INDUSTRIAL INDONESIA

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Abstract

The problem identified in this study is that accounts receivable turnover and cash turnover have an impact on Return on Assets (ROA). This study was conducted to determine and examine the effect of accounts receivable turnover and cash turnover on Return on Assets (ROA) at PT SKF Industrial Indonesia. This study is motivated by an increase in accounts receivable turnover and cash turnover but not followed by an increase in Return on Assets (ROA). The data collection method used in this research is unstructured observation by obtaining secondary data in the form of financial reports from the company's finance team. This data analysis was carried out by Descriptive Statistical Analysis, Classical Assumption Test, Multiple Linear Regression Analysis, Hypothesis Test, and Determination Coefficient Test. Based on the results of hypothesis testing, it is found that the variables of accounts receivable turnover and cash turnover partially and simultaneously have no effect on return on assets. While the coefficient of determination test shows that the independent variables affect the dependent variable and are influenced by other variables. Therefore, the increase in accounts receivable turnover and cash turnover has no significant effect on return on assets.

Keywords : Cash Turnover, Receivables Turnover, Return on Assets (ROA)

Introduction

The goal of all companies, whether engaged in services, manufacturing or trading, is to obtain the maximum profit possible. This is to maintain the company's ability to grow, survive and be strong in the face of competition. In a company, profit can be said to be profit or profit. So, profit is the profit earned by a company after making sales. The company's ability to generate profits is called profitability. One of the profitability ratios that is often used to review the company's ability to generate profits is Return on Assets (ROA).

Return on Assets (ROA) or the rate of return on assets is one of the measuring tools of the profitability ratio to assess the percentage of profit (profit) obtained by the company related to total assets so that the company's efficiency in managing its assets will be seen from the percentage of this Return on Assets (ROA) ratio. The high and low Return on Assets (ROA) according to Riyanto is influenced by two factors, namely turnover of operating assets and profit margin. It can be concluded that the turnover of operating assets such as cash, accounts receivable and inventory affects the amount of Return on Assets. Cash, receivables and inventory used in the company are

very important for the company's operational activities where the costs incurred come from these current assets, it is the main component in the activities of a company. The company is said to be developing if it has assets that always increase every year so that it makes investors interested in investing.

PT SKF Industrial Indonesia is a manufacturing company that produces bearings, seals, and lubrication systems. There is a phenomenon that occurs in this company, namely an increase in trade receivables. While its Return on Assets has decreased. This can be presented in comparison with accounts receivable turnover, cash turnover, and ROA during 2016 to 2020, namely:

Table 1 Accounts receivable turnover, cash turnover, and ROA

Year	Total Revenue	Receivables Turnover	Cash Turnover	Average Collection of Receivables	Total Assets	Net Profit	ROA
2016	107,847,234	14.71	5.20	69	47,626,584	(1,541,428)	-3%
2017	193,169,076	5.36	6.95	52	135,458,154	36,558,092	27%
2018	469,436,711	6.80	10.47	34	200,678,318	22,627,924	11%
2019	582,149,510	7.23	14.99	24	177,502,763	18,177,781	10%
2020	475,459,719	5.57	7.94	45	230,265,565	11,463,253	5%

Table 1, namely in 2017-2020 accounts receivable turnover and cash turnover appear to have increased, while Return on Assets (ROA) decreased so that this became a phenomenon in this study in order to test the effect of accounts receivable turnover and cash turnover with Return on Assets (ROA).

Literature Review

Profitability

According to Munawir (2002), "Profitability is the ability of a company to generate profits over a certain period of time." The profitability of a company shows the company's ability to generate profits at a certain level of assets, sales, and equity capital over a certain period of time. So, every

non-profit company will definitely focus on its profitability, because the sustainability of a non-profit company depends on its success in making a profit. The better the level of profitability ratios, the better the company's profitability.

Profitability ratio is one of the measuring instruments used to measure the effectiveness of company performance. The definition of profitability ratio put forward by (Kasmir, 2016: 196-197) is "The ratio to assess the company's ability to make a profit. This profitability ratio assesses the company's ability to generate profits using the company's resources, such as total assets, capital, or company sales." The ratios used in measuring profitability are Net profit margin, ROA, ROE, and ROI,:

Return on Assets (ROA)

According to Kasmir (2019: 204), "Return on Assets is a ratio that shows the return on the total assets used by a company." ROA is also a measure of the effectiveness of management in managing its investments. A higher return on assets means that every rupiah embedded in total assets generates a higher amount of net income.... Factors that affect Return on Assets (ROA) are accounts receivable turnover, cash turnover, and inventory turnover. ROA shows the extent to which the ability of the assets owned by the company can generate profits. This ratio also shows a better measure of the company's profitability because it shows how effective management is in using assets to generate income. The formula that can be used to measure the Return on Assets ratio is :

$$ROA = \frac{\text{Net Profit After Tax}}{\text{Total Assets}}$$

Accounts Receivable Turnover

According to Cashmere (2019: 178), "Accounts receivable turnover is a measure of how long it takes to collect receivables during a period or how much money invested in these receivables is rotated in a period". The value of accounts receivable turnover depends on the payment terms set by the company, the longer the payment period set by the company, the longer the capital is tied up in the receivables, resulting in a slow process of accounts receivable turnover, this also means that if the payment period set by the company is faster, the accounts receivable turnover process is also faster so that profits increase. So accounts receivable turnover is a form of financial indicator that describes the intensity of a company to be able to convert receivables into cash.

To measure the accounts receivable turnover period, it can be done with the following formula:

$$\text{Average receivables} = \frac{\text{Beginning Receivables} + \text{Ending Receivables}}{2}$$

$$\text{Receivables Turnover} = \frac{\text{Revenue}}{\text{Average receivables}}$$

The level of receivables turnover can be used as a benchmark to evaluate how efficient receivables management is because the higher the level of receivables turnover of a company, the more effective its receivables management is.

Cash Turnover

The cash turnover ratio shows how many times the company's cash cycles through sales in one period. Cash turnover is a measure of how efficiently a company uses cash. Because cash turnover describes the turnover of cash flow, the return of cash that has been invested in working capital.

To measure the amount of cash rotating in a period, the following formula can be used:

$$\text{Cash Turnover Ratio: } \frac{\text{Net Sales}}{\text{Average Cash}}$$

The faster the cash comes back to the company means the higher the cash turnover rate, the cash can be reused to fund operational activities so as not to disturb the company's financial condition.

Research Methods

This study uses a quantitative approach whose data is in the form of numbers which are then processed to be tested against existing theories. The object in this study is accounts receivable turnover as variable X1, cash turnover as X2, and Return on Assets (ROA) as variable Y. Meanwhile, the research subject is PT. SKF Industrial Indonesia. The data obtained is secondary data in the form of financial reports for 2016-2020 prepared by the finance team of PT. SKF Industrial Indonesia.

The data collection method used in this study is unstructured observation. According to Sugiyono (2021: 225) "Observations that are not systematically prepared about what will be observed". This research was conducted because the researcher did not know for sure about what would be studied. Observations are made by looking at historical data, namely in the form of financial statements from 2016 to 2020 consisting of balance sheets and profit and loss. Then analyze by calculating the value of accounts receivable turnover, cash turnover and Return on Assets (ROA). The sampling technique used is purposive sampling, which is a sampling technique with certain considerations.

Results and Discussion

Multiple Linear Regression Analysis

Multiple linear regression analysis is used to determine the effect of one or more independent variables on one dependent variable. The following are the results of multiple linear regression calculations using IBM SPSS Statistics Version 25:

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	0.306	0.221		1.380	0.302
Receivables Turnover	-0.016	0.015	-0.666	-1.086	0.391
Cash Turnover	-0.007	0.015	-0.285	-0.465	0.688

a. Dependent Variable: ROA

From the table in Coefficients above by looking at column B, the following equation is obtained: $Y = 0.306 - 0.016X_1 - 0.007X_2$. So the conclusion that can be explained is that the constant value (a) has a positive value of 0.306. The positive sign means that it shows a unidirectional influence between the independent variable and the dependent variable. This shows that if all independent variables including accounts receivable turnover (X1), and cash turnover (X2) are 0 percent or have no change, then the ROA value is 0.306. The regression coefficient value for the accounts receivable turnover variable (X1) is -0.016. This value shows a negative effect (opposite direction) between the accounts receivable turnover variable and ROA. This means that if the accounts receivable turnover variable increases by 1%, the ROA variable will decrease by 0.016 on the contrary. Assuming that other variables remain constant. The regression coefficient value for the cash turnover variable (X2) is -0.007. This value shows a negative effect (opposite direction) between the cash turnover variable and ROA. This means that if the liquidity variable increases by 1%, the ROA variable will decrease by 0.007. Assuming that other variables are considered constant.

Partial Hypothesis Test (t test)

Partial hypothesis testing (t test) to find out partially whether it has a significant effect or vice versa. By using IBM SPSS Statistics Version 25.

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		

		B	Std. Error	Beta		
1	(Constant)	.330	.221		1.490	.275
	X1	-.023	.015	-.793	-1.516	.269
	X2	-.006	.015	-.189	-.362	.752

a. Dependent Variable: Y

Based on the table above, the results of partial hypothesis testing, namely based on the results of partial hypothesis testing, the probability value of the accounts receivable turnover variable is $0.269 > 0.05$. In addition, it can also be seen from the comparison between t_{count} and t_{table} , namely $-1.516 < 3.182$, it can be concluded that H1 is rejected, meaning that partially the accounts receivable turnover variable has no effect on the ROA variable. Meanwhile, based on the results of partial hypothesis testing, the probability value of the cash turnover variable is $0.752 > 0.05$. In addition, it can also be seen from the results of the comparison between t_{count} and t_{table} , namely $-0.362 < 3.182$, it can be concluded that H2 is rejected, meaning that partially the cash turnover variable has no effect on the ROA variable.

Simultaneous Hypothesis Test (F Test)

The F statistical test is used to determine the effect of all independent variables included in the regression model together on the dependent variable tested at a significance level of 0.05. By using IBM SPSS Statistics Version 25.

ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.013	2	.007	.590	.629 ^b
	Residual	.022	2	.011		
	Total	.036	4			

a. Dependent Variable: ROA

b. Predictors: (Constant), Perputaran Kas, Perputaran Piutang

Based on the table above, the results of simultaneous hypothesis testing obtained a probability value of $0.629 > 0.05$. In addition, it can also be seen from the results of the comparison between

Fcount and Ftable, namely $0.590 < 9.55$, it can be concluded that H3 is rejected, meaning that together or simultaneously the variables of accounts receivable turnover and cash turnover have no effect on the ROA variable.

Determinant Coefficient Test (R2)

The coefficient of determination is a value that states the partial influence of the independent variable on the dependent variable. By using IBM SPSS Statistics Version 25.

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.609 ^a	0.371	-0.258	0.10592	1.760

a. Predictors: (Constant), Cash Turnover, Receivables Turnover

b. Dependent Variable: ROA

Based on the table above, it is obtained information that R Square is 0.371, this value shows simultaneously in contributing or influencing what is known as the Coefficient of Determination (KD) calculated from squaring the correlation coefficient. Based on the above calculations, it can be concluded that the contribution of the influence of Accounts Receivable Turnover and Cash Turnover on Return Of Assets is 37.1%, while the remaining 62.9% is influenced by other variables.

Conclusion

Based on the results of the research and discussion that has been carried out, there are conclusions partially showing that accounts receivable turnover and cash turnover have no significant effect on Return on Assets (ROA) at the company PT. SKF Industrial Indonesia in 2016-2020. Simultaneously, it shows that the variables of accounts receivable turnover and cash turnover have no effect on Return on Assets (ROA) at the company PT SKF Industrial Indonesia in 2016-2020. Based on the research we have made, the authors have limitations in obtaining data and time for research, therefore for future researchers we hope to prepare maximum time to obtain the desired data and add other information to the research to be studied.

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